

**OVERSIGHT BOARD
SUCCESSOR AGENCY
AGENDA**

April 14, 2017

**REGULAR SESSION
9 a.m. - Executive Conference Room
Level Three
1 Civic Center Circle, Brea, CA 92821**

CALL TO ORDER / ROLL CALL

1. **Public Comment** - This is the portion of the meeting for any member of the public to address the Oversight Board on any matter not on the agenda that is within the subject matter jurisdiction of the board. The Brown Act, with limited exception, does not allow the board or staff to discuss issues brought forth under Public Comment. Comments should be limited to 5 minutes per person.

DISCUSSION / ACTION ITEMS

2. **March 31, 2017 Special Meeting Minutes** - Approve.
3. **Approval by the Oversight Board Directing the Preparation of Proceedings for the Refunding of the Outstanding 2003 Tax Allocation Bonds and 2011 Tax Allocation Bonds, Series A and Taxable Series B of the Former Brea Redevelopment Agency, Approving Issuance and Sale of the Refunding Bonds, Making Certain Determinations and Providing Other Matters Relating Thereto** - Adopt **Resolution OB 2017-10** Directing Preparation of Proceedings for the Refunding Of Outstanding 2003 And 2011 Bonds, Approving Issuance and Sale of Refunding Bonds, Making Certain Determinations and Providing Other Matters Relating Thereto. This Will Result in an Average Annual Increase of Approximately \$182,570 in Property Tax Revenues to the City's General Fund. These are Estimated Savings Based on Current Market Conditions and Subject to Change.
4. **Bond Proceeds Funding Agreement Between the City of Brea and the Successor Agency to the Brea Redevelopment Agency for 2011A Non-Housing Bonds** - Adopt Resolution **OB 2017-11** Approving the 2011A Bond Proceeds Funding Agreement.

5. **Second Amendment to the Brea Mall Owner Participation Agreement OPA.** - Adopt Resolution **OB 2017-12** Approving the Second Amendment to the Brea Mall Owner Participation Agreement.
6. **Consideration of Approval of Execution and Delivery of an Agreement to Terminate Disposition and Development Agreement as to Commercial Center Component (Gateway Center) and Related Payoff Agreement and Taking Certain Related Actions** - Adopt Resolution **SA 2017-08** to Approve an Agreement to Terminate Disposition and Development Agreement as to Commercial Center Component and Related Payoff Agreement and Taking Certain Related Actions. This Payoff will Result in a One-Time Receipt of Approximately \$8,000,000 (Eight Million) to the Successor Agency, Which Will Then Be Transmitted to the County Auditor-Controller for Disbursement to the Taxing Entities. The Transaction Would Also Extinguish the Successor Agency's Obligation to Make Future CFD-Related Payments (Estimated to be \$135,000) under the DDA.

MEMBER REPORTS / ANNOUNCEMENTS

STAFF UPDATES

ADJOURNMENT

This agenda contains a brief general description of each item the Oversight Board will consider. The City Clerk has on file copies of written documentation relating to each item of business on this Agenda available for public inspection. Contact the City Clerk's Office at (714) 990-7756 or view the Agenda and related materials on the City's website at www.cityofbrea.net. Materials related to an item on this agenda submitted to the Oversight Board after distribution of the agenda packet are available for public inspection in the City Clerk's Office at 1 Civic Center Circle, Brea, CA during normal business hours. Such documents may also be available on the City's website subject to staff's ability to post documents before the meeting.

Special Accommodations

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk's Office at (714) 990-7757. Notification 48 hours prior to the meeting will enable City staff to make reasonable arrangements to ensure accessibility. (28 CFR 35.102.35.104 ADA Title II)

City of Brea

BOARD COMMUNICATION

TO: Honorable Chair and Board Members
FROM: City Manager,
DATE: 04/14/2017
SUBJECT: **March 31, 2017 Special Meeting Minutes**

SIGNATURE BLOCK

Respectfully submitted: Lillian Harris-Neal, City Clerk
Prepared by: Karen O'Leary

Attachments

March 31, 2017 Special Meeting Minutes

DRAFT

OVERSIGHT BOARD TO THE CITY OF BREA AS SUCCESSOR AGENCY TO THE BREA REDEVELOPMENT AGENCY

MINUTES

March 31, 2017

SPECIAL MEETING

**9:00 a.m. - Executive Conference Room
Level Three**

Present: Chair Bill Gallardo; Vice Chair Brad Mason; Don Parker; Kashu Vyas; Keri Bullock

Absent: Kent Forde; Don Schweitzer

Staff Present: Lee Squire; David Crabtree; Kathie DeRobbio; Cindy Russell; Karen O'Leary

CALL TO ORDER / ROLL CALL

Chair Gallardo called the meeting to order at 9:00 a.m.

1. **Public Comment** - None.

DISCUSSION / ACTION ITEMS

2. **January 20, 2017 Special Meeting Minutes**

Motion was made by Don Parker, seconded by Kashu Vyas to approve the January 20, 2017 Special Meeting minutes as presented.

AYES: Chair Bill Gallardo, Vice Chair Brad Mason, Don Parker, Kashu Vyas, Keri Bullock
Passed

3. **Consideration of Approval of Execution and Delivery of an Agreement to Terminate Disposition and Development Agreement as to Commercial Center Component (Gateway Center) and Related Payoff Agreement and Taking Certain Related Actions**

Vice Chair Mason excused himself and left the meeting at 9:43 a.m.

Community Development Director Crabtree provided a history of the Gateway Center, outlined the property's current and expected future income streams, explained that the State would like the City to terminate this agreement and provide a lump-sum payment to be divided between the taxing entities, introduced Julie Romey of Keyser Marston, and provided a handout. Ms. Romey explained the details of

the value of the property, provided the projection of future expenses and risks, and discussed how the proposal submitted by the property owners was evaluated.

In response to Boardmembers' questions, Ms. Romey and Community Development Director Crabtree clarified that the City approached the property owners at the urging of the California Department of Finance and noted that if no action is taken, the agreement will terminate in 2048.

Boardmember Parker expressed concern about whether the City has negotiated the best possible deal. Chair Gallardo suggested continuing the item to the April 14, 2017 Regular Oversight Board Meeting and directed staff to contact the property owners to gather more information to bring back to the Oversight Board.

Ms. Romey explained that the property owners based this amount on calculations on their gross rents and not on net spendable rents which included capital and tenant improvements.

Motion was made by Don Parker, seconded by Kashu Vyas to continue Item 3 to the April 14, 2017 Regular Oversight Board meeting.

AYES: Chair Bill Gallardo, Don Parker, Kashu Vyas, Keri Bullock

Other: Vice Chair Brad Mason (ABSENT)

Passed

4. Sale of Successor Agency Owned Property Located at 323 N. Brea Blvd

Economic Development Manager DeRobbio presented an update on the sale of the three (3) Successor Agency owned properties and reported that the recommended buyer of the third property at 323 N. Brea Blvd. would like to develop the property into a medical office.

Motion was made by Don Parker, seconded by Keri Bullock to adopt **Resolution OB 2017-09** authorizing the sale of real property to the recommended buyer.

AYES: Chair Bill Gallardo, Don Parker, Kashu Vyas, Keri Bullock

Other: Vice Chair Brad Mason (ABSENT)

Passed

MEMBER REPORTS / ANNOUNCEMENTS

Regarding Item 3, Boardmember Vyas requested that staff assess the property owners' intentions and ensure that the decision is in the best interest of the community.

ADJOURNMENT

Chair Gallardo adjourned the meeting at 9:51 a.m.

Respectfully submitted,

The foregoing minutes are hereby
approved this 14th day of April, 2017

Lillian Harris-Neal, City Clerk

Bill Gallardo, Chair

City of Brea

BOARD COMMUNICATION

TO: Honorable Chair and Board Members

FROM: David Crabtree, Community Development Director

DATE: 04/14/2017

SUBJECT: Approval by the Oversight Board Directing the Preparation of Proceedings for the Refunding of the Outstanding 2003 Tax Allocation Bonds and 2011 Tax Allocation Bonds, Series A and Taxable Series B of the Former Brea Redevelopment Agency, Approving Issuance and Sale of the Refunding Bonds, Making Certain Determinations and Providing Other Matters Relating Thereto

RECOMMENDATION

Adopt the resolution.

BACKGROUND

Pursuant to Assembly Bill (AB) 1484, successor agencies are permitted to refinance debt obligations of the former redevelopment agencies. Conditions subject to refinancing of these debt obligations would be the reduction in the annual debt payments; that no new debt be created; and that the term of the refunding bonds shall be the same as that of the debt proposed to be refinanced. Staff has identified such an opportunity which is presented in this staff report. In December 2013, Staff had previously refinanced outstanding Tax Allocation Bonds (TABs) of the former Brea Redevelopment Agency secured by Project Area AB revenues. In November 2016, Staff had previously refinanced outstanding Tax Allocation Bonds of the former Brea Redevelopment Agency, secured by Project Area C revenues.

In July 2003, the Brea Redevelopment Agency issued \$120,497,866 in Project Area AB Tax Allocation Bonds. The proceeds were used to fund redevelopment projects and the 1993 TABs. Currently, the outstanding balance on the 2003 Tax Allocation Bonds (2003 TABs) available for refunding is \$14,180,000 (current interest bonds only). In June 2011, the Brea Redevelopment Agency issued \$18,839,323 in Project Area AB Tax Allocation Bonds Series A and \$10,295,000 Taxable Tax Allocation Housing Bonds Series B. The proceeds were used to fund Redevelopment Projects (Non-Housing and Housing) and refund the 2001 TABs. Currently, the outstanding balance on the 2011 Tax Allocation Bonds Series A and B (2011 TABs) available for refunding is \$33,224,736. The total outstanding amount of the 2003 TABs and 2011 TABs to be refunded is \$47,404,736.

The Debt Service Savings Analysis based on market conditions as of March 15, 2017, indicates that the refinancing of the outstanding bonds will produce an average annual reduction in bond payments of \$1,475,914. The same reduction in annual bond payments frees up additional property tax revenues for distribution to affected taxing entities. This will

result in an annual increase to the City of approximately \$182,570 based on current market conditions, subject to change. The following is a summary of the savings for each bond issue:

Bonds	Current Average Annual Debt Service	New Average Annual Debt Service	Total Average Annual Savings	Annual Distribution to the City
2003	\$1,682,173	\$1,522,274	\$159,900	\$19,779
2011	\$3,897,544	\$2,581,529	\$1,316,014	\$162,791
TOTAL	\$5,579,717	\$4,103,803	\$1,475,914	\$182,570

The first step in moving forward with the refunding bonds was accomplished by the Successor Agency by adopting SA Resolution 2017-04 on April 4, 2017, which includes the Debt Service Savings Analysis, Indenture of Trust, Escrow Agreement and Bond Purchase Agreement. SA Resolution 2017-04 directs the Successor Agency to undertake proceedings for the proposed refunding of the outstanding bonds, approve the required legal documents and authorize all of the necessary actions relating to the proposed refinancing, hiring bond counsel and other professional services and directing City officials to execute related documents.

The next step is for the Oversight Board to consider adoption of the required resolution accompanied by the Successor Agency Resolution, Debt Service Savings Analysis, and related bond documents. Once the Oversight Board has approved their resolution, the next step is to forward the Oversight Board Resolution and the Successor Agency Resolution with all attachments to the California Department of Finance (DOF) who has up to sixty days to approve the Oversight Board Resolution. Staff will be requesting an expedited review of the Oversight Board Resolution by the DOF.

The final step will occur after the DOF approves the Oversight Board Resolution. Thereafter, the Successor Agency will adopt a resolution approving the Preliminary Official Statement (bond offering document) and other related bond documents. Based on the current schedule, staff anticipates this action would be scheduled for Successor Agency consideration on May 16, 2017.

FISCAL IMPACT

The Successor Agency has a total of \$47,404,736.40 in outstanding 2003 and 2011 Project Area AB Tax Allocation Bonds. Staff is recommending that the Successor Agency refinance the outstanding bonds in order to reduce the average annual bond payments by \$1,475,914, resulting in a corresponding annual increase in property tax revenues to affected taxing entities. This will result in an average annual increase of approximately \$182,570 in property tax revenues to the City's General Fund. These are estimated savings based on current market conditions and subject to change.

SIGNATURE BLOCK

Respectfully submitted: David Crabtree, Community Development Director

Prepared by: Lee Squire, Fiscal Services Manager

Concurrence: Cindy Russell, Administrative Services Director

Attachments

Debt Service Savings Report

Resolution OB 2017-10

SA Resolution 2017-04

Indenture of Trust

Escrow Agreement

Bond Purchase Agreement

DEBT SERVICE SAVINGS ANALYSIS REPORT

Successor Agency to the Brea Redevelopment Agency Redevelopment Project AB 2017 Tax Allocation Refunding Bonds Series A (Tax-Exempt) and Series B (Taxable)

	2003A TAB AA- Underlying, Surety ⁽¹⁾⁽²⁾	2011A TAB (CAB Portion) AA- Underlying, Surety ⁽¹⁾⁽²⁾	2011A TAB (CIB Portion) AA- Underlying, Surety ⁽¹⁾⁽²⁾	2011B TAB AA- Underlying, Surety ⁽¹⁾⁽²⁾	Total
Refunding Bond Amount	\$14,255,000	\$19,070,020	\$3,110,000	\$10,905,000	\$47,340,020
Par Refunded	\$16,475,000	\$14,430,651	\$4,315,000	\$9,940,000	\$45,160,651
Final Maturity	8/1/2032	8/1/2036	8/1/2031	8/1/2029	8/1/2036
Average Coupon of Refunded Bonds	4.45%	7.53%	5.00%	7.16%	5.98%
Average Coupon of Refunding Bonds	5.00%	N/A	5.00%	3.61%	N/A
True Interest Cost (effective rate)	3.25%	4.61%	3.63%	3.60%	4.00%
Net Present Value Savings (\$)	\$1,551,341	\$5,192,250	\$52,097	\$401,674	\$7,197,362
Present Value Savings (%)	9.42%	23.43%	1.21%	4.04%	13.61%
Nominal Savings (\$)	\$2,398,494	\$21,766,679	\$2,034,678	\$1,842,519	\$28,042,370
Average Annual Savings* (\$)	\$159,900	\$1,145,615	\$145,334	\$153,543	\$1,475,914
Taxing Entities Share of Average Annual Savings:					
Brea City	\$19,779	\$141,712	\$17,978	\$18,993	\$182,570
Fullerton City	\$1,046	\$7,491	\$950	\$1,004	\$9,651
Orange County Vector Control District	\$173	\$1,238	\$157	\$166	\$1,595
Orange County Transit Authority	\$434	\$3,111	\$395	\$417	\$4,008
Orange County Sanitation Gen. Fund	\$4,777	\$34,224.44	\$4,342	\$4,587	\$44,092
Fullerton Elementary Gen. Fund	\$14	\$98	\$12	\$13	\$126
Fullerton Union High Gen. Fund	\$1,524	\$10,920	\$1,385	\$1,464	\$14,069
Brea Olinda Unified Gen. Fund	\$59,360	\$425,290	\$53,953	\$57,000	\$547,908
Placentia Yorba Linda Unified	\$7,508	\$53,795	\$6,824	\$7,210	\$69,304
La Habra Elementary Gen. Fund	\$1,985	\$14,224	\$1,804	\$1,906	\$18,324
North Orange County Community College Gen. Fund	\$10,798	\$77,360	\$9,814	\$10,368	\$99,664
Orange County Dept. of Education Gen. Fund	\$5,737	\$41,107	\$5,215	\$5,509	\$52,958
Orange County Gen. Fund	\$9,444	\$67,661	\$8,584	\$9,068	\$87,169
Orange County Public Library	\$2,579	\$18,480	\$2,344	\$2,477	\$23,809
Orange County Flood Control District	\$3,059	\$21,919	\$2,781	\$2,938	\$28,239
Orange County Parks CSA 26	\$2,365	\$16,943	\$2,149	\$2,271	\$21,828
ERAF	\$29,317	\$210,042	\$26,646	\$28,151	\$270,601
Total	\$159,900	\$1,145,615	\$145,334	\$153,543	\$1,475,914

*Average Annual Savings for each series are calculated as "Nominal Savings divided by number of years with principal outstanding for each series". Amount will not add up to the Total Average

(1) Assumes Closing Date of 6/29/2017, Market Conditions as of 3/15/2017

(2) Refunding assumes Surety at 2.5%

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Successor Agency to the Brea Redevelopment Agency
2017 Tax Allocation Bonds
Project Area AB

Assume 'AA-' Rating with Standalone Reserve Surety

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SOURCES AND USES OF FUNDS

Successor Agency to the Brea Redevelopment Agency
2017 Tax Allocation Bonds
Project Area AB

Assume 'AA-' Rating with Standalone Reserve Surety

Sources:	Refunding 2003 TABs	Refunding 2011 Series A TABs (CAB Portion)	Refunding 2011 Series A TABs (CIB Portion)	Refunding 2011 Series B TABs	Total
Bond Proceeds:					
Par Amount	14,255,000.00	19,070,019.60	3,110,000.00	10,905,000.00	47,340,019.60
Premium	2,450,577.90	609,825.10	467,744.00		3,528,147.00
	<u>16,705,577.90</u>	<u>19,679,844.70</u>	<u>3,577,744.00</u>	<u>10,905,000.00</u>	<u>50,868,166.60</u>
Other Sources of Funds:					
August 1, 2017 Payment	366,568.75	95,000.00	107,875.00	449,582.60	1,019,026.35
Prior DSRF		1,619,774.33	264,158.00	1,029,500.00	2,913,432.33
Unexpended Proceeds		<u>6,320,278.80</u>	<u>1,030,731.35</u>		<u>7,351,010.15</u>
	<u>366,568.75</u>	<u>8,035,053.13</u>	<u>1,402,764.35</u>	<u>1,479,082.60</u>	<u>11,283,468.83</u>
	<u>17,072,146.65</u>	<u>27,714,897.83</u>	<u>4,980,508.35</u>	<u>12,384,082.60</u>	<u>62,151,635.43</u>
Uses:					
Refunding Escrow Deposits:					
Cash Deposit	0.44	0.59	0.92	0.35	2.30
SLGS Purchases	<u>16,826,846.00</u>	<u>27,390,107.00</u>	<u>4,925,518.00</u>	<u>12,195,947.00</u>	<u>61,338,418.00</u>
	<u>16,826,846.44</u>	<u>27,390,107.59</u>	<u>4,925,518.92</u>	<u>12,195,947.35</u>	<u>61,338,420.30</u>
Delivery Date Expenses:					
Cost of Issuance	204,375.83	273,409.41	44,588.48	156,346.44	678,720.16
Surety Reserve Fund (250 bps)	<u>38,293.49</u>	<u>51,228.17</u>	<u>8,354.45</u>	<u>29,294.31</u>	<u>127,170.42</u>
	<u>242,669.32</u>	<u>324,637.58</u>	<u>52,942.93</u>	<u>185,640.75</u>	<u>805,890.58</u>
Other Uses of Funds:					
Additional Proceeds	2,630.89	152.66	2,046.50	2,494.50	7,324.55
	<u>17,072,146.65</u>	<u>27,714,897.83</u>	<u>4,980,508.35</u>	<u>12,384,082.60</u>	<u>62,151,635.43</u>

Notes:

The financing was evaluated at interest rates as of 3/15/17 and tax-exempt spreads to the generic 'AAA' municipal yield index ('MMD') of +10 bps in 2018 and increasing +45 bps in 2036. The refunding of the taxable 2011 Series B bonds was done at taxable spreads to comparable treasuries of +30bps in 2018 and increasing to +170 bps in 2029. With respect to the convertible capital appreciation bond interest rates, the financing was evaluated at interest rate spreads to MMD of +75 basis points beginning in 2018, increasing to +180 basis points in 2036.

These spreads are representative of what similarly sized, tax allocation bond credits with underlying credit characteristics similar to the Successor Agency's project area have priced at or traded in the days right ahead of such analysis but in no way does Stifel guarantee the pricing results. Stifel has assumed an underlying AA- rating for the Bonds based on the current bond rating.

Assumptions:

- 1) Refunding bonds have been structured with a 2.5% surety reserve fund (per recent surety reserve funds on similarly rated deals).
- 4) Debt service has been structured to produce proportional annual savings with the same final maturity as the refunded bonds.
- 5) Dated date of 6/29/2017, cost of issuance includes an allowance for the underwriter's discount.

SUMMARY OF REFUNDING RESULTS

Successor Agency to the Brea Redevelopment Agency
 2017 Tax Allocation Bonds
 Project Area AB

Assume 'AA-' Rating with Standalone Reserve Surety

	Refunding 2003 TABs	Refunding 2011 Series A TABs (CAB Portion)	Refunding 2011 Series A TABs (CIB Portion)	Refunding 2011 Series B TABs	Total
Dated Date	06/29/2017	06/29/2017	06/29/2017	06/29/2017	06/29/2017
Delivery Date	06/29/2017	06/29/2017	06/29/2017	06/29/2017	06/29/2017
Arbitrage Yield	3.784878%	3.784878%	3.784878%	3.784878%	3.784878%
Escrow Yield	0.760655%	1.931247%	1.910835%	1.891182%	1.909364%
Value of Negative Arbitrage	41,878.87	1,903,271.07	325,062.17	770,079.89	3,040,292.00
Bond Par Amount	14,255,000.00	19,070,019.60	3,110,000.00	10,905,000.00	47,340,019.60
True Interest Cost	3.253663%	4.605614%	3.626767%	3.597186%	4.000027%
Net Interest Cost	3.571775%		3.932492%	3.611358%	
Average Coupon	5.000000%		5.000000%	3.611358%	
Average Life	12.037	14.660	14.089	8.060	12.312
Par amount of refunded bonds	16,475,000.00	14,430,651.35	4,315,000.00	9,940,000.00	45,160,651.35
Value of refunded bonds on delivery date		22,163,856.60			52,893,856.60
Average coupon of refunded bonds	4.450000%	7.528281%	5.000000%	7.155983%	5.976961%
Average life of refunded bonds	12.034	11.655	14.089	8.637	11.362
PV of prior debt	17,821,662.50	35,026,815.95	4,972,044.86	12,642,330.91	70,462,854.21
Net PV Savings	1,551,341.19	5,192,249.52	52,097.32	401,673.91	7,197,361.94
Percentage savings of refunded bonds	9.416335%	23.426652%	1.207354%	4.040985%	13.607179%
Percentage savings of refunding bonds	10.882786%	27.227290%	1.675155%	3.683392%	15.203547%

SUMMARY OF REFUNDING RESULTS

Successor Agency to the Brea Redevelopment Agency
2017 Tax Allocation Bonds
Project Area AB

Assume 'AA-' Rating with Standalone Reserve Surety

Notes:

The financing was evaluated at interest rates as of 3/15/17 and tax-exempt spreads to the generic 'AAA' municipal yield index ('MMD') of +10 bps in 2018 and increasing +45 bps in 2036. The refunding of the taxable 2011 Series B bonds was done at taxable spreads to comparable treasuries of +30bps in 2018 and increasing to +170 bps in 2029. With respect to the convertible capital appreciation bond interest rates, the financing was evaluated at interest rate spreads to MMD of +75 basis points beginning in 2018, increasing to +180 basis points in 2036. These spreads are representative of what similarly sized, tax allocation bond credits with underlying credit characteristics similar to the Successor Agency's project area have priced at or traded in the days right ahead of such analysis but in no way does Stifel guarantee the pricing results. Stifel has assumed an underlying AA- rating for the Bonds based on the current bond rating.

Assumptions:

- 1) Refunding bonds have been structured with a 2.5% surety reserve fund (per recent surety reserve funds on similarly rated deals).
- 4) Debt service has been structured to produce proportional annual savings with the same final maturity as the refunded bonds.
- 5) Dated date of 6/29/2017, cost of issuance includes an allowance for the underwriter's discount.

SAVINGS

Successor Agency to the Brea Redevelopment Agency
2017 Tax Allocation Bonds
Project Area AB

Assume 'AA-' Rating with Standalone Reserve Surety

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Savings	Present Value to 06/29/2017 @ 3.7848776%
08/01/2017	1,019,026.35	1,019,026.35				
08/01/2018	2,093,312.70		2,093,312.70	1,867,378.79	225,933.91	216,422.76
08/01/2019	2,097,810.70		2,097,810.70	1,789,629.50	308,181.20	286,742.27
08/01/2020	2,091,390.00		2,091,390.00	1,786,794.50	304,595.50	273,008.27
08/01/2021	2,089,389.96		2,089,389.96	1,787,362.50	302,027.46	260,778.05
08/01/2022	2,286,785.56		2,286,785.56	1,936,737.50	350,048.06	290,883.79
08/01/2023	5,471,865.46		5,471,865.46	3,984,237.50	1,487,627.96	1,185,578.58
08/01/2024	6,450,499.46		6,450,499.46	4,868,127.50	1,582,371.96	1,207,903.19
08/01/2025	6,451,023.20		6,451,023.20	4,871,015.00	1,580,008.20	1,161,654.50
08/01/2026	4,311,967.50		4,311,967.50	3,462,138.00	849,829.50	599,526.37
08/01/2027	12,342,740.30		12,342,740.30	10,446,178.00	1,896,562.30	1,294,167.66
08/01/2028	4,628,194.00		4,628,194.00	3,671,973.00	956,221.00	625,671.51
08/01/2029	3,583,036.50		3,583,036.50	2,744,676.00	838,360.50	527,362.71
08/01/2030	3,454,920.00		3,454,920.00	2,564,250.00	890,670.00	539,816.46
08/01/2031	10,659,517.50		10,659,517.50	7,859,250.00	2,800,267.50	1,645,899.72
08/01/2032	10,662,165.00		10,662,165.00	7,406,750.00	3,255,415.00	1,843,713.84
08/01/2033	10,665,000.00		10,665,000.00	6,605,750.00	4,059,250.00	2,216,535.73
08/01/2034	10,665,000.00		10,665,000.00	6,604,000.00	4,061,000.00	2,137,341.93
08/01/2035	3,005,000.00		3,005,000.00	1,862,750.00	1,142,250.00	578,870.36
08/01/2036	3,005,000.00		3,005,000.00	1,853,250.00	1,151,750.00	562,602.17
	107,033,644.19	1,019,026.35	106,014,617.84	77,972,247.79	28,042,370.05	17,454,479.86

Savings Summary

PV of savings from cash flow	17,454,479.86
Less: Prior funds on hand	-10,264,442.48
Plus: Refunding funds on hand	7,324.55
Net PV Savings	7,197,361.93

Notes:

The financing was evaluated at interest rates as of 3/15/17 and tax-exempt spreads to the generic 'AAA' municipal yield index ('MMD') of +10 bps in 2018 and increasing +45 bps in 2036. The refunding of the taxable 2011 Series B bonds was done at taxable spreads to comparable treasuries of +30bps in 2018 and increasing to +170 bps in 2029. With respect to the convertible capital appreciation bond interest rates, the financing was evaluated at interest rate spreads to MMD of +75 basis points beginning in 2018, increasing to +180 basis points in 2036.

These spreads are representative of what similarly sized, tax allocation bond credits with underlying credit characteristics similar to the Successor Agency's project area have priced at or traded in the days right ahead of such analysis but in no way does Stifel guarantee the pricing results. Stifel has assumed an underlying AA- rating for the Bonds based on the current bond rating.

Assumptions:

- 1) Refunding bonds have been structured with a 2.5% surety reserve fund (per recent surety reserve funds on similarly rated deals).
- 4) Debt service has been structured to produce proportional annual savings with the same final maturity as the refunded bonds.
- 5) Dated date of 6/29/2017, cost of issuance includes an allowance for the underwriter's discount.

SAVINGS

Successor Agency to the Brea Redevelopment Agency
 Refunding 2003 TABs
 (Refunding of 2003 Tax Allocation Bonds)
 Project Area AB

Assume 'AA-' Rating with Standalone Reserve Surety

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Savings	Present Value to 06/29/2017 @ 3.7848776%
08/01/2017	366,568.75	366,568.75				
08/01/2018	733,137.50		733,137.50	776,105.56	-42,968.06	-42,214.90
08/01/2019	733,137.50		733,137.50	712,750.00	20,387.50	19,030.00
08/01/2020	733,137.50		733,137.50	712,750.00	20,387.50	18,329.68
08/01/2021	733,137.50		733,137.50	712,750.00	20,387.50	17,655.13
08/01/2022	733,137.50		733,137.50	712,750.00	20,387.50	17,005.41
08/01/2023	733,137.50		733,137.50	712,750.00	20,387.50	16,379.59
08/01/2024	733,137.50		733,137.50	712,750.00	20,387.50	15,776.81
08/01/2025	733,137.50		733,137.50	712,750.00	20,387.50	15,196.21
08/01/2026	733,137.50		733,137.50	712,750.00	20,387.50	14,636.98
08/01/2027	8,768,137.50		8,768,137.50	7,697,750.00	1,070,387.50	733,386.12
08/01/2028	1,050,580.00		1,050,580.00	923,500.00	127,080.00	83,926.12
08/01/2029	1,050,542.50		1,050,542.50	920,500.00	130,042.50	82,708.11
08/01/2030	1,559,170.00		1,559,170.00	1,366,250.00	192,920.00	118,142.89
08/01/2031	3,103,767.50		3,103,767.50	2,723,250.00	380,517.50	224,394.37
08/01/2032	3,102,165.00		3,102,165.00	2,724,750.00	377,415.00	214,357.79
	25,599,168.75	366,568.75	25,232,600.00	22,834,105.56	2,398,494.44	1,548,710.30

Savings Summary

PV of savings from cash flow	1,548,710.30
Plus: Refunding funds on hand	2,630.89
Net PV Savings	1,551,341.19

SAVINGS

Successor Agency to the Brea Redevelopment Agency
Refunding 2011 Series A TABs (CAB Portion)

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Savings	Present Value to 06/29/2017 @ 3.7848776%
08/01/2017	95,000.00	95,000.00				
08/01/2018	345,000.00		345,000.00	214,021.11	130,978.89	123,636.18
08/01/2019	350,000.00		350,000.00	216,550.00	133,450.00	121,676.94
08/01/2020	345,000.00		345,000.00	215,750.00	129,250.00	113,465.19
08/01/2021	345,000.00		345,000.00	214,750.00	130,250.00	110,155.55
08/01/2022	440,000.00		440,000.00	273,750.00	166,250.00	135,856.02
08/01/2023	3,320,000.00		3,320,000.00	2,054,750.00	1,265,250.00	1,005,561.59
08/01/2024	3,260,000.00		3,260,000.00	2,017,000.00	1,243,000.00	944,918.47
08/01/2025	3,260,000.00		3,260,000.00	2,021,000.00	1,239,000.00	907,512.52
08/01/2026	1,565,000.00		1,565,000.00	1,002,500.00	562,500.00	393,308.70
08/01/2027	1,560,000.00		1,560,000.00	1,002,500.00	557,500.00	375,409.42
08/01/2028	1,565,000.00		1,565,000.00	1,002,500.00	562,500.00	364,893.16
08/01/2029	1,565,000.00		1,565,000.00	1,002,500.00	562,500.00	351,464.78
08/01/2030	1,680,000.00		1,680,000.00	1,042,500.00	637,500.00	384,442.22
08/01/2031	3,025,000.00		3,025,000.00	1,870,500.00	1,154,500.00	675,143.00
08/01/2032	7,560,000.00		7,560,000.00	4,682,000.00	2,878,000.00	1,629,356.05
08/01/2033	10,665,000.00		10,665,000.00	6,605,750.00	4,059,250.00	2,216,535.73
08/01/2034	10,665,000.00		10,665,000.00	6,604,000.00	4,061,000.00	2,137,341.93
08/01/2035	3,005,000.00		3,005,000.00	1,862,750.00	1,142,250.00	578,870.36
08/01/2036	3,005,000.00		3,005,000.00	1,853,250.00	1,151,750.00	562,602.17
	57,620,000.00	95,000.00	57,525,000.00	35,758,321.11	21,766,678.89	13,132,149.99

Savings Summary

PV of savings from cash flow	13,132,149.99
Less: Prior funds on hand	-7,940,053.13
Plus: Refunding funds on hand	152.66
Net PV Savings	5,192,249.52

SAVINGS

Successor Agency to the Brea Redevelopment Agency
Refunding 2011 Series A TABs (CIB Portion)

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Savings	Present Value to 06/29/2017 @ 3.7848776%
08/01/2017	107,875.00	107,875.00				
08/01/2018	215,750.00		215,750.00	169,322.22	46,427.78	44,866.58
08/01/2019	215,750.00		215,750.00	155,500.00	60,250.00	56,238.25
08/01/2020	215,750.00		215,750.00	155,500.00	60,250.00	54,168.64
08/01/2021	215,750.00		215,750.00	155,500.00	60,250.00	52,175.18
08/01/2022	215,750.00		215,750.00	155,500.00	60,250.00	50,255.09
08/01/2023	215,750.00		215,750.00	155,500.00	60,250.00	48,405.66
08/01/2024	215,750.00		215,750.00	155,500.00	60,250.00	46,624.29
08/01/2025	215,750.00		215,750.00	155,500.00	60,250.00	44,908.48
08/01/2026	215,750.00		215,750.00	155,500.00	60,250.00	43,255.81
08/01/2027	215,750.00		215,750.00	155,500.00	60,250.00	41,663.96
08/01/2028	215,750.00		215,750.00	155,500.00	60,250.00	40,130.69
08/01/2029	215,750.00		215,750.00	155,500.00	60,250.00	38,653.84
08/01/2030	215,750.00		215,750.00	155,500.00	60,250.00	37,231.35
08/01/2031	4,530,750.00		4,530,750.00	3,265,500.00	1,265,250.00	746,362.35
	7,443,375.00	107,875.00	7,335,500.00	5,300,822.22	2,034,677.78	1,344,940.17

Savings Summary

PV of savings from cash flow	1,344,940.17
Less: Prior funds on hand	-1,294,889.35
Plus: Refunding funds on hand	2,046.50
Net PV Savings	52,097.32

SAVINGS

Successor Agency to the Brea Redevelopment Agency
 Refunding 2011 Series B TABs
 (Refunding 2011 Taxable Tax Allocation Housing Bonds, Series B)
 Project Area AB

Assume 'AA-' Rating with Standalone Reserve Surety

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Savings	Present Value to 06/29/2017 @ 3.7848776%
08/01/2017	449,582.60	449,582.60				
08/01/2018	799,425.20		799,425.20	707,929.90	91,495.30	90,134.90
08/01/2019	798,923.20		798,923.20	704,829.50	94,093.70	89,797.08
08/01/2020	797,502.50		797,502.50	702,794.50	94,708.00	87,044.76
08/01/2021	795,502.46		795,502.46	704,362.50	91,139.96	80,792.18
08/01/2022	897,898.06		897,898.06	794,737.50	103,160.56	87,767.27
08/01/2023	1,202,977.96		1,202,977.96	1,061,237.50	141,740.46	115,231.74
08/01/2024	2,241,611.96		2,241,611.96	1,982,877.50	258,734.46	200,583.61
08/01/2025	2,242,135.70		2,242,135.70	1,981,765.00	260,370.70	194,037.30
08/01/2026	1,798,080.00		1,798,080.00	1,591,388.00	206,692.00	148,324.89
08/01/2027	1,798,852.80		1,798,852.80	1,590,428.00	208,424.80	143,708.16
08/01/2028	1,796,864.00		1,796,864.00	1,590,473.00	206,391.00	136,721.54
08/01/2029	751,744.00		751,744.00	666,176.00	85,568.00	54,535.98
	16,371,100.44	449,582.60	15,921,517.84	14,078,998.90	1,842,518.94	1,428,679.41

Savings Summary

PV of savings from cash flow	1,428,679.41
Less: Prior funds on hand	-1,029,500.00
Plus: Refunding funds on hand	2,494.50
Net PV Savings	401,673.91

BOND PRICING

Successor Agency to the Brea Redevelopment Agency
2017 Tax Allocation Bonds
Project Area AB

Assume 'AA-' Rating with Standalone Reserve Surety

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Principal per \$5,000 at Maturity
Refunding 2003 TABs, Tax-Exempt Serial Bond:						
	08/01/2018		3.000%	0.930%	102.236	
	08/01/2019		4.000%	1.180%	105.800	
	08/01/2020		5.000%	1.440%	110.716	
	08/01/2021		5.000%	1.610%	113.361	
	08/01/2022		5.000%	1.880%	115.072	
	08/01/2023		5.000%	2.090%	116.554	
	08/01/2024		5.000%	2.340%	117.280	
	08/01/2025		5.000%	2.490%	118.284	
	08/01/2026		5.000%	2.660%	118.779	
	08/01/2027	6,985,000.00	5.000%	2.800%	119.217	
	08/01/2028	560,000.00	5.000%	2.940%	117.869	C
	08/01/2029	585,000.00	5.000%	3.070%	116.633	C
	08/01/2030	1,060,000.00	5.000%	3.150%	115.880	C
	08/01/2031	2,470,000.00	5.000%	3.240%	115.040	C
	08/01/2032	2,595,000.00	5.000%	3.320%	114.300	C
	08/01/2033		5.000%	3.390%	113.656	C
	08/01/2034		5.000%	3.450%	113.108	C
	08/01/2035		5.000%	3.500%	112.654	C
	08/01/2036		5.000%	3.540%	112.292	C
		14,255,000.00				
Refunding 2011 Series A TABs (CAB Portion), Tax-Exempt Serial Bond:						
	08/01/2018		3.000%	0.930%	102.236	
	08/01/2019	20,000.00	4.000%	1.180%	105.800	
	08/01/2020	20,000.00	5.000%	1.440%	110.716	
	08/01/2021	20,000.00	5.000%	1.610%	113.361	
	08/01/2022	80,000.00	5.000%	1.880%	115.072	
	08/01/2023	1,865,000.00	5.000%	2.090%	116.554	
	08/01/2024		5.000%	2.340%	117.280	
	08/01/2025		5.000%	2.490%	118.284	
	08/01/2026		5.000%	2.660%	118.779	
	08/01/2027		5.000%	2.800%	119.217	
	08/01/2028		5.000%	2.940%	117.869	C
	08/01/2029		5.000%	3.070%	116.633	C
	08/01/2030	40,000.00	5.000%	3.150%	115.880	C
	08/01/2031	870,000.00	5.000%	3.240%	115.040	C
	08/01/2032	1,020,000.00	5.000%	3.320%	114.300	C
	08/01/2033		5.000%	3.390%	113.656	C
	08/01/2034		5.000%	3.450%	113.108	C
	08/01/2035		5.000%	3.500%	112.654	C
	08/01/2036		5.000%	3.540%	112.292	C
		3,935,000.00				
Refunding 2011 Series A TABs (CAB Portion), Tax-Exempt Convertible CAB Bond:						
	08/01/2024	754,216.00	3.290%	3.528%	100.000	4,099.00
	08/01/2025	785,738.80	3.490%	3.852%	100.000	4,050.20
	08/01/2026		3.710%	4.118%	100.000	3,997.25
	08/01/2027		3.900%	4.314%	100.000	3,952.10
	08/01/2028		4.090%	4.432%	100.000	C 3,907.55
	08/01/2029		4.270%	4.545%	100.000	C 3,865.80

BOND PRICING

Successor Agency to the Brea Redevelopment Agency
 2017 Tax Allocation Bonds
 Project Area AB

Assume 'AA-' Rating with Standalone Reserve Surety

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Principal per \$5,000 at Maturity
Refunding 2011 Series A TABs (CAB Portion), Tax-Exempt Convertible CAB Bond:						
	08/01/2030		4.450%	4.657%	100.000 C	3,824.55
	08/01/2031		4.590%	4.744%	100.000 C	3,792.80
	08/01/2032	2,042,166.80	4.670%	4.794%	100.000 C	3,774.80
	08/01/2033	4,386,869.70	4.740%	4.838%	100.000 C	3,759.10
	08/01/2034	4,588,543.75	4.800%	4.875%	100.000 C	3,745.75
	08/01/2035	1,262,294.80	4.850%	4.906%	100.000 C	3,734.60
	08/01/2036	1,315,189.75	4.890%	4.931%	100.000 C	3,725.75
		15,135,019.60				
Refunding 2011 Series A TABs (CIB Portion), Tax-Exempt Serial Bond:						
	08/01/2018		3.000%	0.930%	102.236	
	08/01/2019		4.000%	1.180%	105.800	
	08/01/2020		5.000%	1.440%	110.716	
	08/01/2021		5.000%	1.610%	113.361	
	08/01/2022		5.000%	1.880%	115.072	
	08/01/2023		5.000%	2.090%	116.554	
	08/01/2024		5.000%	2.340%	117.280	
	08/01/2025		5.000%	2.490%	118.284	
	08/01/2026		5.000%	2.660%	118.779	
	08/01/2027		5.000%	2.800%	119.217	
	08/01/2028		5.000%	2.940%	117.869 C	
	08/01/2029		5.000%	3.070%	116.633 C	
	08/01/2030		5.000%	3.150%	115.880 C	
	08/01/2031	3,110,000.00	5.000%	3.240%	115.040 C	
	08/01/2032		5.000%	3.320%	114.300 C	
	08/01/2033		5.000%	3.390%	113.656 C	
	08/01/2034		5.000%	3.450%	113.108 C	
	08/01/2035		5.000%	3.500%	112.654 C	
	08/01/2036		5.000%	3.540%	112.292 C	
		3,110,000.00				
Refunding 2011 Series B TABs, Taxable Serial Bond:						
	08/01/2018	300,000.00	1.600%	1.600%	100.000	
	08/01/2019	335,000.00	2.100%	2.100%	100.000	
	08/01/2020	340,000.00	2.480%	2.480%	100.000	
	08/01/2021	350,000.00	2.750%	2.750%	100.000	
	08/01/2022	450,000.00	3.000%	3.000%	100.000	
	08/01/2023	730,000.00	3.200%	3.200%	100.000	
	08/01/2024	1,675,000.00	3.350%	3.350%	100.000	
	08/01/2025	1,730,000.00	3.490%	3.490%	100.000	
	08/01/2026	1,400,000.00	3.640%	3.640%	100.000	
	08/01/2027	1,450,000.00	3.790%	3.790%	100.000	
	08/01/2028	1,505,000.00	3.940%	3.940%	100.000	
	08/01/2029	640,000.00	4.090%	4.090%	100.000	
		10,905,000.00				
		47,340,019.60				

BOND PRICING

Successor Agency to the Brea Redevelopment Agency
 2017 Tax Allocation Bonds
 Project Area AB

Assume 'AA-' Rating with Standalone Reserve Surety

Dated Date	06/29/2017	
Delivery Date	06/29/2017	
First Coupon	02/01/2018	
Par Amount	47,340,019.60	
Premium	3,528,147.00	
	<hr/>	
Production	50,868,166.60	107.452779%
Underwriter's Discount		
	<hr/>	
Purchase Price	50,868,166.60	107.452779%
Accrued Interest		
	<hr/>	
Net Proceeds	50,868,166.60	

Notes:

The financing was evaluated at interest rates as of 3/15/17 and tax-exempt spreads to the generic 'AAA' municipal yield index ('MMD') of +10 bps in 2018 and increasing +45 bps in 2036. The refunding of the taxable 2011 Series B bonds was done at taxable spreads to comparable treasuries of +30bps in 2018 and increasing to +170 bps in 2029. With respect to the convertible capital appreciation bond interest rates, the financing was evaluated at interest rate spreads to MMD of +75 basis points beginning in 2018, increasing to +180 basis points in 2036.

These spreads are representative of what similarly sized, tax allocation bond credits with underlying credit characteristics similar to the Successor Agency's project area have priced at or traded in the days right ahead of such analysis but in no way does Stifel guarantee the pricing results. Stifel has assumed an underlying AA- rating for the Bonds based on the current bond rating.

Assumptions:

- 1) Refunding bonds have been structured with a 2.5% surety reserve fund (per recent surety reserve funds on similarly rated deals).
- 4) Debt service has been structured to produce proportional annual savings with the same final maturity as the refunded bonds.
- 5) Dated date of 6/29/2017, cost of issuance includes an allowance for the underwriter's discount.

BOND DEBT SERVICE

Successor Agency to the Brea Redevelopment Agency
 Refunding 2003 TABs
 (Refunding of 2003 Tax Allocation Bonds)
 Project Area AB

Assume 'AA-' Rating with Standalone Reserve Surety

Period Ending	Principal	Coupon	Interest	Debt Service
08/01/2018			776,105.56	776,105.56
08/01/2019			712,750.00	712,750.00
08/01/2020			712,750.00	712,750.00
08/01/2021			712,750.00	712,750.00
08/01/2022			712,750.00	712,750.00
08/01/2023			712,750.00	712,750.00
08/01/2024			712,750.00	712,750.00
08/01/2025			712,750.00	712,750.00
08/01/2026			712,750.00	712,750.00
08/01/2027	6,985,000	5.000%	712,750.00	7,697,750.00
08/01/2028	560,000	5.000%	363,500.00	923,500.00
08/01/2029	585,000	5.000%	335,500.00	920,500.00
08/01/2030	1,060,000	5.000%	306,250.00	1,366,250.00
08/01/2031	2,470,000	5.000%	253,250.00	2,723,250.00
08/01/2032	2,595,000	5.000%	129,750.00	2,724,750.00
	14,255,000		8,579,105.56	22,834,105.56

BOND DEBT SERVICE

Successor Agency to the Brea Redevelopment Agency
Refunding 2011 Series A TABs (CAB Portion)

Period Ending	Principal	Coupon	Interest	Compounded Interest	Debt Service
08/01/2018			214,021.11		214,021.11
08/01/2019	20,000.00	4.000%	196,550.00		216,550.00
08/01/2020	20,000.00	5.000%	195,750.00		215,750.00
08/01/2021	20,000.00	5.000%	194,750.00		214,750.00
08/01/2022	80,000.00	5.000%	193,750.00		273,750.00
08/01/2023	1,865,000.00	5.000%	189,750.00		2,054,750.00
08/01/2024	754,216.00	3.290%	1,097,000.00	165,784.00	2,017,000.00
08/01/2025	785,738.80	3.490%	1,051,000.00	184,261.20	2,021,000.00
08/01/2026			1,002,500.00		1,002,500.00
08/01/2027			1,002,500.00		1,002,500.00
08/01/2028			1,002,500.00		1,002,500.00
08/01/2029			1,002,500.00		1,002,500.00
08/01/2030	40,000.00	5.000%	1,002,500.00		1,042,500.00
08/01/2031	870,000.00	5.000%	1,000,500.00		1,870,500.00
08/01/2032	3,062,166.80	** %	957,000.00	662,833.20	4,682,000.00
08/01/2033	4,386,869.70	4.740%	770,750.00	1,448,130.30	6,605,750.00
08/01/2034	4,588,543.75	4.800%	479,000.00	1,536,456.25	6,604,000.00
08/01/2035	1,262,294.80	4.850%	172,750.00	427,705.20	1,862,750.00
08/01/2036	1,315,189.75	4.890%	88,250.00	449,810.25	1,853,250.00
	19,070,019.60		11,813,321.11	4,874,980.40	35,758,321.11

BOND DEBT SERVICE

Successor Agency to the Brea Redevelopment Agency
Refunding 2011 Series A TABs (CIB Portion)

Period Ending	Principal	Coupon	Interest	Debt Service
08/01/2018			169,322.22	169,322.22
08/01/2019			155,500.00	155,500.00
08/01/2020			155,500.00	155,500.00
08/01/2021			155,500.00	155,500.00
08/01/2022			155,500.00	155,500.00
08/01/2023			155,500.00	155,500.00
08/01/2024			155,500.00	155,500.00
08/01/2025			155,500.00	155,500.00
08/01/2026			155,500.00	155,500.00
08/01/2027			155,500.00	155,500.00
08/01/2028			155,500.00	155,500.00
08/01/2029			155,500.00	155,500.00
08/01/2030			155,500.00	155,500.00
08/01/2031	3,110,000	5.000%	155,500.00	3,265,500.00
	3,110,000		2,190,822.22	5,300,822.22

BOND DEBT SERVICE

Successor Agency to the Brea Redevelopment Agency
 Refunding 2011 Series B TABs
 (Refunding 2011 Taxable Tax Allocation Housing Bonds, Series B)
 Project Area AB

Assume 'AA-' Rating with Standalone Reserve Surety

Period Ending	Principal	Coupon	Interest	Debt Service
08/01/2018	300,000	1.600%	407,929.90	707,929.90
08/01/2019	335,000	2.100%	369,829.50	704,829.50
08/01/2020	340,000	2.480%	362,794.50	702,794.50
08/01/2021	350,000	2.750%	354,362.50	704,362.50
08/01/2022	450,000	3.000%	344,737.50	794,737.50
08/01/2023	730,000	3.200%	331,237.50	1,061,237.50
08/01/2024	1,675,000	3.350%	307,877.50	1,982,877.50
08/01/2025	1,730,000	3.490%	251,765.00	1,981,765.00
08/01/2026	1,400,000	3.640%	191,388.00	1,591,388.00
08/01/2027	1,450,000	3.790%	140,428.00	1,590,428.00
08/01/2028	1,505,000	3.940%	85,473.00	1,590,473.00
08/01/2029	640,000	4.090%	26,176.00	666,176.00
	10,905,000		3,173,998.90	14,078,998.90

BOND DEBT SERVICE

Successor Agency to the Brea Redevelopment Agency
 Refunding 2003 TABs
 (Refunding of 2003 Tax Allocation Bonds)
 Project Area AB

Assume 'AA-' Rating with Standalone Reserve Surety

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/01/2018			419,730.56	419,730.56	
08/01/2018			356,375.00	356,375.00	776,105.56
02/01/2019			356,375.00	356,375.00	
08/01/2019			356,375.00	356,375.00	712,750.00
02/01/2020			356,375.00	356,375.00	
08/01/2020			356,375.00	356,375.00	712,750.00
02/01/2021			356,375.00	356,375.00	
08/01/2021			356,375.00	356,375.00	712,750.00
02/01/2022			356,375.00	356,375.00	
08/01/2022			356,375.00	356,375.00	712,750.00
02/01/2023			356,375.00	356,375.00	
08/01/2023			356,375.00	356,375.00	712,750.00
02/01/2024			356,375.00	356,375.00	
08/01/2024			356,375.00	356,375.00	712,750.00
02/01/2025			356,375.00	356,375.00	
08/01/2025			356,375.00	356,375.00	712,750.00
02/01/2026			356,375.00	356,375.00	
08/01/2026			356,375.00	356,375.00	712,750.00
02/01/2027			356,375.00	356,375.00	
08/01/2027	6,985,000	5.000%	356,375.00	7,341,375.00	7,697,750.00
02/01/2028			181,750.00	181,750.00	
08/01/2028	560,000	5.000%	181,750.00	741,750.00	923,500.00
02/01/2029			167,750.00	167,750.00	
08/01/2029	585,000	5.000%	167,750.00	752,750.00	920,500.00
02/01/2030			153,125.00	153,125.00	
08/01/2030	1,060,000	5.000%	153,125.00	1,213,125.00	1,366,250.00
02/01/2031			126,625.00	126,625.00	
08/01/2031	2,470,000	5.000%	126,625.00	2,596,625.00	2,723,250.00
02/01/2032			64,875.00	64,875.00	
08/01/2032	2,595,000	5.000%	64,875.00	2,659,875.00	2,724,750.00
	14,255,000		8,579,105.56	22,834,105.56	22,834,105.56

BOND DEBT SERVICE

Successor Agency to the Brea Redevelopment Agency
Refunding 2011 Series A TABs (CAB Portion)

Period Ending	Principal	Coupon	Interest	Compounded Interest	Debt Service	Annual Debt Service
02/01/2018			115,746.11		115,746.11	
08/01/2018			98,275.00		98,275.00	214,021.11
02/01/2019			98,275.00		98,275.00	
08/01/2019	20,000.00	4.000%	98,275.00		118,275.00	216,550.00
02/01/2020			97,875.00		97,875.00	
08/01/2020	20,000.00	5.000%	97,875.00		117,875.00	215,750.00
02/01/2021			97,375.00		97,375.00	
08/01/2021	20,000.00	5.000%	97,375.00		117,375.00	214,750.00
02/01/2022			96,875.00		96,875.00	
08/01/2022	80,000.00	5.000%	96,875.00		176,875.00	273,750.00
02/01/2023			94,875.00		94,875.00	
08/01/2023	1,865,000.00	5.000%	94,875.00		1,959,875.00	2,054,750.00
02/01/2024			548,500.00		548,500.00	
08/01/2024	754,216.00	3.290%	548,500.00	165,784.00	1,468,500.00	2,017,000.00
02/01/2025			525,500.00		525,500.00	
08/01/2025	785,738.80	3.490%	525,500.00	184,261.20	1,495,500.00	2,021,000.00
02/01/2026			501,250.00		501,250.00	
08/01/2026			501,250.00		501,250.00	1,002,500.00
02/01/2027			501,250.00		501,250.00	
08/01/2027			501,250.00		501,250.00	1,002,500.00
02/01/2028			501,250.00		501,250.00	
08/01/2028			501,250.00		501,250.00	1,002,500.00
02/01/2029			501,250.00		501,250.00	
08/01/2029			501,250.00		501,250.00	1,002,500.00
02/01/2030			501,250.00		501,250.00	
08/01/2030	40,000.00	5.000%	501,250.00		541,250.00	1,042,500.00
02/01/2031			500,250.00		500,250.00	
08/01/2031	870,000.00	5.000%	500,250.00		1,370,250.00	1,870,500.00
02/01/2032			478,500.00		478,500.00	
08/01/2032	3,062,166.80	** %	478,500.00	662,833.20	4,203,500.00	4,682,000.00
02/01/2033			385,375.00		385,375.00	
08/01/2033	4,386,869.70	4.740%	385,375.00	1,448,130.30	6,220,375.00	6,605,750.00
02/01/2034			239,500.00		239,500.00	
08/01/2034	4,588,543.75	4.800%	239,500.00	1,536,456.25	6,364,500.00	6,604,000.00
02/01/2035			86,375.00		86,375.00	
08/01/2035	1,262,294.80	4.850%	86,375.00	427,705.20	1,776,375.00	1,862,750.00
02/01/2036			44,125.00		44,125.00	
08/01/2036	1,315,189.75	4.890%	44,125.00	449,810.25	1,809,125.00	1,853,250.00
	19,070,019.60		11,813,321.11	4,874,980.40	35,758,321.11	35,758,321.11

BOND DEBT SERVICE

Successor Agency to the Brea Redevelopment Agency
Refunding 2011 Series A TABs (CIB Portion)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/01/2018			91,572.22	91,572.22	
08/01/2018			77,750.00	77,750.00	169,322.22
02/01/2019			77,750.00	77,750.00	
08/01/2019			77,750.00	77,750.00	155,500.00
02/01/2020			77,750.00	77,750.00	
08/01/2020			77,750.00	77,750.00	155,500.00
02/01/2021			77,750.00	77,750.00	
08/01/2021			77,750.00	77,750.00	155,500.00
02/01/2022			77,750.00	77,750.00	
08/01/2022			77,750.00	77,750.00	155,500.00
02/01/2023			77,750.00	77,750.00	
08/01/2023			77,750.00	77,750.00	155,500.00
02/01/2024			77,750.00	77,750.00	
08/01/2024			77,750.00	77,750.00	155,500.00
02/01/2025			77,750.00	77,750.00	
08/01/2025			77,750.00	77,750.00	155,500.00
02/01/2026			77,750.00	77,750.00	
08/01/2026			77,750.00	77,750.00	155,500.00
02/01/2027			77,750.00	77,750.00	
08/01/2027			77,750.00	77,750.00	155,500.00
02/01/2028			77,750.00	77,750.00	
08/01/2028			77,750.00	77,750.00	155,500.00
02/01/2029			77,750.00	77,750.00	
08/01/2029			77,750.00	77,750.00	155,500.00
02/01/2030			77,750.00	77,750.00	
08/01/2030			77,750.00	77,750.00	155,500.00
02/01/2031			77,750.00	77,750.00	
08/01/2031	3,110,000	5.000%	77,750.00	3,187,750.00	3,265,500.00
	3,110,000		2,190,822.22	5,300,822.22	5,300,822.22

BOND DEBT SERVICE

Successor Agency to the Brea Redevelopment Agency
 Refunding 2011 Series B TABs
 (Refunding 2011 Taxable Tax Allocation Housing Bonds, Series B)
 Project Area AB

Assume 'AA-' Rating with Standalone Reserve Surety

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/01/2018			220,615.15	220,615.15	
08/01/2018	300,000	1.600%	187,314.75	487,314.75	707,929.90
02/01/2019			184,914.75	184,914.75	
08/01/2019	335,000	2.100%	184,914.75	519,914.75	704,829.50
02/01/2020			181,397.25	181,397.25	
08/01/2020	340,000	2.480%	181,397.25	521,397.25	702,794.50
02/01/2021			177,181.25	177,181.25	
08/01/2021	350,000	2.750%	177,181.25	527,181.25	704,362.50
02/01/2022			172,368.75	172,368.75	
08/01/2022	450,000	3.000%	172,368.75	622,368.75	794,737.50
02/01/2023			165,618.75	165,618.75	
08/01/2023	730,000	3.200%	165,618.75	895,618.75	1,061,237.50
02/01/2024			153,938.75	153,938.75	
08/01/2024	1,675,000	3.350%	153,938.75	1,828,938.75	1,982,877.50
02/01/2025			125,882.50	125,882.50	
08/01/2025	1,730,000	3.490%	125,882.50	1,855,882.50	1,981,765.00
02/01/2026			95,694.00	95,694.00	
08/01/2026	1,400,000	3.640%	95,694.00	1,495,694.00	1,591,388.00
02/01/2027			70,214.00	70,214.00	
08/01/2027	1,450,000	3.790%	70,214.00	1,520,214.00	1,590,428.00
02/01/2028			42,736.50	42,736.50	
08/01/2028	1,505,000	3.940%	42,736.50	1,547,736.50	1,590,473.00
02/01/2029			13,088.00	13,088.00	
08/01/2029	640,000	4.090%	13,088.00	653,088.00	666,176.00
	10,905,000		3,173,998.90	14,078,998.90	14,078,998.90

ESCROW REQUIREMENTS

Successor Agency to the Brea Redevelopment Agency 2017 Tax Allocation Bonds Project Area AB

Assume 'AA-' Rating with Standalone Reserve Surety

Period Ending	Principal	Interest	Compounded Interest	Principal Redeemed	Compound Int Redeemed	Total
08/01/2017	173,391.30	819,953.36	21,608.70	16,475,000.00		17,489,953.36
08/01/2018	351,778.50	910,175.20	98,221.50			1,360,175.20
08/01/2019	340,300.00	904,673.20	119,700.00			1,364,673.20
08/01/2020	324,194.20	898,252.50	135,805.80			1,358,252.50
08/01/2021	312,648.00	891,252.46	152,352.00	27,183,339.35	14,590,807.00	43,130,398.81
	1,502,312.00	4,424,306.72	527,688.00	43,658,339.35	14,590,807.00	64,703,453.07

Notes:

The financing was evaluated at interest rates as of 3/15/17 and tax-exempt spreads to the generic 'AAA' municipal yield index ('MMD') of +10 bps in 2018 and increasing +45 bps in 2036. The refunding of the taxable 2011 Series B bonds was done at taxable spreads to comparable treasuries of +30bps in 2018 and increasing to +170 bps in 2029. With respect to the convertible capital appreciation bond interest rates, the financing was evaluated at interest rate spreads to MMD of +75 basis points beginning in 2018, increasing to +180 basis points in 2036.

These spreads are representative of what similarly sized, tax allocation bond credits with underlying credit characteristics similar to the Successor Agency's project area have priced at or traded in the days right ahead of such analysis but in no way does Stifel guarantee the pricing results. Stifel has assumed an underlying AA- rating for the Bonds based on the current bond rating.

Assumptions:

- 1) Refunding bonds have been structured with a 2.5% surety reserve fund (per recent surety reserve funds on similarly rated deals).
- 4) Debt service has been structured to produce proportional annual savings with the same final maturity as the refunded bonds.
- 5) Dated date of 6/29/2017, cost of issuance includes an allowance for the underwriter's discount.

SUMMARY OF BONDS REFUNDED

Successor Agency to the Brea Redevelopment Agency
2017 Tax Allocation Bonds
Project Area AB

Assume 'AA-' Rating with Standalone Reserve Surety

Bond	Maturity Date	Interest Rate	Par Amount	Value on Jun 29, 2017	Value at Redemption	Call Date	Call Price
2003 TABs, Redevelopment Project AB, 2003:							
2032TERM	08/01/2032	4.450%	16,475,000.00	16,475,000.00	16,475,000.00	07/29/2017	100.000
2011 TABs, Series A, 2011A:							
CAB	08/01/2017	4.260%	73,391.30	94,640.90			
	08/01/2018	4.760%	246,778.50	327,770.70			
	08/01/2019	5.220%	230,300.00	314,279.00			
	08/01/2020	5.560%	209,194.20	291,238.65			
	08/01/2021	5.840%	192,648.00	272,643.15			
	08/01/2022	6.120%	225,042.40	323,756.40	414,255.60	08/01/2021	100.000
	08/01/2023	6.390%	1,548,780.00	2,263,609.20	2,927,542.80	08/01/2021	100.000
	08/01/2024	6.690%	1,374,644.20	2,044,672.00	2,675,938.40	08/01/2021	100.000
	08/01/2025	6.950%	1,242,190.40	1,875,901.80	2,480,468.80	08/01/2021	100.000
	08/01/2026	7.280%	530,754.10	817,070.85	1,094,561.00	08/01/2021	100.000
	08/01/2027	7.370%	485,690.40	751,639.20	1,010,490.00	08/01/2021	100.000
	08/01/2028	7.460%	446,557.10	694,687.85	937,231.55	08/01/2021	100.000
	08/01/2029	7.550%	408,543.25	638,879.95	865,022.45	08/01/2021	100.000
	08/01/2030	7.640%	400,528.80	629,647.20	855,556.80	08/01/2021	100.000
	08/01/2031	7.680%	663,927.00	1,046,166.00	1,423,716.25	08/01/2021	100.000
	08/01/2032	7.720%	1,526,364.00	2,410,657.20	3,285,878.40	08/01/2021	100.000
	08/01/2033	7.810%	1,958,307.30	3,109,060.80	4,252,882.05	08/01/2021	100.000
	08/01/2034	7.880%	1,785,854.25	2,846,808.45	3,904,883.10	08/01/2021	100.000
	08/01/2035	7.940%	459,314.25	734,752.55	1,010,220.90	08/01/2021	100.000
	08/01/2036	7.970%	421,841.90	675,974.75	930,498.25	08/01/2021	100.000
SERIAL	08/01/2031	5.000%	4,315,000.00	4,315,000.00	4,315,000.00	08/01/2021	100.000
			18,745,651.35	26,478,856.60	32,384,146.35		
2011 Taxable Housing TABs, Series B, 2011B:							
SERIAL	08/01/2017	4.740%	100,000.00	100,000.00			
	08/01/2018	5.240%	105,000.00	105,000.00			
	08/01/2019	5.837%	110,000.00	110,000.00			
	08/01/2020	6.087%	115,000.00	115,000.00			
	08/01/2021	6.337%	120,000.00	120,000.00			
	08/01/2022	6.487%	230,000.00	230,000.00	230,000.00	08/01/2021	100.000
	08/01/2023	6.612%	550,000.00	550,000.00	550,000.00	08/01/2021	100.000
	08/01/2024	6.737%	1,625,000.00	1,625,000.00	1,625,000.00	08/01/2021	100.000
	08/01/2025	6.862%	1,735,000.00	1,735,000.00	1,735,000.00	08/01/2021	100.000
2029TERM	08/01/2029	7.392%	5,250,000.00	5,250,000.00	5,250,000.00	08/01/2021	100.000
			9,940,000.00	9,940,000.00	9,390,000.00		
			45,160,651.35	52,893,856.60	58,249,146.35		

SUMMARY OF BONDS REFUNDED

Successor Agency to the Brea Redevelopment Agency
2017 Tax Allocation Bonds
Project Area AB

Assume 'AA-' Rating with Standalone Reserve Surety

Notes:

The financing was evaluated at interest rates as of 3/15/17 and tax-exempt spreads to the generic 'AAA' municipal yield index ('MMD') of +10 bps in 2018 and increasing +45 bps in 2036. The refunding of the taxable 2011 Series B bonds was done at taxable spreads to comparable treasuries of +30bps in 2018 and increasing to +170 bps in 2029. With respect to the convertible capital appreciation bond interest rates, the financing was evaluated at interest rate spreads to MMD of +75 basis points beginning in 2018, increasing to +180 basis points in 2036.

These spreads are representative of what similarly sized, tax allocation bond credits with underlying credit characteristics similar to the Successor Agency's project area have priced at or traded in the days right ahead of such analysis but in no way does Stifel guarantee the pricing results. Stifel has assumed an underlying AA- rating for the Bonds based on the current bond rating.

Assumptions:

- 1) Refunding bonds have been structured with a 2.5% surety reserve fund (per recent surety reserve funds on similarly rated deals).
- 4) Debt service has been structured to produce proportional annual savings with the same final maturity as the refunded bonds.
- 5) Dated date of 6/29/2017, cost of issuance includes an allowance for the underwriter's discount.

PRIOR BOND DEBT SERVICE

Successor Agency to the Brea Redevelopment Agency
2017 Tax Allocation Bonds
Project Area AB

Assume 'AA-' Rating with Standalone Reserve Surety

Period Ending	Principal	Coupon	Interest	Compounded Interest	Debt Service
08/01/2017	173,391.30	** %	824,026.35	21,608.70	1,019,026.35
08/01/2018	351,778.50	** %	1,643,312.70	98,221.50	2,093,312.70
08/01/2019	340,300.00	** %	1,637,810.70	119,700.00	2,097,810.70
08/01/2020	324,194.20	** %	1,631,390.00	135,805.80	2,091,390.00
08/01/2021	312,648.00	** %	1,624,389.96	152,352.00	2,089,389.96
08/01/2022	455,042.40	** %	1,616,785.56	214,957.60	2,286,785.56
08/01/2023	2,098,780.00	** %	1,601,865.46	1,771,220.00	5,471,865.46
08/01/2024	2,999,644.20	** %	1,565,499.46	1,885,355.80	6,450,499.46
08/01/2025	2,977,190.40	** %	1,456,023.20	2,017,809.60	6,451,023.20
08/01/2026	1,940,754.10	** %	1,336,967.50	1,034,245.90	4,311,967.50
08/01/2027	10,035,690.40	** %	1,232,740.30	1,074,309.60	12,342,740.30
08/01/2028	2,746,557.10	** %	763,194.00	1,118,442.90	4,628,194.00
08/01/2029	1,813,543.25	** %	613,036.50	1,156,456.75	3,583,036.50
08/01/2030	1,645,528.80	** %	529,920.00	1,279,471.20	3,454,920.00
08/01/2031	7,823,927.00	** %	474,517.50	2,361,073.00	10,659,517.50
08/01/2032	4,496,364.00	** %	132,165.00	6,033,636.00	10,662,165.00
08/01/2033	1,958,307.30	7.810%		8,706,692.70	10,665,000.00
08/01/2034	1,785,854.25	7.880%		8,879,145.75	10,665,000.00
08/01/2035	459,314.25	7.940%		2,545,685.75	3,005,000.00
08/01/2036	421,841.90	7.970%		2,583,158.10	3,005,000.00
	45,160,651.35		18,683,644.19	43,189,348.65	107,033,644.19

Notes:

The financing was evaluated at interest rates as of 3/15/17 and tax-exempt spreads to the generic 'AAA' municipal yield index ('MMD') of +10 bps in 2018 and increasing +45 bps in 2036. The refunding of the taxable 2011 Series B bonds was done at taxable spreads to comparable treasuries of +30bps in 2018 and increasing to +170 bps in 2029. With respect to the convertible capital appreciation bond interest rates, the financing was evaluated at interest rate spreads to MMD of +75 basis points beginning in 2018, increasing to +180 basis points in 2036.

These spreads are representative of what similarly sized, tax allocation bond credits with underlying credit characteristics similar to the Successor Agency's project area have priced at or traded in the days right ahead of such analysis but in no way does Stifel guarantee the pricing results. Stifel has assumed an underlying AA- rating for the Bonds based on the current bond rating.

Assumptions:

- 1) Refunding bonds have been structured with a 2.5% surety reserve fund (per recent surety reserve funds on similarly rated deals).
- 4) Debt service has been structured to produce proportional annual savings with the same final maturity as the refunded bonds.
- 5) Dated date of 6/29/2017, cost of issuance includes an allowance for the underwriter's discount.

DISCLAIMER: GENERAL AND FACTUAL

Successor Agency to the Brea Redevelopment Agency
2017 Tax Allocation Bonds
Project Area AB

Assume 'AA-' Rating with Standalone Reserve Surety

Stifel, Nicolaus & Company, Incorporated ('Stifel') has prepared the attached materials. Such material consists of factual or general information (as defined in the SEC's Municipal Advisor Rule). Stifel is not hereby providing a municipal entity or obligated person with any advice or making any recommendation as to action concerning the structure, timing or terms of any issuance of municipal securities or municipal financial products. To the extent that Stifel provides any alternatives, options, calculations or examples in the attached information, such information is not intended to express any view that the municipal entity or obligated person could achieve particular results in any municipal securities transaction, and those alternatives, options, calculations or examples do not constitute a recommendation that any municipal issuer or obligated person should effect any municipal securities transaction. Stifel is acting in its own interests, is not acting as your municipal advisor and does not owe a fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934, as amended, to the municipal entity or obligated party with respect to the information and materials contained in this communication.

Stifel is providing information and is declaring to the proposed municipal issuer and any obligated person that it has done so within the regulatory framework of MSRB Rule G-23 as an underwriter (by definition also including the role of placement agent) and not as a financial advisor, as defined therein, with respect to the referenced proposed issuance of municipal securities. The primary role of Stifel, as an underwriter, is to purchase securities for resale to investors in an arm's-length commercial transaction. Serving in the role of underwriter, Stifel has financial and other interests that differ from those of the issuer. The issuer should consult with its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate.

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Notes:

The financing was evaluated at interest rates as of 3/15/17 and tax-exempt spreads to the generic 'AAA' municipal yield index ('MMD') of +10 bps in 2018 and increasing +45 bps in 2036. The refunding of the taxable 2011 Series B bonds was done at taxable spreads to comparable treasuries of +30bps in 2018 and increasing to +170 bps in 2029. With respect to the convertible capital appreciation bond interest rates, the financing was evaluated at interest rate spreads to MMD of +75 basis points beginning in 2018, increasing to +180 basis points in 2036.

These spreads are representative of what similarly sized, tax allocation bond credits with underlying credit characteristics similar to the Successor Agency's project area have priced at or traded in the days right ahead of such analysis but in no way does Stifel guarantee the pricing results. Stifel has assumed an underlying AA- rating for the Bonds based on the current bond rating.

Assumptions:

- 1) Refunding bonds have been structured with a 2.5% surety reserve fund (per recent surety reserve funds on similarly rated deals).
- 4) Debt service has been structured to produce proportional annual savings with the same final maturity as the refunded bonds.
- 5) Dated date of 6/29/2017, cost of issuance includes an allowance for the underwriter's discount.

RESOLUTION NO. OB 2017-10

A RESOLUTION OF THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE BREA REDEVELOPMENT AGENCY DIRECTING PREPARATION OF PROCEEDINGS FOR THE REFUNDING OF OUTSTANDING 2003 AND 2011 BONDS, APPROVING ISSUANCE AND SALE OF REFUNDING BONDS, MAKING CERTAIN DETERMINATIONS AND PROVIDING OTHER MATTERS RELATING THERETO

A. RECITALS:

(i) Pursuant to Section 34172(a) of the California Health and Safety Code (the "Code"), the Brea Redevelopment Agency (the "Former Agency") has been dissolved and no longer exists as a public body, corporate and politic, and pursuant to Section 34173 of the Code, the City Council of the City of Brea, adopted Resolution No. 2011-085 on September 6, 2011, and elected for the City to serve as the successor entity to the Former Agency (the "Successor Agency"); and

(ii) In order to provide financing and refinancing for the Redevelopment Project Area AB, the Former Agency has previously issued the following bonds:

1. the Brea Redevelopment Agency 2003 Tax Allocation Bonds (Redevelopment Project AB) issued in the aggregate principal amount of \$120,497,865.90 (the "2003 Bonds"), issued in the form of current interest bonds and capital appreciation bonds,

2. the Brea Redevelopment Agency 2011 Tax Allocation Bonds, Series A (Redevelopment Project AB) in the aggregate principal amount of \$18,839,323.25 (the "2011 Series A Bonds"), and

3. the Brea Redevelopment Agency 2011 Taxable Tax Allocation Housing Bonds, Series B (Redevelopment Project AB) in the aggregate principal amount of \$10,295,000 (the "2011 Series B Bonds"); and

(iii) The Successor Agency has previously issued its \$96,620,000 aggregate principal amount of Successor Agency To The Brea Redevelopment Agency Redevelopment Project AB 2013 Tax Allocation Refunding Bonds, the proceeds of which have been applied to refund a portion of the 2003 Bonds, consisting of the 2003 Bonds which were issued as current interest bonds maturing on August 1 in each of the years 2014 through 2026, inclusive, which 2003 Bonds have been redeemed and are no longer outstanding; and

(iv) As provided in Section 34177.5(a)(1) of the Code, the Successor Agency is authorized to issue its bonds for the purpose of refunding the outstanding 2003 Bonds which constitute current interest bonds, the outstanding 2011 Series A Bonds and the outstanding 2011 Series B Bonds (collectively, the "Prior Bonds"), in whole or in part, under Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Refunding Bond Law"), provided that the total interest cost to maturity on the refunding bonds plus the principal amount of the refunding bonds does not exceed the total remaining interest cost to maturity on the Prior Bonds to be refunded plus the remaining principal of the Prior Bonds to be refunded (the "Minimum Savings Threshold"); and

(v) Pursuant to Section 34179 of the Code, this oversight board (the "Oversight Board") has been established for the Successor Agency; and

(vi) The City Council acting as the governing board of the Successor Agency has adopted its resolution on April 4, 2017 (the "Successor Agency Resolution") under which the Successor Agency has authorized the issuance of one or more series of tax-exempt and taxable refunding bonds for Redevelopment Project AB (the "Refunding Bonds") under the Refunding Bond Law for the purpose of refunding all or a portion of the Prior Bonds, provided that the Minimum Savings Threshold is achieved with respect to the refunding of the Prior Bonds as set forth in Section 34177.5(a)(1) of the Code; and

(vii) In the Successor Agency Resolution, the Successor Agency has requested that the Oversight Board direct the Successor Agency to undertake proceedings for the issuance of the Refunding Bonds; and

(viii) Following approval by the Oversight Board of the issuance of the Refunding Bonds by the Successor Agency and upon approval by the California Department of Finance, the Successor Agency is expected to sell the Refunding Bonds on a negotiated basis to Stifel Nicolaus & Company, Incorporated, such sale to be accomplished pursuant to a bond purchase agreement in the form approved by the Successor Agency pursuant to the Successor Agency Resolution; and

(ix) The Successor Agency has caused an analysis to be made of the potential savings that will accrue to the Successor Agency and other affected taxing entities as a result of the refunding of the Prior Bonds (the "Debt Service Savings Analysis") and has presented the Debt Service Savings Analysis to the Oversight Board for its consideration; and

(x) The Oversight Board has completed its review of the refunding proceedings and wishes at this time to give its approval to the issuance and sale of the Refunding Bonds by the Successor Agency and certain matters relating thereto;

B. RESOLUTION:

NOW, THEREFORE, be it resolved by the Oversight Board for the Successor Agency to the Brea Redevelopment Agency, as follows:

Section 1. Debt Service Savings Analysis. The Successor Agency has filed the Successor Agency Resolution and the Debt Service Savings Analysis with the Oversight Board, which Debt Service Savings Analysis is hereby approved as demonstrating the potential savings that may result from the refunding of the Prior Bonds, in whole or in part.

Section 2. Direction to Refund. As requested by the Successor Agency in the Successor Agency Resolution, the Oversight Board hereby directs the Successor Agency to undertake the refunding of the Prior Bonds, in whole or in part. As set forth in the Successor Agency Resolution, the Refunding Bonds shall only be issued to refund the Prior Bonds in the event that the Minimum Savings Threshold set forth in Section 34177.5(a)(1) of the Code is met with respect to such refunding.

Section 3. Approval of Issuance and Sale of the Refunding Bonds. As authorized by Sections 34177.5(f) and 34180 of the Code, the Oversight Board hereby approves

the Successor Agency Resolution and the issuance by the Successor Agency of the Refunding Bonds pursuant to Section 34177.5(a)(1) of the Code and under the applicable provisions of the Refunding Law in the aggregate principal amount of not to exceed \$55,000,000, and as provided in the Successor Agency Resolution and the Indenture of Trust relating to the Refunding Bonds (the "Refunding Bonds Indenture") as approved pursuant to the Successor Agency Resolution, provided that the principal and interest payable with respect to the Refunding Bonds shall comply in all respects with the requirements of the Minimum Savings Threshold. The Oversight Board hereby approves the execution and delivery by the Successor Agency of all of the agreements, certificates and other documents which are approved pursuant to the Successor Agency Resolution.

Section 4. Determinations by the Oversight Board. The Oversight Board hereby determines (upon which determination the Successor Agency may rely in undertaking the refunding proceedings and the issuance and sale of the Refunding Bonds) that the authorization and sale of the Refunding Bonds, and the application of proceeds thereof to the refunding of all or a portion of the Prior Bonds and the payment of costs of issuance, as provided in the Indenture of Trust and authorized by §34177.5(a)(1) of the Code, shall be implemented by the Successor Agency promptly upon sale and delivery of the Refunding Bonds, without the requirement for further approval from the Oversight Board, the California Department of Finance, the Orange County Auditor-Controller or any other person or entity other than the Successor Agency.

Section 5. Actions to Effectuate Resolution. The members of the Oversight Board and the staff of the Successor Agency are hereby authorized, jointly and severally, to do all things which they may deem necessary or proper to effectuate the purposes of this Resolution and the Refunding Bonds Indenture.

APPROVED AND ADOPTED at a regular meeting of the Oversight Board on the 14th day of April, 2017.

Bill Gallardo, Chair

ATTEST:

Lillian Harris-Neal, Secretary

I, Lillian Harris-Neal, City Clerk of the City of Brea, California, do hereby certify that the foregoing resolution was adopted by the Oversight Board of the City of Brea, California, at a regular meeting held on the 14th day of April 2017, by the following vote:

AYES: BOARD MEMBERS:

NOES: BOARD MEMBERS:

ABSENT: BOARD MEMBERS:

ABSTAIN: BOARD MEMBERS:

DATED: April 14, 2017

Lillian Harris-Neal, City Clerk

RESOLUTION NO. SA 2017-04

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BREA, AS THE SUCCESSOR AGENCY TO THE BREA REDEVELOPMENT AGENCY, AUTHORIZING THE ISSUANCE AND SALE OF TAX ALLOCATION REFUNDING BONDS TO REFINANCE OUTSTANDING 2003 AND 2011 BONDS OF THE FORMER BREA REDEVELOPMENT AGENCY RELATING TO PROJECT AREA AB, REQUESTING CERTAIN ACTIONS AND FINDINGS BY OVERSIGHT BOARD, AND APPROVING RELATED MATTERS

A. RECITALS

(i) Pursuant to Section 34172(a) of the California Health and Safety Code (the "Code"), the Brea Redevelopment Agency (the "Former Agency") has been dissolved and no longer exists as a public body, corporate and politic, and pursuant to Section 34173 of the Code, the City Council of the City of Brea, adopted Resolution No. 2011-085 on September 6, 2011, and elected to serve as the successor entity to the Former Agency (the "Successor Agency"); and

(ii) In order to provide financing and refinancing for the Redevelopment Project Area AB, the Former Agency has previously issued the following bonds:

a) the Brea Redevelopment Agency 2003 Tax Allocation Bonds (Redevelopment Project AB) issued in the aggregate principal amount of \$120,497,865.90 (the "2003 Bonds"), issued in the form of current interest bonds and capital appreciation bonds,

b) the Brea Redevelopment Agency 2011 Tax Allocation Bonds, Series A (Redevelopment Project AB) in the aggregate principal amount of \$18,839,323.25 (the "2011 Series A Bonds"), and

c) the Brea Redevelopment Agency 2011 Taxable Tax Allocation Housing Bonds, Series B (Redevelopment Project AB) in the aggregate principal amount of \$10,295,000 (the "2011 Series B Bonds"); and

(iii) The Successor Agency has previously issued its \$96,620,000 aggregate principal amount of Successor Agency To The Brea Redevelopment Agency Redevelopment Project AB 2013 Tax Allocation Refunding Bonds, the proceeds of which have been applied to refund a portion of the 2003 Bonds, consisting of the 2003 Bonds which were issued as current interest bonds maturing on August 1 in each of the years 2014 through 2026, inclusive, which 2003 Bonds have been redeemed and are no longer outstanding; and

(iv) As provided in Section 34177.5(a)(1) of the Code, the Successor Agency is authorized to issue its bonds for the purpose of refunding the outstanding 2003 Bonds which constitute current interest bonds, the outstanding 2011 Series A Bonds and the outstanding 2011 Series B Bonds (collectively, the "Prior Bonds"), in whole or in part,

THE FOREGOING INSTRUMENT IS A FULL TRUE AND
CORRECT COPY OF THE ORIGINAL ON FILE IN THIS OFFICE
DATE: April 5, 2017
CITY CLERK OF THE CITY OF BREA, CALIFORNIA

ATTEST:

Refunding Bond Law in the aggregate principal amount of not to exceed \$55,000,000 for the purpose of providing funds to refund all or a portion of the Prior Bonds. The Refunding Bonds may be issued in one or more series of bonds which are issued at the same or different times, and may consist of tax-exempt bonds, taxable bonds or any combination thereof. The Refunding Bonds are hereby authorized to be issued in the form of current interest bonds, capital appreciation bonds, convertible capital appreciation bonds, or any combination thereof. Any series of Refunding Bonds shall only be issued to refund the Prior Bonds, in whole or in part, in the event that the Minimum Savings Threshold set forth in Section 34177.5(a)(1) of the Code is met with respect to such refunding.

Section 3. Indenture of Trust. The Successor Agency hereby approves the Indenture of Trust (the "Indenture") between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as trustee, prescribing the terms and provisions of the Refunding Bonds and the application of the proceeds of the Refunding Bonds. The Mayor of the City (or, in the Mayor's absence, the Mayor Pro Tem of the City) and the City Manager of the City, who is appointed the Executive Director of the Successor Agency (collectively, the "Authorized Officers"), each acting individually, are hereby authorized and directed to execute and deliver, and the City Clerk (or the Deputy City Clerk) is hereby authorized and directed to attest to, the Indenture for and in the name and on behalf of the Successor Agency, in substantially the form on file with the City Clerk, with such changes therein, deletions therefrom and additions thereto as the Authorized Officer who executes the Indenture shall approve, such approval to be conclusively evidenced by the execution and delivery of the Indenture. The Successor Agency hereby authorizes the delivery and performance of the Indenture.

Section 4. Escrow Agreement. The Successor Agency hereby approves the Escrow Agreement (the "Escrow Agreement") among the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as escrow agent, prescribing the provisions for refunding all or a portion of the Prior Bonds. Each Authorized Officer, acting individually, is hereby authorized and directed to execute and deliver the Escrow Agreement for and in the name and on behalf of the Successor Agency, in substantially the form on file with the City Clerk, with such changes therein, deletions therefrom and additions thereto as the Authorized Officer who executes the Escrow Agreement shall approve, such approval to be conclusively evidenced by the execution and delivery of the Escrow Agreement. The Successor Agency hereby authorizes the delivery and performance of the Escrow Agreement.

Section 5. Sale of Refunding Bonds; Bond Purchase Agreement. The Successor Agency hereby approves the sale of the Refunding Bonds on a negotiated basis to Stifel Nicolaus & Company, Incorporated, as underwriter (the "Underwriter"). The Refunding Bonds shall be sold to the Underwriter pursuant to the Bond Purchase Agreement (the "Bond Purchase Agreement") between the Successor Agency and Underwriter in substantially the form on file with the City Clerk, with such changes therein, deletions therefrom and additions thereto as the Administrative Services Director of the City, who is appointed the Assistant Treasurer of the Successor Agency, shall approve, such approval to be conclusively evidenced by the execution and delivery thereof. Each Authorized Officer and the Assistant Treasurer of the Successor Agency, acting individually, are hereby authorized and directed to execute and deliver the Bond Purchase Agreement for and in the name and on behalf of the Successor Agency. The Successor Agency hereby authorizes the delivery and performance of the Bond Purchase Agreement.


behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

Section 12. Effective Date. This Resolution shall take effect from and after its passage and adoption.

PASSED AND ADOPTED this 4th day of April, 2017.

ATTEST:


Lillian Harris-Neal, City Clerk


Cecilia Hupp, Mayor



I, Lillian Harris-Neal, City Clerk of the City of Brea, do hereby certify that the foregoing Resolution was adopted at a regular meeting of the City Council of the City of Brea, held on the 4th day of April, 2017, by the following vote:

AYES: COUNCILMEMBERS: Hupp, Parker, Marick, Simonoff, Vargas
NOES: COUNCILMEMBERS: None
ABSENT: COUNCILMEMBERS: None
ABSTAINED: COUNCILMEMBERS: None



Dated: April 4, 2017


Lillian Harris-Neal, City Clerk

INDENTURE OF TRUST

dated as of June 1, 2017

between the

**SUCCESSOR AGENCY TO THE
BREA REDEVELOPMENT AGENCY**

and

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
*as Trustee***

Relating to

**\$ _____
Successor Agency To The
Brea Redevelopment Agency
Redevelopment Project AB
2017 Tax Allocation Refunding Bonds, Series A
(Tax-Exempt)**

**\$ _____
Successor Agency To The
Brea Redevelopment Agency
Redevelopment Project AB
2017 Tax Allocation Refunding Bonds, Series B
(Federally Taxable)**

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INDENTURE OF TRUST

This INDENTURE OF TRUST (this "Indenture"), dated as of June 1, 2017, is between the SUCCESSOR AGENCY TO THE BREA REDEVELOPMENT AGENCY, a public entity duly organized and existing under the laws of the State of California (the "Successor Agency"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee").

B A C K G R O U N D :

1. The Brea Redevelopment Agency (the "Former Agency") was formerly a public body, corporate and politic, duly established and authorized to transact business and exercise powers under the provisions of Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Redevelopment Law").

2. Under the Redevelopment Law, the Former Agency and the City Council of the City of Brea have previously adopted a redevelopment plan for Redevelopment Project AB (the "Redevelopment Project"), a duly designated redevelopment project in the City of Brea.

3. In order to provide financing and refinancing for the Redevelopment Project, the Former Agency has previously issued the following bonds:

- the Brea Redevelopment Agency 2003 Tax Allocation Bonds (Redevelopment Project AB) issued in the aggregate principal amount of \$120,497,865.90 (the "2003 Bonds"), issued in the form of current interest bonds and capital appreciation bonds,
- the Brea Redevelopment Agency 2011 Tax Allocation Bonds, Series A (Redevelopment Project AB) in the aggregate principal amount of \$18,839,323.25 (the "2011 Series A Bonds"), and
- the Brea Redevelopment Agency 2011 Taxable Tax Allocation Housing Bonds, Series B (Redevelopment Project AB) in the aggregate principal amount of \$10,295,000 (the "2011 Series B Bonds"); and

4. The Successor Agency has previously issued its \$96,620,000 aggregate principal amount of Successor Agency To The Brea Redevelopment Agency Redevelopment Project AB 2013 Tax Allocation Refunding Bonds (the "2013 Bonds"), the proceeds of which have been applied to refund a portion of the 2003 Bonds, consisting of the 2003 Bonds which were issued as current interest bonds maturing on August 1 in each of the years 2014 through 2026, inclusive, which 2003 Bonds have been redeemed and are no longer outstanding; and

5. Assembly Bill X1 26, effective June 29, 2011 (the "Dissolution Act"), resulted in the dissolution of the Former Agency and the vesting in the Successor Agency of all of the authority, rights, powers, duties and obligations of the Former

Agency, and pursuant to the Dissolution Act the City Council of the City of Brea has adopted its resolution electing for the City to serve as the Successor Agency.

6. Under Section 34177.5(a)(1) of the Redevelopment Law, the Successor Agency is authorized to issue bonds under Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Refunding Bond Law") for the purpose of achieving debt service savings in accordance with the parameters set forth in said Section 34177.5(a)(1).

7. The Successor Agency has authorized the issuance of its Successor Agency To The Brea Redevelopment Agency, Redevelopment Project AB 2017 Tax Allocation Refunding Bonds, Series A (Tax-Exempt) in the aggregate principal amount of \$_____ (the "Series A Bonds") for the purpose of refunding all of the outstanding 2003 Bonds which were issued in the form of current interest bonds maturing on August 1, 2032 and all or a portion of the outstanding 2011 Series A Bonds, and thereby achieving debt service savings in accordance with the provisions of Section 34177.5(a)(1) of the Redevelopment Law.

8. The Successor Agency has authorized the issuance of its Successor Agency To The Brea Redevelopment Agency, Redevelopment Project AB 2017 Tax Allocation Refunding Bonds, Series B (Federally Taxable) in the aggregate principal amount of \$_____ (the "Series B Bonds"), for the purpose of refunding all or a portion of the outstanding 2011 Series B Bonds and thereby achieving debt service savings in accordance with the provisions of Section 34177.5(a)(1) of the Redevelopment Law.

9. The Series A Bonds and the Series B Bonds (collectively, the "Bonds") will be secured by a pledge of and lien on the tax increment revenues derived from the Redevelopment Project which are deposited into the Redevelopment Property Tax Trust Fund and the Redevelopment Obligation Retirement Fund, on a parity with the pledge and lien which secure the 2013 Bonds and the 2003 Bonds which were issued in the form of non-callable capital appreciation bonds.

10. The Successor Agency has determined that all acts and proceedings required by law necessary to make the Bonds, when executed by the Successor Agency, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Successor Agency, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done or taken.

A G R E E M E N T :

In order to secure the payment of the principal of and the interest and redemption premium (if any) on all the Outstanding Bonds under this Indenture according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the Successor Agency and the Trustee do hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION

SECTION 1.01. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms defined in Appendix A attached to this Indenture have the respective meanings specified in Appendix A when used in this Indenture. All terms defined in the recitals of this Indenture and not otherwise defined herein shall have the respective meanings given such terms in the recitals.

SECTION 1.02. *Authorization.* Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Indenture, and has taken all actions necessary to authorize the execution hereof by the officers and persons signing it.

SECTION 1.03. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

AUTHORIZATION AND TERMS OF BONDS

SECTION 2.01. *Authorization and Purpose of Bonds.* The Successor Agency has reviewed all proceedings heretofore taken and as a result of such review has found, and hereby finds and determines, that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Successor Agency is now duly empowered, under each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture.

The Successor Agency hereby authorizes the issuance of the Series A Bonds under the Refunding Bond Law, for the purpose of providing funds to refinance the outstanding Refunded 2003 Bonds and the outstanding 2011 Series A Bonds. The Series A Bonds shall be designated the "Successor Agency To The Brea Redevelopment Agency, Redevelopment Project AB 2017 Tax Allocation Refunding Bonds, Series A (Tax-Exempt)" and shall be issued in the aggregate principal amount of \$_____. The Series A Bonds shall be issued in the form of Capital Appreciation Bonds in the aggregate Denominational Amount of \$_____, Convertible Capital Appreciation Bonds in the aggregate Denominational Amount of \$_____, and Current Interest Bonds in the aggregate principal amount of \$_____.

The Successor Agency hereby authorizes the issuance of the Series B Bonds under the Refunding Bond Law, for the purpose of providing funds to refinance the outstanding 2011 Series B Bonds. The Series B Bonds shall be designated the "Successor Agency To The Brea Redevelopment Agency, Redevelopment Project AB 2017 Tax Allocation Refunding Bonds, Series B (Federally Taxable)" and shall be issued in the aggregate principal amount of \$_____. The Series B Bonds shall be issued in the form of Current Interest Bonds in the aggregate principal amount of \$_____.

SECTION 2.02. *Terms of the Bonds.*

(a) Terms of Current Interest Bonds. Each Current Interest Bond shall be dated as of the Closing Date and shall be issued in fully registered form without coupons. The Current Interest Bonds shall mature on August 1 in each of the years, and shall bear interest at the respective rates of interest per annum, as set forth in the following tables:

Series A Current Interest Bonds

Maturity Date <u>(August 1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>
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Series B Current Interest Bonds

Maturity Date <u>(August 1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>
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Interest on the Current Interest Bonds is payable by the Successor Agency from the Interest Payment Date next preceding the date of authentication thereof unless:

- (i) a Current Interest Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (ii) a Current Interest Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable by the Successor Agency from the Closing Date, or
- (iii) interest on any Current Interest Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable by the Successor Agency from the date to which interest has been paid in full.

(b) Terms of Capital Appreciation Bonds. Each Capital Appreciation Bonds shall be dated as of the Closing Date. The Capital Appreciation Bonds shall be issued in fully registered form without coupons, and the Maturity Values thereof shall be in denominations of \$5,000 or any integral multiple thereof (except that one Capital Appreciation Bond may be issued in a denomination the Maturity Value of which is not an integral multiple of \$5,000). The Capital Appreciation Bonds shall mature on August 1 in each of the years and in the Maturity Values as set forth in the following tables, and

interest thereon shall compound on each Compounding Date at the respective Accretion Rates set forth in the following table:

Series A Capital Appreciation Bonds

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Accretion Rate</u>	<u>Maturity Value</u>
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The Accreted Value of the Capital Appreciation Bonds is payable by the Successor Agency solely at maturity or earlier redemption thereof to the Owners thereof upon presentation and surrender thereof at the Office of the Trustee. The Accreted Value of the Capital Appreciation Bonds will be payable by the Successor Agency in lawful money of the United States of America upon presentation and surrender thereof at the Office of the Trustee.

(c) Terms of Convertible Capital Appreciation Bonds. The Convertible Capital Appreciation Bonds will be issued in fully registered form without coupons in Accreted Values of \$5,000 or any integral multiple thereof through the Conversion Date. Interest on the Capital Appreciation Bonds will compound on each Compounding Date at the respective Accretion Rates set forth in the table below, through the respective Conversion Dates set forth in the table below. On the Conversion Date for any Convertible Capital Appreciation Bond, such Convertible Capital Appreciation Bond will convert to a Current Interest Bond in a principal amount equal to the Accreted Value thereof determined as of the Conversion Date. Thereafter, interest on such Current Interest Bond will continue bear interest at the Accretion Rate, which interest shall be payable by the Successor Agency on each succeeding Interest Payment Date on a current basis, in accordance with subsection (a) above.

The Convertible Capital Appreciation Bonds will be dated as of the Closing Date. The Convertible Capital Appreciation Bonds shall be issued in the Denominational Amounts, convert from Capital Appreciation Bonds to Current Interest Bonds on each of the Conversion Dates, and mature on August 1 in each of the years, as set forth in the following tables:

Series A Convertible Capital Appreciation Bonds

<u>Denominational Amount</u>	<u>Accretion Rate</u>	<u>Conversion Date (August 1)</u>	<u>Maturity Date (August 1)</u>
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Series B Convertible Capital Appreciation Bonds

Denominational <u>Amount</u>	Accretion <u>Rate</u>	Conversion Date <u>(August 1)</u>	Maturity Date <u>(August 1)</u>
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(d) Payment. Interest on the Bonds (including the final interest payment upon maturity) is payable by check or draft of the Trustee mailed to the Owner thereof at such Owner's address as it appears on the Registration Books at the close of business on the preceding Record Date; except that at the written request of the Owner of at least \$1,000,000 aggregate principal amount of the Bonds, which written request is on file with the Trustee as of any Record Date, interest on such Bonds shall be paid on the succeeding Interest Payment Date to such account as shall be specified in such written request. The principal of the Current Interest Bonds and the Convertible Capital Appreciation Bonds at maturity, and the Accreted Value of the Capital Appreciation Bonds at maturity, is payable in lawful money of the United States of America upon presentation and surrender at the Office of the Trustee.

SECTION 2.03. *Redemption of Bonds.*

(a) Optional Redemption of Series A Bonds. The Series A Bonds maturing on or before August 1, 202_, are not subject to redemption prior to their respective stated maturities. The Series A Bonds maturing on or after August 1, 202_, are subject to redemption in whole, or in part at the Request of the Successor Agency among maturities on such basis as shall be designated by the Successor Agency and by lot within a maturity, at the option of the Successor Agency, on any date on or after August 1, 202_, from any available source of funds, at a redemption price equal to 100% of the principal amount or Accreted Value thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

The Successor Agency shall give the Trustee written notice of its intention to redeem Series A Bonds under this subsection (a), and the principal amount or Accreted Value of each maturity to be redeemed in sufficient time to enable the Trustee to give notice of such redemption in accordance with subsection (c) of this Section.

(b) Optional Redemption of Series B Bonds. The Series B Bonds maturing on or before August 1, 202_, are not subject to redemption prior to their respective stated maturities. The Series B Bonds maturing on or after August 1, 202_, are subject to redemption in whole, or in part at the Request of the Successor Agency among maturities on such basis as shall be designated by the Successor Agency and by lot within a maturity, at the option of the Successor Agency, on any date on or after August 1, 202_, from any available source of funds, at a redemption price equal to 100% of the

principal amount or Accreted Value thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

The Successor Agency shall give the Trustee written notice of its intention to redeem Series B Bonds under this subsection (a), and the principal amount or Accreted Value of each maturity to be redeemed, at least 45 days prior to the designated redemption date.

(c) Notice of Redemption. The Trustee on behalf and at the expense of the Successor Agency shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and to the Securities Depositories and to the Municipal Securities Rulemaking Board, at least 30 but not more than 60 days prior to the date fixed for redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Office of the Trustee identified in such notice for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date and with regard to optional redemption in the event that funds required to pay the redemption price are not on deposit under the Indenture at the time the notice of redemption is sent, a statement to the effect that the redemption is conditioned upon the receipt of the appropriate funds required to pay the redemption price by the Trustee on or prior to the redemption date.

(d) Right to Rescind Notice of Redemption. The Successor Agency has the right to rescind any notice of the optional redemption of Series A Bonds under subsection (a) of this Section or the optional redemption of Series B Bonds under subsection (b) of this Section by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an Event of Default. The Successor Agency and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the notice of redemption was sent under subsection (c) of this Section.

(e) Manner of Redemption. Whenever provision is made in this Section for the redemption of less than all of the Bonds, the Trustee shall select the Bonds to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, each Current Interest Bond will be deemed to consist of individual bonds of \$5,000 denominations each which may be separately redeemed; each Convertible Capital Appreciation Bond will be deemed to consist of individual bonds of \$5,000 Accreted Value of the respective Conversion Dates each of which may be separately redeemed, and each Capital Appreciation Bond will be deemed to consist of individual bonds of \$5,000 Maturity Value each of which may be separately redeemed.

(f) Partial Redemption of a Bond. If only a portion of a Bond is called for redemption, then upon surrender of such Bond the Successor Agency will execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Successor Agency, a new Bond or Bonds of the same series and maturity date, of authorized denominations in aggregate principal amount or Accreted Value equal to the unredeemed portion of the Bond to be redeemed.

(g) Effect of Redemption. If notice of redemption has been duly mailed and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, from and after the date fixed for redemption such Bonds shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. Unless otherwise directed in writing by the Successor Agency, the Trustee shall cancel and destroy all Bonds redeemed under this Section.

SECTION 2.04. *Book Entry System.*

(a) Original Delivery. The Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the Trustee shall register the ownership of each Bond on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which is registered in the name of the Nominee, the Successor Agency and the Trustee have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Nominee holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, the Successor Agency and the Trustee have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed if the Successor Agency elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds. The Successor Agency and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal of and premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and the interest and premium, if any, on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner shall receive a Bond evidencing the obligation of the Successor Agency to make

payments of principal, interest and premium, if any, under this Indenture. Upon delivery by the Depository to the Successor Agency of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the Successor Agency shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the Successor Agency shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of such letter in no way limits the provisions of subsection (a) above or in any other way imposes upon the Successor Agency or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the Successor Agency may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the Successor Agency determines to terminate the Depository as such, then the Successor Agency shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the Successor Agency and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the Successor Agency fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

If the Successor Agency determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Successor Agency may notify the Depository System Participants of the availability of such certificated Bonds through the Depository. In such event, the Trustee will issue, transfer and exchange Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the Successor Agency shall cooperate with the Depository in taking appropriate action (y) to make available one or more separate certificates evidencing the Bonds to any Depository System Participant having Bonds credited to its account with the Depository, or (z) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Bonds, all at the Successor Agency's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such Bond

and all notices with respect to such Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

SECTION 2.05. *Form and Execution of Bonds.* The Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the Bonds. The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix B attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

The Mayor of the City shall execute, and the City Clerk of the City shall attest each Bond in the name and on behalf of the Successor Agency. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on a Bond ceases to be such officer before the Closing Date, such signature will nevertheless be as effective as if the officer had remained in office until the Closing Date. A Bond may be signed and attested on behalf of the Successor Agency by such persons as at the actual date of the execution of that Bond are the proper officers of the Successor Agency, duly authorized to execute debt instruments on behalf of the Successor Agency, although on the date of that Bond any such person was not an officer of the Successor Agency.

Only those Bonds bearing a certificate of authentication in the form set forth in Appendix B, manually executed and dated by the Trustee, are valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee is conclusive evidence that such Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.06. *Transfer and Exchange of Bonds.*

(a) Transfer. A Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of that Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Bond or Bonds are surrendered for transfer, the Successor Agency will execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like Series, interest rate, maturity and aggregate principal amount or Accreted Value. The Trustee shall require the Owners of the Bonds requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. The Successor Agency will pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds.

(b) Exchange. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount or Accreted Value of Bonds of other authorized denominations and of the same Series, interest rate and maturity. The Trustee shall require the Owners of the Bonds requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. The Successor Agency will pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

(c) Limitations. The Trustee may refuse to transfer or exchange, under the provisions of this Section, any Bonds selected by the Trustee for redemption under Section 2.03, or any Bonds during the period established by the Trustee for the selection of Bonds for redemption.

SECTION 2.07. *Registration Books.* The Trustee will keep or cause to be kept, at its Office, sufficient records for the registration and registration of transfer of the Bonds, which shall at all times during normal business hours, and upon reasonable notice, be open to inspection by the Successor Agency; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books, Bonds as hereinbefore provided. Upon the occurrence of an Event of Default which requires the Bond Insurer to make payments under the Bond Insurance Policy, the Bond Insurer and any designated agent thereof shall have access to the Registration Books

SECTION 2.08. *Bonds Mutilated, Lost, Destroyed or Stolen.* If a Bond is mutilated, the Successor Agency, at the expense of the Owner of that Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, upon surrender to the Trustee of the Bond so mutilated. The Trustee shall cancel every mutilated Bond surrendered to it and deliver such mutilated Bond to or upon the order of the Successor Agency. If a Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and if indemnity satisfactory to the Trustee is given, the Successor Agency, at the expense of the Owner, will execute, and the Trustee will thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Trustee in connection therewith. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the Successor Agency whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds issued under this Indenture.

Notwithstanding any other provision of this Section, in lieu of delivering a new Bond for which principal has become due for a Bond which has been mutilated, lost, destroyed or stolen, the Trustee may make payment of such Bond in accordance with its terms upon receipt of indemnity satisfactory to the Trustee.

ARTICLE III

DEPOSIT AND APPLICATION OF BOND PROCEEDS

SECTION 3.01. *Issuance of Bonds.* Upon the execution and delivery of this Indenture, the Successor Agency will execute and deliver the Bonds to the Trustee and the Trustee shall authenticate and deliver the Bonds to the Original Purchaser upon receipt of a Request of the Successor Agency therefor.

SECTION 3.02. *Deposit and Application of Bond Proceeds.*

(a) Series A Bond Proceeds. On the Closing Date, the proceeds of sale of the Series A Bonds shall be paid to the Trustee and applied by the Trustee as follows:

- (i) The Trustee shall deposit the amount of \$_____ in the Series A Costs of Issuance Fund.
- (ii) The Trustee shall transfer the amount of \$_____ to the Escrow Bank for deposit and application in accordance with the Escrow Agreement for the purpose of refunding the outstanding Refunded 2003 Bonds and the outstanding 2011 Series A Bonds.

(b) Series B Bond Proceeds. On the Closing Date, the proceeds of sale of the Series B Bonds shall be paid to the Trustee and applied by the Trustee as follows:

- (i) The Trustee shall deposit the amount of \$_____ in the Series B Costs of Issuance Fund.
- (ii) The Trustee shall transfer the amount of \$_____ to the Escrow Bank for deposit and application in accordance with the Escrow Agreement for the purpose of refunding the outstanding 2011 Series B Bonds.

(c) Temporary Accounts for Transfers. The Trustee may establish a temporary fund or account to facilitate any of the transfers which are required to be made under this Section. Any such temporary fund or account shall be closed upon the transfer of all amounts therein under the foregoing subsections (a) and (b).

SECTION 3.03. *Series A Costs of Issuance Fund.* There is hereby established a separate fund to be known as the "Series A Costs of Issuance Fund", which the Trustee shall hold in trust. The Trustee shall disburse moneys in the Series A Costs of Issuance Fund from time to time to pay Costs of Issuance relating to the Series A Bonds upon submission of a Request of the Successor Agency stating (a) the person to whom payment is to be made, (b) the amounts to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Series A Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior Request of the Successor Agency; in each case together with a statement or invoice for each amount requested thereunder. Each such Request of the Successor Agency 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. On September 1, 2017, the Trustee

shall transfer any amounts remaining in the Series A Costs of Issuance Fund to the Debt Service Fund, and the Trustee shall thereupon close the Series A Costs of Issuance Fund.

SECTION 3.04. *Series B Costs of Issuance Fund.* There is hereby established a separate fund to be known as the "Series B Costs of Issuance Fund", which the Trustee shall hold in trust. The Trustee shall disburse moneys in the Series B Costs of Issuance Fund from time to time to pay Costs of Issuance relating to the Series B Bonds upon submission of a Request of the Successor Agency stating (a) the person to whom payment is to be made, (b) the amounts to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Series B Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior Request of the Successor Agency; in each case together with a statement or invoice for each amount requested thereunder. Each such Request of the Successor Agency 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. On September 1, 2017, the Trustee shall transfer any amounts remaining in the Series B Costs of Issuance Fund to the Debt Service Fund, and the Trustee shall thereupon close the Series B Costs of Issuance Fund.

SECTION 3.05. *Refunding and Defeasance of Refunded 2003 Bonds and 2011 Bonds.* The Successor Agency hereby covenants that as a result of the deposit and application of the proceeds of the Bonds and a portion of the 2011 Series A Bonds proceeds under the Escrow Agreement, the Refunded 2003 Bonds, the 2011 Series A Bonds and the 2011 Series B Bonds will be refunded and defeased on the Closing Date under and in accordance with the documents authorizing the issuance thereof, and the Refunded 2003 Bonds, the 2011 Series A Bonds and the 2011 Series B Bonds will cease to be secured by and payable from the Tax Revenues.

ARTICLE IV

SECURITY FOR THE BONDS; FLOW OF FUNDS; INVESTMENTS

SECTION 4.01. *Security of Bonds; Equal Security.* For the security of the Bonds, the Successor Agency hereby grants a pledge of and lien on all of the Tax Revenues which are on deposit in the Redevelopment Property Tax Trust Fund, the Redevelopment Obligation Retirement Fund and the Project AB Tax Revenue Fund, until their release pursuant to terms of this Indenture. Such pledge and lien are for the equal security of the Bonds and all outstanding Parity Debt without preference or priority for Series, issue, number, dated date, sale date, date of execution or date of delivery. In addition, (a) the Bonds and all outstanding Parity Debt shall be secured by a first pledge of and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account and the Redemption Account, and (b) the Bonds shall be secured by a first pledge of and lien upon all of the moneys on deposit in the Reserve Account. Except for the Tax Revenues and such moneys, no funds of the Successor Agency are pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Bonds.

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

SECTION 4.02. *Deposit and Application of Tax Revenues.*

The Successor Agency has heretofore established the Redevelopment Obligation Retirement Fund pursuant to Section 34170.5(a) of the Redevelopment Law, which the Successor Agency shall continue to hold so long as any of the Bonds remain Outstanding or any amounts are due and owing to the Bond Insurer in respect of the Bond Insurance Policy or the Reserve Policy. Within the Redevelopment Obligation Retirement Fund, the Successor Agency has previously established a separate fund known as the "Project AB Tax Revenue Fund." The Successor Agency shall deposit all of the Tax Revenues received in any Bond Year into the Project AB Tax Revenue Fund promptly upon receipt thereof by the Successor Agency.

If the amounts on deposit in the Project AB Tax Revenue Fund are at any time insufficient to enable the Successor Agency to make transfers as required hereunder to pay the principal of and interest on all outstanding Bonds and any Parity Debt in full when due, or to replenish the Reserve Account and the reserve accounts established for any outstanding Parity Debt, the Successor Agency shall make such transfers on a pro rata basis, without preference or priority among all outstanding Bonds and Parity Debt.

Any Tax Revenues received during a Bond Year and held in the Project AB Tax Revenue Fund, to the extent remaining after making the transfers required by Section 4.03, shall be released from the pledge and lien hereunder which secures the Bonds and may be applied for any lawful purposes of the Successor Agency.

The provisions of this Section are subject in all respects to the provisions of the Dissolution Act and other provisions of the Redevelopment Law relating to the deposit and application of the Tax Revenues for the payment of the principal of and interest on the Bonds and any outstanding Parity Debt and for the replenishment of the Reserve Account and the reserve accounts established for any outstanding Parity Debt.

Notwithstanding the foregoing provisions, Tax Revenues shall not be released from the pledge and lien which secures the Bonds unless (a) the amount held on deposit in the Reserve Account at the time of such release is at least equal to the Reserve Requirement, and (b) no amounts are then due and owing to the Bond Insurer in respect of the Bond Insurance Policy or the Reserve Policy.

SECTION 4.03. *Debt Service Fund; Transfer of Amounts to Trustee.* The Trustee shall establish the Debt Service Fund as a special trust fund, which the Trustee shall hold in trust so long as any of the Bonds remain Outstanding or any amounts are due and owing to the Bond Insurer in respect of the Bond Insurance Policy or the Reserve Policy. In addition to the transfers required with respect to payments of the principal of

and interest on Parity Debt, within five Business Days following the receipt by the Successor Agency from the Orange County Auditor-Controller of any Tax Revenues, the Successor Agency shall deposit such Tax Revenues in the Project AB Tax Revenue Fund pursuant to Section 4.02 and shall transfer such Tax Revenues from the Project AB Tax Revenue Fund to the Trustee in the following amounts for deposit by the Trustee in the following respective special accounts within the Debt Service Fund, which accounts are hereby established with the Trustee, in the following order of priority:

- (a) Interest Account. The Successor Agency shall transfer to the Trustee for deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, equals the aggregate amount of the interest coming due and payable on the Outstanding Bonds on such date. The Trustee shall apply amounts in the Interest Account solely for the purpose of paying the interest on the Bonds when due and payable.
- (b) Principal Account. The Successor Agency shall transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, equals the amount of principal coming due and payable on such date on the Outstanding Bonds. The Trustee will apply amounts in the Principal Account solely for the purpose of paying the principal of the Bonds at the maturity.
- (c) Reserve Account. If and to the extent required pursuant to Section 4.04, the Successor Agency shall transfer to the Trustee an amount of available Tax Revenues sufficient to maintain the Reserve Requirement on deposit in the Reserve Account (including the reimbursement of all amounts due and owing to the Bond Insurer in respect of the Reserve Policy). Amounts in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account, in such order of priority, on any date which the principal of or interest on the Bonds becomes due and payable hereunder, in the event of any deficiency at any time in any of such accounts, or at any time for the retirement of all the Bonds then Outstanding. So long as no Event of Default has occurred and is continuing, any amount in the Reserve Account in excess of the Reserve Requirement on or before the sixth Business Day preceding each Interest Payment Date shall be withdrawn from the Reserve Account by the Trustee and deposited in the Interest Account.
- (d) Redemption Account. On or before the 5th Business Day preceding any date on which Bonds are subject to optional redemption under Sections 2.03(a) or 2.03(b), the Successor Agency will withdraw from the Project AB Tax Revenue Fund and transfer to the Trustee for deposit in the Redemption Account an amount required to pay the principal of and premium, if any, on the Bonds to be so redeemed on such date. The Trustee shall apply amounts in the Redemption Account solely for the purpose of paying the principal of and premium, if any, on the Bonds upon the optional redemption

thereof under Sections 2.03(a) or 2.03(b), on the date set for such redemption.

SECTION 4.04. *Reserve Policy.* The Reserve Requirement will be initially maintained in the form of the issuance of the Reserve Policy. Under the terms and conditions of the Reserve Policy, the Trustee shall deliver to the Bond Insurer a demand for payment under the Reserve Policy in the required form at least five Business Days before the date on which funds are required for the purposes set forth in Section 4.03(c). The Trustee shall comply with all of the terms and provisions of the Reserve Policy for the purpose of assuring that funds are available thereunder when required for the purposes of the Reserve Account, within the limits of the coverage amount provided by the Reserve Policy. All amounts drawn by the Trustee under the Reserve Policy will be deposited into the Reserve Account and applied for the purposes thereof.

If the Trustee has actual knowledge that the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement (including as a result of a draw under the Reserve Policy), the Trustee shall promptly notify the Successor Agency and the Bond Insurer of such fact and the Successor Agency shall replenish the amount on deposit in the Reserve Account to the full amount of the Reserve Requirement in accordance with the provisions of Section 4.03(c).

SECTION 4.05. *Investment of Moneys in Funds.* The Trustee shall invest moneys in any of the funds established and held by the Trustee hereunder in Permitted Investments specified in the Request of the Successor Agency (which Request will be deemed to include a certification that the specified investment is a Permitted Investment) delivered to the Trustee at least two Business Days in advance of the making of such investments. In the absence of any such direction from the Successor Agency, the Trustee shall invest any such moneys solely in Permitted Investments described in clause (d) of the definition thereof; *provided, however*, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a Request of the Successor Agency specifying a specific money market fund and, if no such Request of the Successor Agency is so received, the Trustee shall hold such moneys uninvested. The Successor Agency will invest moneys in the Redevelopment Obligation Retirement Fund and the Project AB Tax Revenue Fund in any obligations in which the Successor Agency is legally authorized to invest funds within its control.

Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account. Whenever in this Indenture any moneys are required to be transferred by the Successor Agency to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee hereunder shall be retained in the respective fund or account from which such investment was made; *provided, however*, that all interest or gain from the investment of amounts in the Reserve Account shall be deposited by the Trustee in the Interest Account to the extent not required to cause the balance in the Reserve Account to equal the Reserve Requirement. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder upon receipt by the Trustee of the Request of the Successor Agency. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary

charges therefor. The Trustee shall incur no liability for losses arising from any investments made under this Section.

The Successor Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Successor Agency the right to receive brokerage confirmations of security transactions as they occur, the Successor Agency specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Successor Agency periodic transaction statements which include detail for all investment transactions made by the Trustee hereunder.

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

SECTION 4.06. *Valuation and Disposition of Investments.*

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

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

(c) Except as provided in the proceeding subsection (b), for the purpose of determining the amount in any fund, the Trustee shall value Permitted Investments credited to such fund at least annually at the Fair Market Value thereof. The Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system. If and as directed by the Successor Agency in writing, the Trustee shall sell or present for redemption any Permitted Investment so purchased by the Trustee whenever it is necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee has no liability or responsibility for any loss resulting therefrom.

(d) For purposes of this Section, the term "Fair Market Value" shall mean the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is

acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, or (iii) the investment is a United States Treasury Security -- State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

ARTICLE V

OTHER COVENANTS OF THE SUCCESSOR AGENCY

SECTION 5.01. *Punctual Payment.* The Successor Agency will punctually pay or cause to be paid the principal, premium (if any) and interest to become due in respect of all the Bonds in strict conformity with the terms of the Bonds and this Indenture. The Successor Agency will faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Supplemental Indentures. Nothing herein contained prevents the Successor Agency from making advances of other legally available funds to make any payment referred to herein.

SECTION 5.02. *Compliance with the Dissolution Act; Recognized Obligation Payment Schedules.* The Successor Agency shall comply with all of the requirements of the Dissolution Act. The Successor Agency shall take all actions required under the Dissolution Act to prepare and file Recognized Obligation Payment Schedules in each Bond Year so as to enable the Orange County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund all Tax Revenues as shall be required to enable the Successor Agency to pay timely principal of, and interest on, the Bonds and any outstanding Parity Debt coming due in such Bond Year, including any amounts due and owing to the Bond Insurer in respect of the Bond Insurance Policy or the Reserve Policy, or required to replenish the Reserve Account and the respective reserve accounts established for any outstanding Parity Debt.

Without limiting the generality of the foregoing paragraph, the Successor Agency will take all actions required under the Redevelopment Law to file Recognized Obligation Payment Schedules on a timely basis in accordance with the Redevelopment Law. For each semiannual period ending each June 30, the Recognized Obligation Payment Schedule which includes such period shall request the payment to the Successor Agency of an amount of Tax Revenues which is at least equal to the following:

- (a) 100% of the amount of principal of and interest on the Bonds and any outstanding Parity Debt coming due and payable during the current Bond Year;
- (b) any amount then required to replenish the full amount of the Reserve Requirement in the Reserve Account and to replenish the amount in any reserve account established for any outstanding Parity Debt; and

- (c) any amount then required to make payments due to the Bond Insurer in respect of the Bond Insurance Policy or the Reserve Policy.

For each semiannual period ending each December 31, the Recognized Obligation Payment Schedule which includes such period shall request the payment to the Successor Agency of an amount of Tax Revenues which is at least equal to the following:

- (a) any remaining principal due on the Bonds and any outstanding Parity Debt coming due and payable on the next succeeding August 1 and not reserved or otherwise provided for in the period ending June 30; and
- (b) reserves and amounts due to the Bond Insurer in respect of the Bond Insurance Policy or the Reserve Policy.

The foregoing actions will include, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and the California Department of Finance, to the extent required, the amounts to be held by the Successor Agency as a reserve until the next Fiscal Year, as contemplated by Section 34171(d)(1)(A) of the Redevelopment Law, that are required to provide for the payment of principal of and interest on the Bonds.

SECTION 5.03. *Compliance with Plan Limitations.* If and to the extent that the Plan Limitations apply to the Successor Agency under the Dissolution Act, the Successor Agency shall not take any action which causes or which, with the passage of time, would cause any of the Plan Limitations to be exceeded or violated. The Successor Agency shall manage its fiscal affairs in a manner which ensures that it will have sufficient Tax Revenues available under the Plan Limitations in the amounts and at the times required to enable the Successor Agency to pay the principal of and interest and redemption premium (if any) on all Bonds and Parity Debt when due. The Successor Agency shall not accept any Tax Revenues which would cause any of the Plan Limitations to be exceeded.

SECTION 5.04. *Payment of Claims.* The Successor Agency will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Successor Agency or upon the Tax Revenues or any part thereof, or upon any funds held by the Trustee pursuant hereto, or which might impair the security of the Bonds. Nothing herein requires the Successor Agency to make any such payment so long as the Successor Agency in good faith contests the validity of said claims.

SECTION 5.05. *Books and Accounts; Financial Statements; Additional Information.* The Successor Agency will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Successor Agency and the City, in which complete and correct entries are made of all transactions relating to the Tax Revenues and the Redevelopment Obligation Retirement Fund and the Project AB Tax Revenue Fund. Such books of record and accounts shall at all times during business hours be subject, upon prior written request, to the reasonable

inspection of the Trustee (who has no duty to inspect) and the Bond Insurer and the Owners of not less than 10% in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

The Successor Agency will cause to be prepared annually, within 210 days after the close of each Fiscal Year so long as any of the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year, prepared in accordance with applicable provisions of the California Government Code, showing all deposits into and disbursements from the Redevelopment Obligation Retirement Fund and the Project AB Tax Revenue Fund, as of the end of such Fiscal Year. Such financial statements may be combined with or otherwise be a part of the financial statements which are prepared for the City. The Successor Agency will furnish a copy of such statements to the [Bond Insurer](#) and, upon reasonable request, to any Bond Owner. The Trustee has no duty to review any such financial statement.

SECTION 5.06. *Protection of Security and Rights of Owners.* The Successor Agency will preserve and protect the security of the Bonds and the rights of the Owners. From and after the date of issuance of the Bonds, the Successor Agency may not contest the validity or enforceability of the Bonds or this Indenture.

SECTION 5.07. *Payments of Taxes and Other Charges.* The Successor Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Successor Agency or the properties then owned by the Successor Agency in the Project Area, when the same comes due. Nothing herein contained requires the Successor Agency to make any such payment so long as the Successor Agency in good faith contests the validity of said taxes, assessments or charges. The Successor Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Redevelopment Project or any part thereof.

SECTION 5.08. *Compliance with Parity Debt Documents.* The Successor Agency shall punctually pay or cause to be paid the principal, premium (if any) and interest to become due in respect of all Parity Debt, in strict conformity with the terms of the respective documents authorizing the issuance thereof. The Successor Agency shall faithfully observe and perform all of the conditions, covenants and requirements of the respective documents authorizing the issuance of any outstanding Parity Debt.

SECTION 5.09. *Limitation on Additional Indebtedness.* The Successor Agency hereby covenants that, so long as the Bonds are Outstanding, the Successor Agency shall not issue any additional bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Tax Revenues; *provided, however,* that the Successor Agency may issue and sell refunding bonds payable from Tax Revenues on a parity with Outstanding Bonds for the purpose of refunding the Bonds or any issue of Parity Debt, if (a) the aggregate amount of debt service on such refunding bonds is lower than the aggregate amount of debt service on the Bonds or Parity Debt being refunded and (b) the final maturity of any such refunding bonds does not exceed the final maturity of the Bonds or Parity Debt being refunded. The documents providing for the issuance of any parity obligations under this Section shall provide that:

- (a) interest on such parity obligations is payable on February 1 and August 1 in each year of the term thereof, except the first twelve month period, during which interest may be payable on any date;
- (b) the principal of such parity obligations is payable on August 1 in any year in which principal is payable; and
- (c) the trustee for such parity obligations is the same entity which performs the duties of Trustee for the Bonds.

SECTION 5.10. *Tax Covenants Relating to the Series A Bonds.*

(a) Generally. The Successor Agency may not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, interest on the Series A Bonds to become includable in gross income for federal income tax purposes.

(b) Private Activity Bond Limitation. The Successor Agency shall assure that the proceeds of the Series A Bonds are not used in a manner which would cause the Series A Bonds to become “private activity bonds” within the meaning of Section 141(a) of the Tax Code or to meet the private loan financing test of Section 141(c) of the Tax Code.

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

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

(e) Rebate of Excess Investment Earnings. The Successor Agency shall calculate or cause to be calculated all amounts of excess investment earnings with respect to the Series A Bonds which are required to be rebated to the United States of America under Section 148(f) of the Tax Code, at the times and in the manner required under the Tax Code. The Successor Agency shall pay when due an amount equal to excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code, such payments to be made from any source of legally available funds of the Successor Agency. The Successor Agency shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Series A Bonds, records of the determinations made under this subsection (e).

The Trustee has no duty to monitor the compliance by the Successor Agency with any of the covenants contained in this Section.

SECTION 5.11. *Continuing Disclosure.* The Successor Agency will comply with and carry out all of the provisions of the Continuing Disclosure Certificate which has been executed and delivered by the Successor Agency on the Closing Date. Notwithstanding any other provision hereof, failure of the Successor Agency to comply with such Continuing Disclosure Certificate does not constitute an Event of Default hereunder; *provided, however,* that any Participating Underwriter (as such term is defined in such Continuing Disclosure Certificate) or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Successor Agency to comply with its obligations under this Section.

SECTION 5.12. *Further Assurances.* The Successor Agency will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Bond Insurer and the Bond Owners the rights and benefits provided in this Indenture.

ARTICLE VI

THE TRUSTEE

SECTION 6.01. *Duties, Immunities and Liabilities of Trustee.*

(a) The Trustee shall, prior to the occurrence of an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or duties shall be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a reasonable corporate trustee would exercise or use.

(b) The Successor Agency may remove the Trustee at any time, and shall remove the Trustee (i) if at any time requested to do so by the Bond Insurer or by 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 (ii) if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or becomes incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal shall be accomplished by the giving of 30 days written notice of such removal by the Successor Agency to the Trustee, whereupon in the case of the Trustee, the Successor Agency shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Successor Agency, and by giving notice of such resignation by first class mail, postage prepaid, to the Bond Insurer and to the Bond Owners at their respective addresses shown on the Registration Books. Upon receiving such notice of

resignation, the Successor Agency shall promptly appoint a successor Trustee by an instrument in writing.

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

(e) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall: (i) be a company or bank having trust powers, (ii) have a corporate trust office in the State of California, (iii) have (or be part of a bank holding company system whose bank holding company has) a combined capital and surplus of at least \$50,000,000, and (iv) be subject to supervision or examination by federal or state authority.

If such bank or company publishes a report of condition at least annually, under law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall

resign immediately in the manner and with the effect specified in subsection (c) of this Section.

The Successor Agency will maintain a Trustee acceptable to the Bond Insurer and qualified under the provisions of the foregoing provisions of this subsection (e), so long as any Bonds are Outstanding.

SECTION 6.02. *Merger or Consolidation.* Any bank or company into which the Trustee may be merged or converted or with which either of them may be consolidated or any bank or company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or company shall be eligible under subsection (e) of Section 6.01, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 6.03. *Liability of Trustee.*

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Successor Agency, and the Trustee assumes no responsibility for the correctness of the same, nor does it have any liability whatsoever therefor, nor does it make any representations as to the validity or sufficiency of this Indenture or of the Bonds nor does it incur any responsibility in respect thereof, other than as expressly stated herein. The Trustee is, however, responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee is not liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee is not liable for the acts of any agents of the Trustee selected by it with due care. The Trustee may become the Owner of Bonds with the same rights it would have if they were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such committee shall represent the Owners of a majority in principal amount or Accreted Value of the Bonds then Outstanding. The Trustee, either as principal or agent, may engage in or be entrusted in any financial or other transaction with the Successor Agency.

(b) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Bond Insurer or the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

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

(d) The Trustee will not be deemed to have knowledge of any Event of Default hereunder unless and until a responsible officer of the Trustee has actual knowledge

thereof, or unless and until a responsible officer of the Trustee has received written notice thereof at its Office. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default hereunder or thereunder. The Trustee shall not be responsible for the Successor Agency's payment of principal and interest on the Bonds, the Successor Agency's observance or performance of any other covenants, conditions or terms contained herein, or the validity or effectiveness of any collateral given to or held by it.

(e) No provision in this Indenture requires the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder. The Trustee shall be entitled to receive interest on any moneys advanced by it hereunder, at the maximum rate permitted by law.

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

(g) The Trustee has no responsibility or liability whatsoever with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, nor shall the Trustee have any obligation to review any such material, and any such review by the Trustee will not be deemed to create any obligation, duty or liability on the part of the Trustee.

(h) Before taking any action under this Article or Article VIII, the Trustee may require indemnity satisfactory to the Trustee be furnished to it to hold the Trustee harmless from any expenses whatsoever and to protect it against any liability it may incur hereunder.

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

(j) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty.

(k) The Trustee may execute any of the trusts or powers hereof and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care.

(l) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Indenture and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the Successor Agency shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended

by the Successor Agency whenever a person is to be added or deleted from the listing. If the Successor Agency elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The Successor Agency understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Successor Agency shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Successor Agency and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Successor Agency. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Successor Agency agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Successor Agency; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

(m) The Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure shall include but not be limited to acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

(n) The Trustee shall not be responsible for or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

SECTION 6.04. *Right to Rely on Documents.* The Trustee shall be protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, including, without limitation, Bond Counsel or other counsel of or to the Successor Agency, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee hereunder in accordance therewith.

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

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Successor Agency, which shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may (but has no duty to), in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

SECTION 6.05. *Preservation and Inspection of Documents.* The Trustee will retain in its possession all documents received by it under the provisions of this Indenture, which will be subject during normal business hours, and upon reasonable prior written notice, to the inspection of the Successor Agency and any Owner, and their agents and representatives duly authorized in writing.

SECTION 6.06. *Compensation and Indemnification.* Absent any agreement to the contrary, the Successor Agency will pay to the Trustee from time to time compensation for all services rendered under this Indenture and also all expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including any allocated costs of internal counsel), agents and employees, incurred in and about the performance of its powers and duties under this Indenture.

The Successor Agency further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense and liabilities, whether or not litigated, including legal fees and expenses, which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability and of enforcing any remedies hereunder and under any related documents, but excluding any and all losses, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors, agents or employees. The obligations of the Successor Agency under this Section shall survive resignation or removal of the Trustee under this Indenture and payment of the Bonds and discharge of this Indenture.

SECTION 6.07. *Accounting Records and Financial Statements.* The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries are made of all transactions made by it relating to the proceeds of the Bonds and all funds and accounts established and held by the Trustee under this Indenture. Such books of record and account shall be available for inspection by the Successor Agency and the Bond Insurer at reasonable hours, during regular business hours, with reasonable prior notice and under reasonable circumstances. The Trustee shall furnish to the Successor Agency, at least monthly, an accounting (which may be in the form of its customary statements) of all transactions relating to the proceeds of the Bonds and all funds and accounts held by the Trustee under this Indenture.

SECTION 6.08. *Provisions Relating to Bond Insurance Policy.* So long as the Bond Insurance Policy remains in effect, the Successor Agency and the Trustee shall comply with all of the terms and provisions set forth in Appendix C relating to the Bond Insurer and the Bond Insurance Policy. Such provisions are hereby incorporated into

this Indenture by this reference, and shall control and supersede any conflicting or inconsistent provisions in this Indenture.

SECTION 6.09. *Provisions Relating to Reserve Policy.* So long as the Reserve Policy remains in effect, the Successor Agency and the Trustee shall comply with all of the terms and provisions set forth in Appendix D relating to the Bond Insurer and the Reserve Policy. Such provisions are hereby incorporated into this Indenture by this reference, and shall control and supersede any conflicting or inconsistent provisions in this Indenture.

ARTICLE VII

MODIFICATION OR AMENDMENT OF THIS INDENTURE

SECTION 7.01. Amendments Permitted.

(a) Amendment With Bond Owner Consent. This Indenture and the rights and obligations of the Successor Agency and of the Owners of the Bonds may be modified or amended by the Successor Agency and the Trustee upon Request of the Successor Agency at any time by the execution of a Supplemental Indenture, but only with the written consent of the Bond Insurer and the Owners of a majority in aggregate principal amount of the Bonds then Outstanding. Any such Supplemental Indenture becomes effective upon the execution and delivery thereof by the parties thereto and upon consent of the Bond Insurer and the requisite Bond Owners. No such modification or amendment shall:

- (i) extend the maturity of a Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the Successor Agency to pay the principal thereof, or interest thereon, or any premium payable on the redemption thereof, at the time and place and at the rate and in the currency provided therein, without the written consent of the Owner of that Bond;
- (ii) permit the creation by the Successor Agency of any mortgage, pledge or lien upon the Tax Revenues superior to or on a parity with the pledge and lien created for the benefit of the Bonds, or reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification; or

(b) Amendment Without Bond Owner Consent. This Indenture and the rights and obligations of the Successor Agency and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture, with the prior written consent of the Bond Insurer but without the consent of any Owners of the Bonds, but only for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the Successor Agency contained in this Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the Successor Agency;

- (ii) to cure any ambiguity, or to cure, correct or supplement any defective provision contained in this Indenture, or in any other respect whatsoever as the Successor Agency deems necessary or desirable, provided under any circumstances that such modifications or amendments do not materially adversely affect the interests of the Owners in the opinion of Bond Counsel filed with the Successor Agency and the Trustee;
- (iii) to amend any provision hereof to assure the exclusion from gross income of interest on the Bonds for federal income tax purposes under the Tax Code, in the opinion of Bond Counsel filed with the Successor Agency and the Trustee; or
- (iv) to provide the terms and provisions applicable to any issue of bonds, notes or other obligations on a parity with the Bonds, which are issued in accordance with Section 5.09.

(c) Notice of Amendments. The Successor Agency shall deliver or cause to be delivered a draft of any Supplemental Indenture to S&P, at least 10 days prior to the effective date of such Supplemental Indenture under this Section.

(d) Rights of Trustee. The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by subsections (a) or (b) of this Section which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 7.02. *Effect of Supplemental Indenture.* From and after the time any Supplemental Indenture becomes effective under this Article VII, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 7.03. *Endorsement or Replacement of Bonds After Amendment.* After the effective date of any amendment or modification hereof under this Article VII, the Successor Agency may determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the Successor Agency, as to such amendment or modification and in that case upon demand of the Successor Agency the Owners of such Bonds shall present such Bonds for that purpose at the Office of the Trustee, and thereupon a suitable notation as to such action shall be made on such Bonds. In lieu of such notation, the Successor Agency may determine that new Bonds shall be prepared and executed in exchange for any or all of the Bonds and in that case upon demand of the Successor Agency the Owners of the Bonds shall present such Bonds for exchange at the Office of the Trustee without cost to such Owners.

SECTION 7.04. *Amendment by Mutual Consent.* The provisions of this Article VII shall not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner.

SECTION 7.05. *Trustee's Reliance.* The Trustee may conclusively rely, and is protected in relying, upon a Certificate of the Successor Agency and an opinion of Bond Counsel stating that all requirements of this Indenture relating to the amendment or modification hereof have been satisfied and that such amendments or modifications do not materially adversely affect the interests of the Bond Owners.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

SECTION 8.01. *Events of Default and Acceleration of Maturities.* Each of the following events constitutes an Event of Default hereunder:

- (a) Failure to pay any installment of the principal of or interest on any Current Interest Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Failure to pay any installment of Accreted Value of the Capital Appreciation Bonds when due.
- (c) Failure by the Successor Agency to observe and perform any of the other covenants, agreements or conditions set forth in this Indenture or in the Bonds which are within its control, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Successor Agency by the Trustee or the Bond Insurer; *provided, however*, if in the reasonable opinion of the Successor Agency the failure stated in the notice can be corrected, but not within such 30-day period, such failure shall not constitute an Event of Default if the Successor Agency institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.
- (d) The Successor Agency commences a voluntary case under Title 11 of the United States Code or any substitute or successor statute.
- (e) The occurrence and continuation of an event of default under and as defined in the respective documents authorizing the issuance of any outstanding Parity Debt.

For purposes of determining whether any event of default has occurred under and as described in the preceding clauses (a) or (b), no effect shall be given to payments made by the Bond Insurer under the Bond Insurance Policy or the Reserve Policy.

If an Event of Default occurs under this Section and is continuing, the Trustee may, and at the written direction of the Bond Insurer or (with the prior written consent of

the Bond Insurer) at the written direction of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding, and (b) after receiving indemnification to its satisfaction, exercise any other remedies available to the Trustee and the Bond Owners in law or at equity to enforce the rights of the Bond Owners under this Indenture.

Immediately upon becoming aware of the occurrence of an Event of Default, but in no event later than five Business Days following becoming aware of such occurrence, the Trustee shall give notice of such Event of Default to the Successor Agency and to the Bond Insurer in writing. Such notice shall also state whether the principal of the Bonds has been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (b) above the Trustee shall, and with respect to any Event of Default described in clause (c) above the Trustee in its sole discretion may, also give such notice to the Owners in the same manner as provided herein for notices of redemption of the Bonds, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee shall have declared the Bonds to become due and payable under the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the Successor Agency shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest at an interest rate equal to the highest rate borne by the Outstanding Bonds, and the reasonable fees and expenses of the Trustee, including fees and expenses of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) has been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Successor Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds, and with the consent of the Bond Insurer (if it has not failed to comply with its payment obligations under the Bond Insurance Policy or the Reserve Policy), rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

In the event the maturity of the Insured Bonds is accelerated, the Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Successor Agency) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Bond Insurer's obligations under the Bond Insurance Policy with respect to such Insured Bonds shall be fully discharged.

SECTION 8.02. *Notice of Event of Default.* Immediately upon becoming aware of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Successor Agency in writing. Such notice must also state whether the principal of the Bonds has been declared to be or have immediately become due and payable as provided in Section 8.01. With respect to any Event of Default described in Section 8.01(a) or (b), the Trustee shall, and with respect to any Event of Default described in Section 8.01(c) the Trustee in its sole discretion may, also give such notice to the Bond Owners in the same manner as provided herein for notices of redemption of the Bonds, which must include the statement that interest on the Bonds will cease to accrue from and after the date, if any, on which the Trustee declares the Bonds to become due and payable under Section 8.01 (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

SECTION 8.03. *Application of Funds Upon Event of Default.* All of the Tax Revenues and all sums in the funds and accounts established and held by the Trustee hereunder (other than in the Reserve Account) upon the occurrence of an Event of Default, and all sums thereafter received by the Trustee hereunder, shall be applied by the Trustee as follows and in the following order or priority:

First, to the payment of any fees, costs and expenses incurred by the Trustee to protect the interests of the Owners of the Bonds; payment of the fees, costs and expenses of the Trustee (including fees and expenses of its counsel, including any allocated costs of internal counsel) incurred in and about the performance of its powers and duties under this Indenture and the payment of all fees, costs and expenses owing to the Trustee under Section 6.06, together with interest on all such amounts advanced by the Trustee at the maximum rate permitted by law.

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

Third, to the payment of any amounts owed to the Bond Insurer hereunder.

SECTION 8.04. *Power of Trustee to Control Proceedings.* If the Trustee, upon the happening of an Event of Default, takes any action, by judicial proceedings or otherwise, in the performance of its duties hereunder, whether upon its own discretion, with the consent or at the request of the Bond Insurer or the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, it has full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action. The Trustee may not, unless there no longer continues an

Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

SECTION 8.05. *Limitation on Owners' Right to Sue.* No Owner of a Bond has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless:

- (a) said Owner has previously given to the Trustee written notice of the occurrence of an Event of Default;
- (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding have requested the Trustee in writing to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name;
- (c) said Owners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and
- (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

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

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

SECTION 8.06. *Non-waiver.* Nothing in this Article VIII or in any other provision of this Indenture or in the Bonds, affects or impairs the obligation of the Successor Agency, which is absolute and unconditional, to pay from the Tax Revenues and other amounts pledged hereunder, the principal of and interest and redemption premium (if any) on the Bonds to the Bond Owners when due and payable as herein provided, or affects or impairs the right of action, which is also absolute and unconditional, of the Bond Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by the Bond Insurer or any Bond Owner shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of the Bond Insurer or any Bond Owner to exercise any right or power

accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Bond Insurer and upon the Bond Owners by the Redevelopment Law or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Bond Insurer or the Bond Owners.

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

SECTION 8.07. *Actions by Trustee as Attorney-in-Fact.* Any suit, action or proceeding which any Owner has the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is hereby appointed (and the successive respective Owners by taking and holding the Bonds shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact, subject to the provisions of Article VI. Notwithstanding the foregoing provisions of this Section, the Trustee has no duty to enforce any such right or remedy unless it has been indemnified to its satisfaction for any additional fees, charges and expenses of the Trustee related thereto, including without limitation, fees and charges of its attorneys and advisors.

SECTION 8.08. *Remedies Not Exclusive.* No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Redevelopment Law or any other law.

SECTION 8.09. *Rights of the Bond Insurer.* Anything in this Indenture to the contrary notwithstanding, upon the occurrence and continuation of an Event of Default, the Bond Insurer is entitled to control and direct the enforcement of all rights and remedies granted hereunder to the Bond Owners, or to the Trustee for the benefit of the Bond Owners, including but not limited to rights and remedies granted under Section 8.01 and including but not limited to the right to approve all waivers of any Events of Default. The rights granted to the Bond Insurer hereunder shall be deemed terminated and may not be exercisable by the Bond Insurer during any period during which the Bond Insurer is in default under the Bond Insurance Policy or the Reserve Policy.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. *Benefits Limited to Parties.* Nothing in this Indenture, expressed or implied, is intended to give to any person other than the Successor Agency, the Trustee, the Bond Insurer and the Owners, any right, remedy, claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the Successor Agency shall be for the sole and exclusive benefit of the Trustee, the Bond Insurer and the Owners. Whenever in this Indenture or any Supplemental Indenture either the Successor Agency, the Bond Insurer or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Successor Agency, the Bond Insurer or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 9.02. *Successor is Deemed Included in All References to Predecessor.* Whenever in this Indenture or any Supplemental Indenture either the Successor Agency or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Successor Agency or the Trustee binds and inures to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 9.03. *Defeasance of Bonds.* If the Successor Agency pays and discharges all or a portion of the Bonds in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing with the Trustee or an escrow bank, in trust, at or before maturity, an amount of cash which, together with the available amounts then on deposit in the funds and accounts established under this Indenture, in the opinion or report of an Independent Accountant is fully sufficient to pay such Bonds, including all principal, interest and redemption premium, if any;
- (c) by irrevocably depositing with the Trustee or an escrow bank, in trust, Federal Securities in such amount as an Independent Accountant determines will, together with the interest to accrue thereon and available moneys then on deposit in any of the funds and accounts established under this Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premium, if any) at or before maturity; or
- (d) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption has been duly given or provision satisfactory to the Trustee has been made for the giving of such notice, then, at the election of the Successor Agency evidenced by a Certificate of the Successor Agency filed with the Trustee, and notwithstanding that any such Bonds have not been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in this Indenture and all other obligations of the Trustee and the Successor Agency under this Indenture with respect to such Bonds shall cease and terminate, except only:

- (a) the obligation of the Trustee to transfer and exchange Bonds hereunder,
- (b) the obligation of the Successor Agency to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and
- (c) the obligations of the Successor Agency to compensate and indemnify the Trustee under Section 6.06.

The Successor Agency must file notice of such election with the Trustee. The Trustee shall pay any funds thereafter held by it, which are not required for said purpose, to the Successor Agency.

In the case of a defeasance or payment of all of the Bonds Outstanding in accordance with this Section, the Trustee shall pay all amounts held by it in any funds or accounts hereunder, which are not required for said purpose or for payment of amounts due the Trustee under Section 6.06, to the Successor Agency.

Notwithstanding the foregoing provisions of this Section, in the event that the principal of and interest on the Bonds are paid by the Bond Insurer under the Bond Insurance Policy or the Reserve Policy, the obligations of the Trustee and the Successor Agency shall continue in full force and effect and the Bond Insurer shall be fully subrogated to the rights of all Owners of the Bonds so paid. In addition, the obligations of the Trustee and the Successor Agency hereunder shall continue in full force and effect, and shall not be terminated, until such time as the Successor Agency shall have paid all amounts (if any) as shall be due and owing to the Bond Insurer under the Bond Insurance Policy or the Reserve Policy; and the Trustee shall not distribute any funds to the Successor Agency under the preceding paragraph unless the Successor Agency shall have certified to the Trustee that there are no obligations then due and owing by the Successor Agency to the Bond Insurer under the Bond Insurance Policy or the Reserve Policy.

SECTION 9.04. *Application of Provisions to Capital Appreciation Bonds.* Whenever in this Indenture reference is made to the payment of the principal of and interest on the Bonds, such reference includes payment of the Accreted Value and Maturity Value of the Capital Appreciation Bonds, unless otherwise required by the context or by the express provisions of such reference. Whenever in this Indenture any reference is made to the rights of the Owners of the Bonds as measured by the principal amount of such Bonds, the principal amount of the Convertible Capital Appreciation Bonds and the Capital Appreciation Bonds shall be deemed to be the Accreted Value thereof as of the date of exercise of such rights.

SECTION 9.05. *Execution of Documents and Proof of Ownership by Owners.* Any request, consent, declaration or other instrument which this Indenture may require or permit to be executed by any Owner may be in one or more instruments of similar tenor, and shall be executed by such Owner in person or by their attorneys appointed in writing.

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

The ownership of Bonds and the amount, maturity, number and date of ownership thereof are conclusively proved by the Registration Books.

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

SECTION 9.06. *Waiver of Personal Liability.* No member, officer, agent or employee of the Successor Agency is individually or personally liable for the payment of the principal of or interest or any premium on the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

SECTION 9.07. *Destruction of Canceled Bonds.* Whenever in this Indenture provision is made for the surrender to the Successor Agency of any Bonds which have been paid or canceled under the provisions of this Indenture, a certificate of destruction duly executed by the Trustee shall be deemed to be the equivalent of the surrender of such canceled Bonds and the Successor Agency is entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to. The Successor Agency will pay all costs of any microfilming of Bonds to be destroyed.

SECTION 9.08. *Notices.* All written notices to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, (b) upon actual receipt after deposit in the United States mail, postage prepaid, or (c) in any other case, upon actual receipt. The Successor Agency or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

*If to the Successor
Agency:*

Successor Agency to the Brea Redevelopment Agency
Number One Civic Center Circle, 3rd Floor
Brea, California 92821
Attention: Executive Director
Fax: (714) 990-7600

If to the Trustee:

The Bank of New York Mellon Trust Company, N.A.
400 South Hope Street, Suite 500
Los Angeles, California 90071
Attention: Corporate Trust Services
Fax: (213) 630-6179

SECTION 9.09. *Partial Invalidity.* If any Section, paragraph, sentence, clause or phrase of this Indenture is for any reason held illegal, invalid or unenforceable, such holding will not affect the validity of the remaining portions of this Indenture. The Successor Agency and the Trustee hereby declare that they would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Indenture may be held illegal, invalid or unenforceable.

SECTION 9.10. *Unclaimed Moneys.* Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or premium (if any) on or principal of the Bonds which remains unclaimed for two years after the date when the payments of such interest, premium and principal have become payable, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Bonds have become payable, shall be repaid by the Trustee to the Successor Agency 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 Successor Agency for the payment of the principal of and interest and redemption premium (if any) on such Bonds.

SECTION 9.11. *Execution in Counterparts.* This Indenture 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.

SECTION 9.12. *Third-Party Beneficiary.* The Bond Insurer shall be deemed to be a third-party beneficiary of this Indenture, with all rights of a third-party beneficiary.

SECTION 9.13. *Governing Law.* This Indenture shall be construed and governed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the SUCCESSOR AGENCY TO THE BREA REDEVELOPMENT AGENCY has caused this Indenture to be signed in its name by the Mayor of the City and attested to by the City Clerk of the City, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

**SUCCESSOR AGENCY TO THE BREA
REDEVELOPMENT AGENCY**

By _____
Mayor
of the City of Brea

Attest:

City Clerk
of the City of Brea

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,**
as Trustee

By _____
Authorized Officer

APPENDIX A

DEFINITIONS

“Accreted Value” means, with respect to any Capital Appreciation Bond and with respect to any Convertible Capital Appreciation Bond prior to its Conversion Date, the total amount of principal thereof and interest payable thereon as of any Compounding Date determined solely by reference to the Table of Accreted Values set forth on such Capital Appreciation Bond or Convertible Capital Appreciation Bond. The Accreted Value of any Capital Appreciation Bond or Convertible Capital Appreciation Bond prior to its Conversion Date, as of any date other than a Compounding Date, will be the sum of (a) the Accreted Value as of the Compounding Date immediately preceding the date as of which the calculation is being made plus (b) interest on the Accreted Value determined under the preceding clause (a), computed to the date as of which the calculation is being made at the Accretion Rate set forth on such Capital Appreciation Bond or Convertible Capital Appreciation Bond (computed on the basis of a 360-day year of twelve 30-day months). The Accreted Value of any Capital Appreciation Bond as of the Maturity Date thereof shall be equal to the Maturity Value of such Capital Appreciation Bond.

“Accretion Rate” means the rate which, when applied to the Denominational Amount of any Capital Appreciation Bond and compounded semiannually on each Compounding Date, produces the Maturity Value of such Capital Appreciation Bond on the maturity date thereof. With respect to any Convertible Capital Appreciation Bond prior to its Conversion Date, the term “Accreted Value” means the rate which, when applied to the Denominational Amount of such Convertible Capital Appreciation Bond, produces the conversion value of such Convertible Capital Appreciation Bond as of its Conversion Date.

“Bond Counsel” means Jones Hall, A Professional Law Corporation, or any other attorney or firm of attorneys appointed by or acceptable to the Successor Agency of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bond Insurance Policy” means the policy of municipal bond insurance policy issued by the Bond Insurer which insures the payment when due of principal of and interest on the Insured Bonds.

“Bond Insurer” means _____, its successors and assigns, as issuer of the Bond Insurance Policy and the Reserve Policy.

“Bond Year” means any twelve-month period beginning on August 2 in any year and extending to the next succeeding August 1, both dates inclusive; except that the first Bond Year begins on the Closing Date and ends on August 1, 2017.

“Bonds” means, collectively, the Series A Bonds and the Series B Bonds.

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

“Capital Appreciation Bonds” means the Series A Bonds which are designated as such in Section 2.02(b), the interest on which is compounded semiannually on each Compounding Date and is payable in full at maturity as shown in the table of Accreted Value for the Capital Appreciation Bonds.

“Certificate of the Successor Agency” means a certificate in writing signed by the Mayor, the City Manager or the Administrative Services Director of the City, or any other officer of the City, acting on behalf of the Successor Agency and duly authorized by the Successor Agency for that purpose.

“City” means the City of Brea, California.

“Closing Date” means June __, 2017, being the date on which the Bonds are delivered by the Successor Agency to the Original Purchaser.

“Compounding Date” means (a) with respect to any Capital Appreciation Bond, each February 1 and August 1, commencing August 1, 2017, to and including the date of maturity or redemption of such Capital Appreciation Bond, and (b) with respect to any Convertible Capital Appreciation Bond, each February 1 and August 1, commencing August 1, 2017, to and including the Conversion Date of such Convertible Capital Appreciation Bond.

“Conversion Date” means, with respect to any Convertible Capital Appreciation Bond, the date on which such Convertible Capital Appreciation Bond automatically converts from a Capital Appreciation Bond to a Current Interest Bond.

“Convertible Capital Appreciation Bonds” means the Series A Bonds which are designated as such in Section 2.02(c), the interest on which is compounded semiannually on each Compounding Date to and including the respective Conversion Dates, and the interest on which is payable thereafter on a current basis on each Interest Payment Date.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Successor Agency relating to the authorization, issuance, sale and delivery of the related Series of Bonds and the refunding of the Refunded 2003 Bonds, the 2011 Series A Bonds and the 2011 Series B Bonds, including but not limited to: staff and administrative costs of the Successor Agency; printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee, the Escrow Bank and their respective counsel, including the Trustee’s first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; Bond Insurance Policy and Reserve Policy premiums; fees and charges for preparation, execution and safekeeping of the Bonds; and any other cost, charge or fee in connection with the original issuance of the Bonds and the current refunding of the Prior Loans.

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

“Current Interest Bonds” means the Bonds which are designated as such in Section 2.02(a), the interest on which is payable on a current basis on each Interest Payment Date.

“Debt Service Fund” means the fund by that name which is established and held by the Trustee under Section 4.03.

“Denominational Amount” means, with respect to any Capital Appreciation Bond or Convertible Capital Appreciation Bond, the original amount of such Capital Appreciation Bond or Convertible Capital Appreciation Bond as of the Closing Date.

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository under Section 2.04.

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

“Dissolution Act” means (a) Assembly Bill X1 26, signed by the Governor of the State of California on June 28, 2011, and filed with the Secretary of State of California on June 29, 2011, including as a part thereof, Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) of the Redevelopment Law, and (b) Assembly Bill No. 1484, signed by the Governor of the State of California on June 27, 2012, and filed with the Secretary of State of California on June 27, 2012.

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

“Escrow Agreement” means the Escrow Agreement dated the Closing Date, among the Authority, the Successor Agency and the Escrow Bank, relating to the deposit and application of the proceeds of the Bonds and other funds to pay and discharge the Refunded 2003 Bonds, the 2011 Series A Bonds and the 2011 Series B Bonds.

“Escrow Bank” means The Bank of New York Mellon Trust Company, N.A., as escrow bank under the Escrow Agreement.

“Event of Default” means any of the events described in Section 8.01.

“Federal Securities” means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

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

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

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

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

“Insured Bonds” means the Series A Bonds maturing on August 1 in each of the years _____ through _____, inclusive, and the Series B Bonds maturing on August 1 in each of the years _____ through _____, inclusive.

“Interest Account” means the account by that name established and held by the Trustee under Section 4.03(a).

“Interest Payment Date” means (a) with respect to any Current Interest Bond, each February 1 and August 1 commencing February 1, 2018, and (b) with respect to any Convertible Capital Appreciation Bond, each February 1 and August 1 following the Conversion Date thereof.

“Maturity Value” means, with respect to any Capital Appreciation Bond, the Accreted Value of such Capital Appreciation Bond to be paid at maturity.

“Nominee” means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.04(a).

“Non-Refunded 2003 Bonds” means the 2003 Bonds which were issued in the form of non-callable capital appreciation bonds maturing on August 1 in each of the years 2030 through 2032, inclusive.

“Office” means, with respect to the Trustee, the corporate trust office of the Trustee at the address set forth in Section 9.07, or at such other or additional offices as may be specified by the Trustee in writing to the Successor Agency; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business is conducted.

“Original Purchaser” means Stifel Nicolaus & Co., Incorporated, as original purchaser of the Bonds on the Closing Date.

“Outstanding”, when used as of any particular time with reference to Bonds, means all Bonds except: (a) Bonds theretofore canceled by the Trustee or surrendered

to the Trustee for cancellation; (b) Bonds paid or deemed to have been paid within the meaning of Section 9.03; and (c) Bonds in lieu of or in substitution for which other Bonds have been authorized, executed, issued and delivered by the Successor Agency pursuant hereto.

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

“Parity Debt” means (a) the Non-Refunded 2003 Bonds, (b) the 2013 Bonds, and (c) any notes, bonds or other obligations which are issued following the Closing Date for the purpose of refunding any Bonds, Non-Refunded 2003 Bonds, 2013 Bonds or other issue of Parity Debt in whole or in part as permitted by the Dissolution Act.

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

- (a) Federal Securities;
- (b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the Successor Agency itself): (i) certificates of beneficial ownership of the Farmers Home Administration; (ii) Federal Housing Administration debentures; (iii) participation certificates of the General Services Administration; (iv) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (v) guaranteed Title XI financings of the U.S. Maritime Administration; and (vi) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development.
- (c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities only as stripped by the Successor Agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of the Federal National Mortgage Association; (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations of the Resolution Funding Corporation; and (vi) consolidated system-wide bonds and notes of the Farm Credit System.
- (d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or

other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives and retains a fee for services provided to the fund, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee.

- (e) Certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral described in (a) or (b) above, which have a maturity not greater than one year from the date of investment and which are issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "A-1+" or better by S&P, which collateral must be held by a third party and provided that the Trustee must have a perfected first security interest in such collateral.
- (f) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC, or which are issued by a bank the short-term obligations of which are rated "A-1+ or better by S&P.
- (g) Commercial paper rated "A-1+" or better by S&P at the time of purchase.
- (h) Bonds or notes issued by any state or municipality which are rated by S&P in one of the two highest rating categories assigned by such agencies.
- (i) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A-1+" by S&P.
- (j) The Local Agency Investment Fund which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee.

"Plan Limitations" means the limitations contained or incorporated in the Redevelopment Plan on (a) the aggregate principal amount of indebtedness payable from Tax Revenues which may be outstanding at any time, (b) the aggregate amount of taxes which may be divided and allocated to the Successor Agency under the Redevelopment Plan, and (c) the period of time for establishing or incurring indebtedness payable from Tax Revenues.

“Principal Account” means the account by that name established and held by the Trustee under Section 4.03(b).

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

“Project AB Tax Revenue Fund” means the fund by that name established and held by the Successor Agency.

“Recognized Obligation Payment Schedule” means the schedule by that name prepared in accordance with the requirements of Section 34177(l) of the Redevelopment Law.

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

“Redemption Account” means the account by that name established and held by the Trustee under Section 4.03(d).

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

“Redevelopment Obligation Retirement Fund” means the fund established and held by the Successor Agency pursuant to Section 34170.5(a) of the Redevelopment Law.

“Redevelopment Plan” means the Redevelopment Plan for Redevelopment Project Area “AB”, approved by Ordinance No. 715 enacted by the City Council of the City on May 19, 1981, together with any amendments thereof at any time duly authorized pursuant to the Redevelopment Law, including but not limited to the amendments made pursuant to Ordinance No. 752 adopted by the City Council of the City on December 6, 1983, the amendments made pursuant to Ordinance No. 866 adopted by the City Council of the City on July 6, 1989, and the amendments made pursuant to Ordinance Nos. 1149 and 1150 adopted by the City Council of the City on March 1, 2011.

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

“Redevelopment Property Tax Trust Fund” means the fund established under Section 34170.5(b) of the Redevelopment Law and administered by the Orange County Auditor-Controller.

“Refunded 2003 Bonds” means the 2003 Bonds which were issued in the form of current interest bonds maturing on August 1, 2032.

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

“Registration Books” means the records maintained by the Trustee under Section 2.06 for the registration and transfer of ownership of the Bonds.

“Request of the Successor Agency” means a request in writing signed by the Mayor, the City Manager or the Administrative Services Director of the City, or any other officer of the City, acting on behalf of the Successor Agency and duly authorized by the Successor Agency for that purpose.

“Reserve Account” means the account by that name established and held by the Trustee under Section 4.03(c).

“Reserve Policy” means the Municipal Bond Debt Service Reserve Policy issued by the Bond Insurer for the account of the Reserve Account.

“Reserve Requirement” means an amount equal to \$_____, being the lesser of maximum annual debt service, 10% of the par amount of the Bonds or 125% of average annual debt service, determined as of the Closing Date, or such lesser amount as may be permitted under the Tax Code.

“S&P” means Standard & Poor’s Global Ratings, of New York, New York, and its successors.

“Securities Depositories” means DTC and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Successor Agency may designate in a Request of the Successor Agency delivered by the Successor Agency to the Trustee.

“Series” means either the Series A Bonds or the Series B Bonds.

“Series A Bonds” means the Successor Agency To The Brea Redevelopment Agency Redevelopment Project AB 2017 Tax Allocation Refunding Bonds, Series A (Tax-Exempt) issued by the Successor Agency in the aggregate principal amount of \$_____ under the Redevelopment Law and this Indenture.

“Series A Costs of Issuance Fund” means the fund by that name established and held by the Trustee under Section 3.03.

“Series B Bonds” means the Successor Agency To The Brea Redevelopment Agency Redevelopment Project AB 2017 Tax Allocation Refunding Bonds, Series B (Federally Taxable) issued by the Successor Agency in the aggregate principal amount of \$_____ under the Redevelopment Law and this Indenture.

“Series B Costs of Issuance Fund” means the fund by that name established and held by the Trustee under Section 3.04.

“Successor Agency” means the Successor Agency to the Brea Redevelopment Agency, a public entity duly organized and existing under the Redevelopment Law.

“Supplemental Indenture” means any indenture, agreement or other instrument which amends, supplements or modifies this Indenture and which has been duly entered

into between the Successor Agency and the Trustee; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

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

“Tax Revenues” means amounts required to be deposited from time to time in the Redevelopment Property Tax Trust Fund in accordance with Section 34183(a)(2) of the Redevelopment Law, which amounts are derived from property tax revenues (formerly, tax increment) allocated with respect to the Project Area under Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State of California and as provided in the Redevelopment Plan including all payments, subventions and reimbursements (if any) to the Successor Agency specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax rate limitations, but not including amounts of such taxes which are required to be paid under the Tax Sharing Agreements or the Tax Sharing Statutes, but only to the extent such amounts are not subordinated to the payment of debt service on the Bonds.

“Tax Sharing Agreements” means, collectively: (a) the Owner Participation Agreement executed by the Agency on February 5, 1988, between the Agency and Corporate Property Investors, as amended; and (b) the Agreement dated May 15, 1984, among the Agency, the City, the County, the Orange County Flood Control District and the Orange County Harbors, Beaches and Parks District.

“Tax Sharing Statutes” means the provisions of the Redevelopment Law, including but not limited to Sections 33607.5, 33607.7 and 33676 thereof, under which a taxing entity is entitled to receive an amount which would otherwise constitute a portion of the Tax Revenues by operation of such statutory provision.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., as Trustee hereunder, or any successor thereto appointed as Trustee hereunder in accordance with the provisions of Article VI.

“2003 Bonds” means the the Brea Redevelopment 2003 Tax Allocation Bonds (Redevelopment Project AB) issued by the Former Agency in the aggregate principal amount of \$120,497,865.90 to provide financing for the Redevelopment Project.

“2011 Series A Bonds” means the Brea Redevelopment Agency 2011 Tax Allocation Bonds, Series A (Redevelopment Project AB) issued by the Former Agency in the aggregate principal amount of \$18,839,323.25 to provide financing for the Redevelopment Project.

“2011 Series B Bonds” means the Brea Redevelopment Agency 2011 Tax Allocation Bonds, Series B (Redevelopment Project AB) issued by the Former Agency in the aggregate principal amount of \$10,295,000 to provide financing for the Redevelopment Project.

"2013 Bonds" means means the Successor Agency To The Brea Redevelopment Agency Redevelopment Project AB 2013 Tax Allocation Refunding Bonds issued by the Successor Agency in the aggregate principal amount of \$96,620,000 to refund a portion of the 2003 Bonds.

APPENDIX B

FORM OF SERIES A BOND

No.

\$

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

SUCCESSOR AGENCY TO THE BREA REDEVELOPMENT AGENCY

Redevelopment Project AB
2017 Tax Allocation Refunding Bond, Series A
(Tax-Exempt)

RATE OF INTEREST: MATURITY DATE: ORIGINAL ISSUE DATE: CUSIP:
August 1,

REGISTERED OWNER:

PRINCIPAL AMOUNT: *** THOUSAND DOLLARS***

The SUCCESSOR AGENCY TO THE BREA REDEVELOPMENT AGENCY, a public body, corporate and politic, duly organized and existing under the laws of the State of California (the "Agency"), for value received, hereby promises to pay (but only out of the Tax Revenues and other moneys and securities hereinafter referred to) to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date identified above, the Principal Amount identified above in lawful money of the United States of America; and to pay interest thereon at the Rate of Interest identified above in like lawful money from the date hereof, which date shall be the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless this Bond is authenticated on or before an Interest Payment Date and after the first calendar day of the month in which such Interest Payment Date occurs (a "Record Date"), in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to January 15, 2018, in which event it shall bear interest from the Original Issue Date identified above; *provided, however*, that if, at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest hereon has previously been paid or made available for payment), payable semiannually on February 1 and August 1 in each year, commencing February 1, 2018 (the "Interest Payment Dates") until payment of such Principal Amount in full.

The Principal Amount hereof is payable upon presentation hereof at the corporate office of The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), in Los Angeles, California, or such other place as designated by the Trustee. Interest hereon is payable by check of the Trustee mailed by first class mail on each Interest Payment Date to the Registered Owner hereof at the address of such Registered Owner as it appears on the registration books of the Trustee as of the preceding Record Date; provided that at the written request of the owner of at least \$1,000,000 aggregate principal amount of Bonds which written request is on file with the Trustee prior to the Record Date immediately preceding any Interest Payment Date, interest on such Bonds shall be paid on such Interest Payment Date by wire transfer to such account within the United States of America as shall be specified in such written request.

This Bond is one of a duly authorized issue of bonds of the Successor Agency designated as the "Successor Agency To The Brea Redevelopment Agency Redevelopment Project AB 2017 Tax Allocation Refunding Bonds, Series A (Tax-Exempt)" (the "Bonds") of an aggregate principal amount of \$_____ all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities or interest rates) and all issued under the provisions of Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Redevelopment Law") and the provisions of Article 11 (commencing with Section 53580) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California, and under an Indenture of Trust dated as of June 1, 2017, between the Successor Agency and the Trustee (the "Indenture"). The Bonds have been authorized to be issued by the Successor Agency under a resolution of the Successor Agency adopted on April 4, 2017. Reference is hereby made to the Indenture (copies of which are on file at the office of the Successor Agency) and all supplements thereto and to the Redevelopment Law for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Tax Revenues, as that term is defined in the Indenture, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Successor Agency thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Successor Agency to refinance certain indebtedness previously incurred by the former Brea Redevelopment Agency under the Redevelopment Law in connection with the Redevelopment Project AB in the City of Brea, California (the "Project Area"), a duly designated redevelopment project area under the laws of the State of California.

This Bond and the interest hereon are payable from, and are secured by a charge and lien on the Tax Revenues derived by the Successor Agency from the Project Area. As and to the extent set forth in the Indenture, all of the Tax Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture and the Redevelopment Law, to the payment of the principal of and interest on the Bonds. Notwithstanding the foregoing, certain amounts out of Tax Revenues may be applied for other purposes as provided in the Indenture.

This Bond is not a debt of the City of Brea, the State of California, or any of its political subdivisions, and neither said City, said State, nor any of its political

subdivisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties other than the Tax Revenues.

The rights and obligations of the Successor Agency and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall permit a change in the terms of maturity of the principal of any outstanding Bond or of any installment of interest thereon or a reduction in the rate of interest thereon without the consent of the owner of such Bond, or shall reduce the percentages of the owners required to effect any such modification or amendment.

If an Event of Default occurs under and as defined in the Indenture, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said corporate trust office of the Trustee in Los Angeles, California, or such other place as designated by the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor.

The Successor Agency and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Successor Agency and the Trustee shall not be affected by any notice to the contrary.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Successor Agency, does not exceed any limit prescribed by any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Trustee for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest in this Bond.

This Bond is not entitled to any benefit under the Indenture and is not valid or obligatory for any purpose until the certificate of authentication hereon endorsed has been signed by the Trustee.

IN WITNESS WHEREOF, the SUCCESSOR AGENCY TO THE BREA REDEVELOPMENT AGENCY has caused this Bond to be executed in its name and on its behalf with the facsimile signature of the Mayor of the City of Brea, and has caused this Bond to be attested to by the facsimile signature of the City Clerk of the City of Brea, all as of the Original Issue Date specified above.

**SUCCESSOR AGENCY TO THE BREA
REDEVELOPMENT AGENCY**

By _____
Mayor
of the City of Brea

Attest:

City Clerk
of the City of Brea

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Dated:

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee**

By _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Bond and hereby _____ irrevocably constitute(s) _____ and appoint(s) _____ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an eligible guarantor institution.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

FORM OF SERIES B BOND

No.

\$

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

SUCCESSOR AGENCY TO THE BREA REDEVELOPMENT AGENCY

Redevelopment Project AB
2017 Tax Allocation Refunding Bond,
Series B (Federally Taxable)

RATE OF INTEREST: MATURITY DATE: ORIGINAL ISSUE DATE: CUSIP:
August 1,

REGISTERED OWNER:

PRINCIPAL AMOUNT: *** _____ THOUSAND DOLLARS***

The SUCCESSOR AGENCY TO THE BREA REDEVELOPMENT AGENCY, a public body, corporate and politic, duly organized and existing under the laws of the State of California (the "Agency"), for value received, hereby promises to pay (but only out of the Tax Revenues and other moneys and securities hereinafter referred to) to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date identified above, the Principal Amount identified above in lawful money of the United States of America; and to pay interest thereon at the Rate of Interest identified above in like lawful money from the date hereof, which date shall be the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless this Bond is authenticated on or before an Interest Payment Date and after the first calendar day of the month in which such Interest Payment Date occurs (a "Record Date"), in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to January 15, 2018, in which event it shall bear interest from the Original Issue Date identified above; *provided, however*, that if, at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest hereon has previously been paid or made available for payment), payable semiannually on February 1 and August 1 in each year, commencing February 1, 2018 (the "Interest Payment Dates") until payment of such Principal Amount in full.

The Principal Amount hereof is payable upon presentation hereof at the corporate office of The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), in Los Angeles, California, or such other place as designated by the Trustee. Interest hereon is payable by check of the Trustee mailed by first class mail on each

Interest Payment Date to the Registered Owner hereof at the address of such Registered Owner as it appears on the registration books of the Trustee as of the preceding Record Date; provided that at the written request of the owner of at least \$1,000,000 aggregate principal amount of Bonds which written request is on file with the Trustee prior to the Record Date immediately preceding any Interest Payment Date, interest on such Bonds shall be paid on such Interest Payment Date by wire transfer to such account within the United States of America as shall be specified in such written request.

This Bond is one of a duly authorized issue of bonds of the Successor Agency designated as the "Successor Agency To The Brea Redevelopment Agency Redevelopment Project AB 2017 Tax Allocation Refunding Bonds, Series B (Federally Taxable)" (the "Bonds") of an aggregate principal amount of \$_____, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities or interest rates) and all issued under the provisions of Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Redevelopment Law") and the provisions of Article 11 (commencing with Section 53580) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California, and under an Indenture of Trust dated as of June 1, 2017, between the Successor Agency and the Trustee (the "Indenture"). The Bonds have been authorized to be issued by the Successor Agency under a resolution of the Successor Agency adopted on April 4, 2017. Reference is hereby made to the Indenture (copies of which are on file at the office of the Successor Agency) and all supplements thereto and to the Redevelopment Law for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Tax Revenues, as that term is defined in the Indenture, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Successor Agency thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Successor Agency to refinance certain indebtedness previously incurred by the former Brea Redevelopment Agency under the Redevelopment Law in connection with the Redevelopment Project AB in the City of Brea, California (the "Project Area"), a duly designated redevelopment project area under the laws of the State of California.

This Bond and the interest hereon are payable from, and are secured by a charge and lien on the Tax Revenues derived by the Successor Agency from the Project Area. As and to the extent set forth in the Indenture, all of the Tax Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture and the Redevelopment Law, to the payment of the principal of and interest on the Bonds. Notwithstanding the foregoing, certain amounts out of Tax Revenues may be applied for other purposes as provided in the Indenture.

This Bond is not a debt of the City of Brea, the State of California, or any of its political subdivisions, and neither said City, said State, nor any of its political subdivisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties other than the Tax Revenues.

The rights and obligations of the Successor Agency and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the

terms provided in the Indenture, but no such modification or amendment shall permit a change in the terms of maturity of the principal of any outstanding Bond or of any installment of interest thereon or a reduction in the rate of interest thereon without the consent of the owner of such Bond, or shall reduce the percentages of the owners required to effect any such modification or amendment.

If an Event of Default occurs under and as defined in the Indenture, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said corporate trust office of the Trustee in Los Angeles, California, or such other place as designated by the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor.

The Successor Agency and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Successor Agency and the Trustee shall not be affected by any notice to the contrary.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Successor Agency, does not exceed any limit prescribed by any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Trustee for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest in this Bond.

This Bond is not entitled to any benefit under the Indenture and is not valid or obligatory for any purpose until the certificate of authentication hereon endorsed has been signed by the Trustee.

IN WITNESS WHEREOF, the SUCCESSOR AGENCY TO THE BREA REDEVELOPMENT AGENCY has caused this Bond to be executed in its name and on its behalf with the facsimile signature of the Mayor of the City of Brea, and has caused this Bond to be attested to by the facsimile signature of the City Clerk of the City of Brea, all as of the Original Issue Date specified above.

**SUCCESSOR AGENCY TO THE BREA
REDEVELOPMENT AGENCY**

By _____
Mayor
of the City of Brea

Attest:

City Clerk
of the City of Brea

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Dated:

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee**

By _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Bond and hereby _____ irrevocably constitute(s) _____ and appoint(s) _____ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an eligible guarantor institution.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

APPENDIX C

PROVISIONS RELATING TO BOND INSURANCE POLICY

The following terms and provisions are hereby incorporated into this Indenture by this reference. Such provisions shall control and supersede any conflicting or inconsistent provisions in this Indenture.

APPENDIX D

PROVISIONS RELATING TO RESERVE POLICY

The following terms and provisions are hereby incorporated into this Indenture by this reference. Such provisions shall control and supersede any conflicting or inconsistent provisions in this Indenture.

ESCROW AGREEMENT

This ESCROW AGREEMENT (this "Agreement"), dated as of June 1, 2017, is between the SUCCESSOR AGENCY TO THE BREA REDEVELOPMENT AGENCY, a public agency organized and existing under the laws of the State of California (the "Successor Agency"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, acting as escrow agent (the "Escrow Agent") and as trustee for the Refunded Bonds described below.

BACKGROUND:

1. Pursuant to Section 34172(a) of the California Health and Safety Code, the Brea Redevelopment Agency (the "Former Agency") has been dissolved and no longer exists as a public body, corporate and politic, and the City Council of the City of Brea has elected to serve as the successor entity to the Former Agency.

2. In order to provide financing and refinancing for Redevelopment Project AB of the Former Agency, the Former Agency has previously issued the following bonds:

- the Brea Redevelopment Agency 2003 Tax Allocation Bonds (Redevelopment Project AB) issued in the aggregate principal amount of \$120,497,865.90 (the "2003 Bonds") under an Indenture of Trust dated as of July 1, 2003 (the "2003 Bond Indenture"), between the Former Agency and BNY Western Trust Company, as trustee,
- the Brea Redevelopment Agency 2011 Tax Allocation Bonds, Series A (Redevelopment Project AB) in the aggregate principal amount of \$18,839,323.25 (the "2011 Series A Bonds") under an Indenture of Trust dated as of June 1, 2011 (the "2011 Series A Bond Indenture"), between the Former Agency and The Bank of New York Mellon Trust Company, N.A., as trustee, and
- the Brea Redevelopment Agency 2011 Taxable Tax Allocation Housing Bonds, Series B (Redevelopment Project AB) in the aggregate principal amount of \$10,295,000 (the "2011 Series B Bonds") under an Indenture of Trust dated as of June 1, 2011 (the "2011 Series B Bond Indenture"), between the Former Agency and The Bank of New York Mellon Trust Company, N.A., as trustee; and

3. The Successor Agency has previously issued its \$96,620,000 aggregate principal amount of Successor Agency To The Brea Redevelopment Agency Redevelopment Project AB 2013 Tax Allocation Refunding Bonds (the "2013 Bonds"), the proceeds of which have been applied to refund a portion of the 2003 Bonds, consisting of the 2003 Bonds which were issued as current interest bonds maturing on August 1 in each of the years 2014 through 2026, inclusive, which 2003 Bonds have been redeemed and are no longer outstanding; and

4. In order to provide funds to refund the outstanding 2003 Bonds which constitute current interest bonds, and the outstanding 2011 Series A Bonds, the Successor Agency has authorized the issuance of its Successor Agency To The Brea Redevelopment Agency, Redevelopment Project AB 2017 Tax Allocation Refunding Bonds, Series A (Tax-Exempt) in the aggregate principal amount of \$_____ (the "2017 Series A Bonds") under an Indenture of Trust dated as of June 1, 2017 (the "2017 Bond Indenture"), between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the "2017 Bond Trustee").

5. In order to provide funds to refund the outstanding 2011 Series B Bonds, the Successor Agency has authorized the issuance of its Successor Agency To The Brea Redevelopment Agency, Redevelopment Project AB 2017 Tax Allocation Refunding Bonds, Series B (Federally Taxable) in the aggregate principal amount of \$_____ (the "2017 Series B Bonds") under the 2017 Bond Indenture.

6. The Successor Agency wishes to appoint the Escrow Agent for the purpose of establishing irrevocable escrow funds to be funded, invested, held and administered for the purpose of providing for the refunding of the outstanding 2003 Bonds which constitute current interest bonds, the 2011 Series A Bonds and the 2011 Series B Bonds (collectively, the "Refunded Bonds"), on the respective dates and at the respective redemption prices as set forth in this Agreement.

A G R E E M E N T :

In consideration of the premises and the material covenants contained herein, the Successor Agency and the Escrow Agent hereby agree as follows:

SECTION 1. *Appointment of Escrow Agent.* The Successor Agency hereby appoints the Escrow Agent to act as escrow agent for purposes of administering the funds required to refund the Refunded Bonds in accordance with the 2003 Bond Indenture, the 2011 Series A Bond Indenture and the 2011 Series B Bond Indenture, respectively.

SECTION 2. *Establishment of Escrow Funds.* The Escrow Agent is hereby directed to establish an escrow fund (the "Tax-Exempt Escrow Fund") for the refunding of the outstanding 2003 Bonds which constitute current interest bonds, and the outstanding 2011 Series A Bonds. The Escrow Agent is hereby further directed to establish an escrow fund (the "Taxable Escrow Fund") for the refunding of the 2011 Series B Bonds.

The Tax-Exempt Escrow Fund and the Taxable Escrow Fund (collectively, the "Escrow Funds") shall be held in trust as an irrevocable escrow for the uses and purposes set forth herein. If at any time the Escrow Agent receives actual knowledge that the cash and securities in the Escrow Funds will not be sufficient to make any payment required by Sections 6 and 7, the Escrow Agent shall notify the Successor Agency of such fact and the Successor Agency shall immediately cure such deficiency from any source of legally available funds. The Escrow Agent has no liability for any such insufficiency.

The Escrow Agent may conclusively rely upon the verification report of Causey Demgen & Moore P.C. as to the sufficiency of the funds on deposit in the Escrow Funds to make the payments required for the redemption in full of the Refunded Bonds.

SECTION 3. *Deposit of Amounts in Tax-Exempt Escrow Funds.* On June __, 2017 (the "Closing Date"), the Successor Agency shall cause to be transferred to the Escrow Agent for deposit into the Tax-Exempt Escrow Fund the amount of \$_____ in immediately available funds, to be derived from the following sources in the following respective amounts:

- (a) from the proceeds of the 2017 Series A Bonds in the amount of \$_____;
- (b) from tax increment revenues held in respect of the payment of debt service on the 2003 Bonds and the 2011 Series A Bonds in the amount of \$_____;
- (c) from the amounts held in the Redevelopment Fund which has been established for the 2011 Series A Bonds under Section 3.04 of the 2011 Series A Bond Indenture, in the amount of \$_____; and
- (d) from the Reserve Account which has been established for the 2011 Series A Bonds under Section 4.04(c) of the 2011 Series A Bond Indenture, in the amount of \$_____.

SECTION 4. *Deposit of Amounts in Taxable Escrow Fund.* On the Closing Date, the Successor Agency shall cause to be transferred to the Escrow Agent for deposit into the Taxable Escrow Fund the amount of \$_____ in immediately available funds, to be derived from the following sources in the following respective amounts:

- (a) from the proceeds of the 2017 Series B Bonds in the amount of \$_____;
- (b) from tax increment revenues held in respect of the payment of debt service on the 2011 Series B Bonds in the amount of \$_____;
and
- (c) from the Reserve Account which has been established for the 2011 Series B Bonds under Section 4.04(c) of the 2011 Series B Bond Indenture, in the amount of \$_____.

SECTION 5. *Investment of Amounts in Escrow Funds.* The Escrow Agent shall invest the amount of \$_____ on deposited in the Tax-Exempt Escrow Fund in the following securities, and shall hold the remaining \$_____ in cash, uninvested.

<u>Security</u>	<u>CUSIP</u>	<u>Par Amount</u>	<u>Maturity Date</u>	<u>Coupon</u>	<u>Total Cost</u>
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The Escrow Agent shall invest the amount of \$_____ on deposited in the Taxable Escrow Fund in the following securities, and shall hold the remaining \$_____ in cash, uninvested.

<u>Security</u>	<u>CUSIP</u>	<u>Par Amount</u>	<u>Maturity Date</u>	<u>Coupon</u>	<u>Total Cost</u>
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The Escrow Agent has no power or duty to invest any funds held under this Escrow Agreement except as provided in this Section. The Escrow Agent has no power or duty to transfer or otherwise dispose of the moneys held hereunder except as provided in this Agreement.

SECTION 6. *Application of Amounts in Tax-Exempt Escrow Fund.* The Escrow Agent, in its capacity as trustee for the 2003 Bonds, shall apply the amounts on deposit in the Tax-Exempt Escrow Fund to pay and redeem the 2003 Bonds which constitute current interest bonds, in accordance with the following schedule:

<u>Payment Date</u>	<u>Interest Payment</u>	<u>Redeemed Principal</u>	<u>Total Payment</u>
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The Escrow Agent, in its capacity as trustee for the 2011 Series A Bonds, shall apply the amounts on deposit in the Tax-Exempt Escrow Fund to pay and redeem the 2011 Series A Bonds, in accordance with the following schedule:

<u>Payment Date</u>	<u>Interest Payment</u>	<u>Redeemed Principal</u>	<u>Total Payment</u>
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Following the payment and redemption in respect of the 2003 Bonds which constitute current interest bonds, and the 2011 Series A Bonds, the Escrow Agent shall transfer any amounts remaining on deposit in the Tax-Exempt Escrow Fund to the 2017 Bond Trustee to be applied to pay interest next coming due and payable on the 2017 Series A Bonds.

SECTION 7. *Application of Amounts in Taxable Escrow Fund.* The Escrow Agent, in its capacity as trustee for the 2011 Series B Bonds, shall apply the amounts on deposit in the Taxable Escrow Fund to pay and redeem the 2011 Series B Bonds, in accordance with the following schedule:

<u>Payment Date</u>	<u>Interest Payment</u>	<u>Redeemed Principal</u>	<u>Total Payment</u>
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Following the payment and redemption in respect of the 2011 Series B Bonds, the Escrow Agent shall transfer any amounts remaining on deposit in the Taxable Escrow Fund to the 2017 Bond Trustee to be applied to pay interest next coming due and payable on the 2017 Series B Bonds.

SECTION 8. *Irrevocable Election to Redeem Refunded Bonds.* The Successor Agency hereby irrevocably elects to redeem the 2003 Bonds which constitute current interest bonds on _____, 2017, in accordance with Section 2.03(a) of the 2003 Bond Indenture. The Successor Agency hereby irrevocably elects to redeem the 2011 Series A Bonds on August 1, 2021, in accordance with Section 2.03(a) and 2.03(b) of the 2011 Series A Bond Indenture. The Successor Agency hereby irrevocably elects to redeem the 2011 Series B Bonds on August 1, 2021, in accordance with Section 2.03(a) of the 2011 Series B Bond Indenture.

Notice of redemption of the Refunded Bonds shall be given by the Escrow Agent, in its capacity as the trustee for each respective issue of the Refunded Bonds, in accordance with the respective provisions of the 2003 Bond Indenture, the 2011 Series A Bond Indenture and the 2011 Series B Bond Indenture, at the expense of the Successor Agency.

SECTION 9. *Resignation of Escrow Agent.* The Escrow Agent may at any time resign by giving written notice of such resignation to the Successor Agency, and the Successor Agency shall promptly appoint a successor Escrow Agent by the resignation date. Resignation of the Escrow Agent will be effective only upon acceptance of appointment by a successor Escrow Agent. If the Successor Agency does not appoint a successor, the Escrow Agent may at the expense of the Successor Agency petition any court of competent jurisdiction for the appointment of a successor Escrow Agent, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Escrow Agent. After receiving a notice of resignation of Escrow Agent, the Successor Agency may appoint a temporary Escrow Agent to replace the resigning Escrow Agent until the Successor Agency appoints a successor Escrow Agent. Any such temporary Escrow Agent so appointed by the Successor Agency shall immediately and without further act be superseded by the successor Escrow Agent so appointed.

SECTION 10. *Compensation to Escrow Agent.* The Successor Agency shall pay the Escrow Agent full compensation for its services under this Agreement, including reimbursing the Escrow Agent for its out-of-pocket costs such as publication costs, legal fees and other costs and expenses relating hereto and, in addition, all fees, costs and expenses relating to the purchase, substitution or withdrawal of any Escrow Securities after the date hereof. Under no circumstances shall amounts deposited in or credited to the Escrow Funds be deemed to be available for said purposes. The Escrow Agent has no lien upon or right of set off against the cash and Escrow Securities at any time on deposit in the Escrow Funds.

The Successor Agency shall indemnify, defend and hold harmless the Escrow Agent and its officers, directors, employees, representatives and agents, from and against and reimburse the Escrow Agent for any and all claims, obligations, liabilities, losses, damages, actions, suits, judgments, reasonable costs and expenses (including reasonable attorneys' and agents' fees and expenses) of whatever kind or nature regardless of their merit, demanded, asserted or claimed against the Escrow Agent

directly or indirectly relating to, or arising from, claims against the Escrow Agent by reason of its participation in the transactions contemplated hereby, except to the extent caused by the Escrow Agent's gross negligence or willful misconduct. The provisions of this Section shall survive the termination of this Agreement or the earlier resignation or removal of the Escrow Agent.

SECTION 11. *Immunities and Liability of Escrow Agent.* The Escrow Agent undertakes to perform only such duties as are expressly set forth in this Agreement and no implied duties, covenants or obligations shall be read into this Agreement against the Escrow Agent. The Escrow Agent shall not have any liability hereunder except to the extent of its gross negligence or willful misconduct. In no event shall the Escrow Agent be liable for any special, indirect or consequential damages. The Escrow Agent shall not be liable for any loss from any investment made by it in accordance with the terms of this Agreement. The Escrow Agent may consult with legal counsel of its own choice and the Escrow Agent shall not be liable for any action taken or not taken by it in good faith in reliance upon the opinion or advice of such counsel. The Escrow Agent shall not be liable for the recitals or representations contained in this Agreement and shall not be responsible for the validity of this Agreement, the sufficiency of the Escrow Funds or the moneys and Escrow Securities to pay the principal, interest and redemption price of the Refunded Bonds.

Whenever in the administration of this Agreement the Escrow Agent deems it necessary or desirable that a matter be proved or established prior to taking or not taking any action, such matter may be deemed to be conclusively proved and established by a certificate of an authorized representative of the Successor Agency and shall be full protection for any action taken or not taken by the Escrow Agent in good faith reliance thereon.

The Escrow Agent may conclusively rely as to the truth and accuracy of the statements and correctness of any opinions or calculations provided to it in connection with this Agreement and shall be protected in acting, or refraining from acting, upon any notice, instruction, request, certificate, document, opinion or other writing furnished to the Escrow Agent in connection with this Agreement and believed by the Escrow Agent to be signed by the proper party, and it need not investigate any fact or matter stated therein.

None of the provisions of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Escrow Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed. The Escrow Agent shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of *force majeure*. The term "*force majeure*" means an occurrence that is beyond the control of the Escrow Agent and could not have been avoided by exercising due care. *Force majeure* includes acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

Any bank, corporation or association into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any bank, corporation or association resulting from any merger, conversion or consolidation to which the Escrow Agent shall

be a party, or any bank, corporation or association succeeding to all or substantially all of the corporate trust business of the Escrow Agent shall be the successor of the Escrow Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except on the part of any of the parties hereto where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

The Escrow Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Escrow Agreement and delivered using Electronic Means ("Electronic Means" means mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Agent, or another method or system specified by the Escrow Agent as available for use in connection with its services hereunder); *provided, however*, that the Successor Agency shall provide to the Escrow Agent an incumbency certificate listing officers with the Successor Agency to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Successor Agency whenever a person is to be added or deleted from the listing. If the Successor Agency elects to give the Escrow Agent Instructions using Electronic Means and the Escrow Agent in its discretion elects to act upon such Instructions, the Escrow Agent's understanding of such Instructions shall be deemed controlling. The Successor Agency understands and agrees that the Escrow Agent cannot determine the identity of the actual sender of such Instructions and that the Escrow Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Agent have been sent by such Authorized Officer. The Successor Agency shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Agent and that the Successor Agency and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Successor Agency. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Successor Agency agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Escrow Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Successor Agency; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Escrow Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

The Successor Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Successor Agency the right to receive brokerage confirmations of security transactions as they occur, the Successor Agency specifically waives receipt of such confirmations to the extent permitted by law. The Escrow Agent will furnish the Successor Agency periodic cash

transaction statements which include detail for all investment transactions made by the Escrow Agent hereunder.

If the Escrow Agent learns that the Department of the Treasury or the Bureau of Public Debt will not, for any reason, accept a subscription of securities that is to be submitted pursuant hereto, the Escrow Agent shall promptly request alternative written investment instructions from the Successor Agency with respect to escrowed funds which were to be invested in securities. The Escrow Agent shall follow such instructions and, upon the maturity of any such alternative investment, the Escrow Agent shall hold funds uninvested and without liability for interest until receipt of further written instructions from the Successor Agency. In the absence of investment instructions from the Successor Agency, the Escrow Agent shall not be responsible for the investment of such funds or interest thereon. The Escrow Agent may conclusively rely upon the Successor Agency's selection of an alternative investment as a determination of the alternative investment's legality and suitability and shall not be liable for any losses related to the Successor Agency the alternative investments or for compliance with any yield restriction applicable thereto.

SECTION 12. *Purpose of Agreement; Amendment.* This Agreement is entered into by the Successor Agency for the purpose of providing funds to discharge and defease the Refunded Bonds under and with the effect set forth in the 2003 Bond Indenture, the 2011 Series A Bond Indenture and the 2011 Series B Bond Indenture, respectively. The Successor Agency hereby certifies its intention to discharge all indebtedness represented by the Refunded Bonds under the respective provisions of the 2003 Bond Indenture, the 2011 Series A Bond Indenture and the 2011 Series B Bond Indenture.

This Agreement may be amended by the parties hereto, but only if there shall have been filed with the Successor Agency and the Escrow Agent a written opinion of Bond Counsel stating that such amendment will not materially adversely affect the interests of the owners of the Refunded Bonds, and that such amendment will not cause interest on the Refunded Bonds or the Series A Bonds to become includable in the gross income of the owners thereof for federal income tax purposes.

SECTION 13. *Termination of Agreement.* Upon payment in full of the principal of and interest and redemption price of the Refunded Bonds, and upon payment of all fees, expenses and charges of the Escrow Agent as described above, this Agreement shall terminate and the Escrow Agent shall be discharged from any further obligation or responsibility hereunder.

SECTION 14. *Execution in Counterparts.* This 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.

SECTION 15. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of California.

**SUCCESSOR AGENCY TO THE BREA
REDEVELOPMENT AGENCY**

By: _____
Mayor
of the City of Brea

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Escrow
Agent and as Trustee for the Refunded
Bonds**

By _____
Authorized Officer

\$ _____
**Successor Agency To The
Brea Redevelopment Agency
Redevelopment Project AB
2017 Tax Allocation Refunding Bonds,
Series A
(Tax-Exempt)**

\$ _____
**Successor Agency To The
Brea Redevelopment Agency
Redevelopment Project AB
2017 Tax Allocation Refunding Bonds,
Series B
(Federally Taxable)**

BOND PURCHASE AGREEMENT

_____, 2017

Successor Agency to the Brea Redevelopment Agency
Number One Civic Center Circle, 3rd Floor
Brea, California 92821

Ladies and Gentlemen:

The undersigned, Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), acting in its capacity as a principal and not as an agent or fiduciary, offers to enter into this bond purchase agreement (this "Purchase Agreement") with the Successor Agency to the Brea Redevelopment Agency (the "Agency"), which will be binding upon the Agency and the Underwriter upon the acceptance hereof by the Agency. This offer is made subject to its acceptance by the Agency by execution of this Purchase Agreement and its delivery to the Underwriter on or before 5:00 p.m., California time, on the date hereof. All terms used herein and not otherwise defined shall have the respective meanings given to such terms in the Indenture (as hereinafter defined).

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Agency hereby agrees to sell to the Underwriter, and the Underwriter hereby agrees to purchase from the Agency, all (but not less than all) of the: (i) \$ _____ aggregate principal amount of the Agency's Redevelopment Project AB 2017 Tax Allocation Refunding Bonds, Series A (Tax-Exempt) (the "2017A Bonds"), at a purchase price equal to \$ _____ (being the aggregate principal amount thereof plus original issue premium of \$ _____ and less an Underwriter's discount of \$ _____); and (ii) \$ _____ aggregate principal amount of the Agency's Redevelopment Project AB 2017 Tax Allocation Refunding Bonds, Series B (Federally Taxable) (the "2017B Bonds" and, together with the 2017A Bonds, the "Bonds") at a purchase price equal to \$ _____ (being the aggregate principal amount thereof less a net original issue discount of \$ _____ and less an Underwriter's discount of \$ _____).

The 2017A Bonds maturing on August 1, 20__ through August 1, 20__, inclusive and the 2017B Bonds maturing on August 1, 20__ through August 1, 20__, inclusive (collectively the "Insured Bonds") shall be insured under a municipal bond insurance policy (the "Policy") from _____ (the "Insurer"). The Agency shall also purchase a municipal bond debt service reserve insurance policy (the "Reserve Surety") from the Insurer for the Bonds. The Reserve Surety will be credited to the Reserve Account to be established pursuant to the Indenture. In connection with the Closing (as defined below), the Underwriter agrees to wire

\$_____ to the Insurer as an accommodation to the Agency as payment of the premium on Policy and \$_____ to the Insurer as an accommodation to the Agency as payment of the premium on the Reserve Surety.

The Agency acknowledges and agrees that: (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm's-length commercial transaction between the Agency and the Underwriter; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as a Municipal Advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended); (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the Agency with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Agency on other matters); and (iv) the Agency has consulted its own legal, financial and other advisors to the extent it has deemed appropriate.

2. Description of the Bonds. The Bonds shall be issued and sold to the Underwriter pursuant to an Indenture of Trust, dated as of June 1, 2017 (the "Indenture"), by and between the Agency and The Bank of New York Mellon Trust Company, N.A. as trustee (the "Trustee"), the Constitution and the laws of the State of California, including Article 11 (commencing with Section 53580 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Bond Law") and Parts 1.8 and 1.85 of Division 24 of the Health and Safety Code of the State of California (as amended from time to time, the "Dissolution Act"), a resolution adopted on _____, 2017 (the "Agency Resolution") by the City Council of the City of Brea, acting as the Agency, a resolution of the Oversight Board of the Agency (the "Oversight Board") adopted on _____, 2017 (the "Oversight Board Resolution") and a letter from the State of California Department of Finance dated _____, 2017 approving the Oversight Board Resolution (the "DOF Letter"). The Bonds shall be as described in the Indenture and the Official Statement, as defined herein, relating to the Bonds. The Bonds are being issued to refund: (i) a portion of the Brea Redevelopment Agency 2003 Tax Allocation Bonds (Redevelopment Project AB) (the "2003 Bonds"); (ii) all of the Brea Redevelopment Agency 2011 Tax Allocation Bonds, Series A (Redevelopment Project AB) (the "2011 Bonds"); and (iii) all of the Brea Redevelopment Agency 2011 Taxable Tax Allocation Housing Bonds, Series B (Redevelopment Project AB) (the "2011 Housing Bonds," and collectively with the 2003 Bonds and the 2011 Bonds, the "Refunded Bonds"). In connection with such refunding, the Agency, as successor to the former Brea Redevelopment Agency, will enter into an Escrow Agreement relating to the Refunded Bonds (the "Escrow Agreement"), by and between the Agency and The Bank of New York Mellon Trust Company, N.A., as Escrow Agent. The Bonds are subject to redemption prior to their respective maturity dates as set forth in Appendix A hereto.

3. Public Offering. The Underwriter agrees to make a bona fide public offering of all the Bonds initially at the public offering prices (or yields) set forth on Appendix A attached hereto and incorporated herein by reference. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as they deem necessary in connection with the marketing of the Bonds, provided that the Underwriter shall not change the interest rates set forth on Appendix A. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices.

4. Delivery of Official Statement. The Agency has delivered or caused to be delivered to the Underwriter prior to the execution of this Purchase Agreement copies of the Preliminary Official

Statement relating to the Bonds (the “Preliminary Official Statement”), which was approved by a resolution of the Agency adopted on _____, 2017 (the “Agency OS Resolution”). Such Preliminary Official Statement, except for omissions permitted under Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the “Rule”), is the official statement deemed final by the Agency for purposes of the Rule and approved for distribution by resolution of the Agency.

The Agency hereby agrees to deliver or cause to be delivered to the Underwriter, not later than the earlier of: (i) the business day preceding the Closing Date (as defined herein); or (ii) the seventh (7th) business day following the date of this Purchase Agreement: (A) the form of the Official Statement relating to the Bonds in “designated electronic format” (as defined in Municipal Securities Rule Making Board (“MSRB”) Rule G-32; and (B) copies of the Official Statement relating to the Bonds, dated the date hereof, in the form of the Preliminary Official Statement, with such changes thereto, as may be approved by the Underwriter (including the appendices thereto and any amendments or supplements approved by the Agency and the Underwriter, the “Official Statement”), in such quantity as the Underwriter shall reasonably request. The Agency hereby approves of the distribution and use by the Underwriter of the Official Statement in connection with the offer and sale of the Bonds. The Preliminary Official Statement and the Official Statement may be delivered in printed and/or electronic form to the extent permitted by applicable rules of the MSRB and as may be agreed by the Agency and the Underwriter. If the Official Statement is prepared for distribution in electronic form, the Agency hereby confirms that it does not object to distributions of the Official Statement in electronic form.

5. The Closing. At 8:00 a.m., California time, on _____, 2017 (the “Closing Date”), or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the Agency and the Underwriter, the Agency will deliver: (i) the Bonds in book-entry form; and (ii) the closing documents hereinafter mentioned at the offices of Jones Hall, A Professional Law Corporation (“Bond Counsel”), in San Francisco, California, or another place to be mutually agreed upon by the Agency and the Underwriter. The Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof by federal wire transfer to the order of the Trustee on behalf of the Agency. This payment and delivery, together with the delivery of the aforementioned documents, is herein called the “Closing.”

6. Agency Representations, Warranties and Covenants. The Agency represents, warrants and covenants to the Underwriter that:

(a) Due Organization, Existence and Authority. The Agency is a public entity validly existing under the laws of the State of California (the “State”) with full right, power and authority to adopt the Agency Resolution and the Agency OS Resolution, to issue the Bonds and to execute, deliver and perform its obligations under the Bonds, this Purchase Agreement, the Indenture, the Escrow Agreement and the Continuing Disclosure Certificate, dated as of the Closing Date (collectively, the “Agency Documents”), and to carry out and consummate the transactions contemplated by the Agency Documents and the Official Statement.

(b) Due Authorization and Approval. By all necessary official action, the Agency has duly adopted the Agency Resolution and the Agency OS Resolution at properly noticed meetings at which a quorum was present and acting throughout and has duly authorized and approved the execution and delivery of the Official Statement, and the execution and delivery of the performance by the Agency of the obligations contained in the Agency Documents, and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or

rescinded. When executed and delivered by the Agency, and assuming due authorization and execution and delivery by the counterparties thereto, the Agency Documents will constitute the legally valid and binding obligations of the Agency enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against governmental agencies in the State of California. The Agency has complied, and will at the Closing be in compliance in all respects, with the terms of the Agency Documents.

(c) Official Statement, Accurate and Complete. The Preliminary Official Statement was as of its date, and the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the Official Statement do not contain and up to and including the Closing will not contain a misstatement of any material fact and do not, and up to and including the Closing will not omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading (except that this representation does not include statements under the captions ["2017 BONDS—Annual Debt Service Schedule," statements under the caption "CONCLUDING INFORMATION—Tax Matters"] that summarize the State and federal tax law, and information relating to The Depository Trust Company or the book-entry only system, the Insurer, the Policy or the Reserve Surety).

(d) Underwriter's Consent to Amendments and Supplements to Official Statement. The Agency will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Underwriter, which consent will not be unreasonably withheld. The Agency will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(e) No Breach or Default. As of the time of acceptance hereof and as of the time of the Closing, except as otherwise disclosed in the Official Statement, the Agency is not and will not be in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Agency is a party or is otherwise subject which breach or default has or will have a material adverse effect on the Agency's ability to perform its obligations under the Agency Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and, as of such times, except as disclosed in the Official Statement, the authorization, execution and delivery of the Agency Documents, and compliance with the provisions of each of such agreements or instruments do not and will not in any material respect conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance agreement or other to which the Agency (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound, nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the Agency Documents.

(f) No Litigation. As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending and notice of which has been received by the Agency or to the best of the Agency's knowledge threatened: (i) in any way questioning the corporate existence of the Agency or the titles of the officers of the Agency to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds or the other Agency Documents or the consummation of the transactions contemplated thereby or hereby, or contesting the exclusion of the interest on the 2017A Bonds from taxation or contesting the powers of the Agency or its authority to issue the Bonds; (iii) which may result in any material adverse change relating to the Agency; (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (v) there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of this paragraph.

(g) Preliminary Official Statement. For purposes of the Rule, the Agency has heretofore deemed final the Preliminary Official Statement prior to its use and distribution by the Underwriter, except for the information specifically permitted to be omitted by paragraph (b)(1) of the Rule.

(h) End of Underwriting Period. Until the date which is twenty-five (25) days after the "end of the underwriting period" (as hereinafter defined), if any event shall occur of which the Agency is aware, as a result of which it may be necessary to supplement the Official Statement in order to make the statements in the Official Statement, in light of the circumstances existing at such time, not misleading, the Agency shall forthwith notify the Underwriter of any such event of which it has knowledge and shall cooperate fully in furnishing any information available to it for any supplement to the Official Statement necessary, in the Underwriter's opinion, so that the statements therein as so supplemented will not be misleading in light of the circumstances existing at such time, and the Agency shall promptly furnish to the Underwriter a reasonable number of copies of such supplement. As used herein, the term "end of the underwriting period" means the later of such time as: (i) the Agency delivers the Bonds to the Underwriter; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Notwithstanding the foregoing, unless the Underwriter gives notice to the contrary, the "end of the underwriting period" shall be the Closing Date. Any notice delivered pursuant to this provision shall be written notice delivered to the Agency at or prior to the Closing Date and shall specify a date (other than the Closing Date) to be deemed the "end of the underwriting period."

(i) Tax Exemption. The Agency will refrain from taking any action with regard to which the Agency may exercise control that results in the inclusion in gross income for federal or State of California income tax purposes of the interest on the 2017A Bonds.

(j) Prior Continuing Disclosure Undertaking. Except as disclosed in the Official Statement, the Agency has not failed to comply with any prior continuing disclosure undertaking in any material respects during the last five years.

(k) Oversight Board Approval. The Oversight Board has duly adopted the Oversight Board Resolution approving the issuance of the Bonds and no further Oversight Board approval or consent is required for the issuing of the Bonds or the consummation of the transactions relating to the issuance of the Bonds described in the Preliminary Official Statement.

(l) Department of Finance Approval. No further Department of Finance approval or consent is required for the issuance of the Bonds or the consummation of the transactions described in the Preliminary Official Statement. Except as disclosed in the Preliminary Official Statement, the Agency is not aware of the Department of Finance directing or having any basis to direct the County Auditor-Controller to deduct unpaid unencumbered funds from future allocations of property tax to the Agency pursuant to Section 34183 of the Dissolution Act.

7. Closing Conditions. The Underwriter has entered into this Purchase Agreement in reliance upon the representations, warranties and covenants herein and the performance by the Agency of its obligations hereunder, both as of the date hereof and as of the date of the Closing. The Underwriter's obligations under this Purchase Agreement to purchase and pay for the Bonds shall be subject to the following additional conditions:

(a) Bring-Down Representation. The representations, warranties and covenants of the Agency contained herein shall be true, complete and correct at the date hereof and at the time of the Closing, as if made on the date of the Closing.

(b) Executed Agreements and Performance Thereunder. At the time of the Closing: (i) the Agency Documents shall be in full force and effect, and shall not have been amended, modified or supplemented except with the written consent of the Underwriter; and (ii) there shall be in full force and effect such resolutions as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated by the Official Statement and the Agency Documents.

(c) Termination Events. The Underwriter shall have the right to terminate the Underwriter's obligations under this Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds by notifying the Agency of its election to do so if, after the execution hereof and prior to the Closing, any of the following events occurs:

(i) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State of California, or the amendment of legislation pending as of the date of this Purchase Agreement in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation by the staff of either such Committee, or by the staff of the Joint Committee on taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or state court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury

Department, the Internal Revenue Service or other federal or state authority affecting the federal or state tax status of the Agency, or the interest on bonds or notes (including the Bonds); or

(ii) there shall exist any event which in the reasonable opinion of the Underwriter either: (i) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement; or (ii) is not reflected in the Official Statement but should be reflected therein to make the statements and information contained therein not misleading in any material respect; or

(iii) there shall have occurred any new outbreak of hostilities or other national or international calamity or crisis or the escalation of any such outbreak, calamity or crisis, the effect of such outbreak, calamity, crisis or escalation on the financial markets of the United States being such as would make it impracticable, in the reasonable opinion of the Underwriter, for the Underwriter to sell the Bonds; or

(iv) there shall be in force a general suspension of trading on the New York Stock Exchange or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of a determination by that Exchange or by orders of the Securities and Exchange Commission or any other governmental authority; or

(v) a general banking moratorium shall have been declared by either Federal, California or New York authorities having jurisdiction and be in force; or

(vi) there shall be established any new restrictions on transactions in securities materially affecting the free market for securities (including the imposition of any limitations on interest rates) or the extension of credit by, or the charge to the net capital requirements of, underwriters established by the New York Stock Exchange, the Securities and Exchange Commission, any other Federal or state agency or the Congress of the United States, or by Executive Order; or

(vii) an adverse event has occurred affecting the financial condition or operation of the Agency which, in the opinion of the Underwriter, requires or has required a supplement or amendment to the Official Statement and (i) the Agency refuses to prepare and furnish such disclosure material, or supplement or amendment to the Official Statement, or (ii) in the reasonable judgment of the Underwriter, the occurrence of such event materially and adversely affects the marketability of the Bonds or renders the enforcement of contracts for sale of the Bonds impracticable; or

(viii) any rating of the securities of the Agency shall have been downgraded, suspended or withdrawn by a national rating service, or there shall have been any official statement by a national rating service as to a possible downgrading (such as being placed on "credit watch" or "negative outlook" or any similar qualification), in either case which, in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Bonds; or

(ix) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State, or a decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Bonds; or

(x) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the authentication, delivery, offering or sale of obligations of the general character of the Bonds, or the authentication, delivery, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Indenture needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(xi) the commencement of any action, suit or proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, is pending or, to the best knowledge of the Agency after due investigation, threatened: (i) in any way questioning the corporate existence of the Agency or the titles of the officers of the Agency to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the authentication or delivery of any of the Bonds, or in any way contesting or affecting the validity of the Bonds, the Agency Documents or the consummation of the transactions contemplated thereby or contesting the powers of the Agency to enter into the Agency Documents; (iii) which, except as described in the Official Statement, may result in any material adverse change to the financial condition of the Agency or to its ability to pay debt service on the Bonds when due; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, which, in the reasonable judgment of the Underwriter, materially adversely affects the market price of the Bonds.

(d) Closing Documents. At or prior to the Closing, the Underwriter shall receive with respect to the Bonds (unless the context otherwise indicates) the following documents; provided that the acceptance of the Bonds by the Underwriter on the Closing Date shall conclusively evidence the satisfaction of the requirements of this subsection (d) or the waiver by the Underwriter of any discrepancies in documents which are not in strict conformity with the requirements of this subsection (d):

(i) *Bond Opinion*. Approving opinions of Bond Counsel dated the date of the Closing and substantially in the respective forms appended to the Official Statement, together with a letter from such counsel, dated the date of the Closing and addressed to the Underwriter, to the effect that the approving opinions may be relied upon by the Underwriter to the same extent as if such opinions were addressed to them;

(ii) *Supplemental Opinion*. A supplemental opinion or opinions of Bond Counsel addressed to the Underwriter and the Agency, in form and substance acceptable to the Underwriter and counsel to the Agency, and dated the date of the Closing substantially to the following effect:

(A) This Purchase Agreement has been duly authorized, executed and delivered by the Agency and is a valid and binding agreement of the Agency;

(B) The statements contained in the Official Statement pertaining to the Bonds under the captions [“INTRODUCTION,” “PLAN OF REFUNDING,” “2017 BONDS,” “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS,” “CONCLUDING INFORMATION — Tax Matters,” “APPENDIX D — SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” and “APPENDIX E — FORM OF BOND COUNSEL OPINIONS”] excluding any material that may be treated as included under such captions and appendices by cross-reference, insofar as such statements expressly summarize certain provisions of the Bonds, the Indenture, the Escrow Agreement and such counsel's final opinion concerning certain federal tax matters relating to the 2017A Bonds, are accurate in all material respects;

(C) The Bonds are not subject to registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification as an indenture under the Trust Indenture Act of 1939, as amended;

(D) The Refunded Bonds are no longer outstanding and have been legally paid in full in accordance with the respective documents authorizing the issuance thereof; and

(E) The Agency Documents have been duly authorized, executed and delivered by the Agency and constitute valid, legal and binding agreements of the Agency enforceable in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against governmental entities in the State of California;

(iii) *Oversight Board Documents.*

(A) A certified copy of the Oversight Board Resolution; and

(B) A certificate of the City Clerk of the City of Brea to the effect that the Oversight Board Resolution is in full force and effect and has not been modified, amended, rescinded or repealed since the date of its adoption;

(iv) *Agency Counsel Opinion.* An opinion of the legal counsel to the Agency, dated the date of the Closing and addressed to the Underwriter, in form and substance acceptable to Bond Counsel and the Underwriter, substantially to the following effect (and including such additional matters as may be reasonably required by Bond Counsel or the Underwriter):

(A) The Agency is a public entity validly existing under the laws of the State of California;

(B) The Agency Resolution approving and authorizing the execution and delivery of the Agency Documents and the Agency OS Resolution approving the Official Statement have been duly adopted, and the Agency Resolution and Agency OS Resolution are in full force and effect and have not been modified, amended, rescinded or repealed since the dates of their adoption; and

(C) Except as otherwise disclosed in the Official Statement and to the best knowledge of such counsel, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental agency or body, pending and notice of which

has been received by the Agency or threatened against the Agency, challenging the creation, organization or existence of the Agency, or the validity of the Agency Documents or seeking to restrain or enjoin the repayment of the Bonds or in any way contesting or affecting the validity of the Agency Documents or contesting the authority of the Agency to enter into or perform its obligations under any of the Agency Documents, or which, in any manner, questions the right of the Agency to use the Tax Revenues for repayment of the Bonds or affects in any manner the right or ability of the Agency to collect or pledge the Tax Revenues from the Project Area (as defined in the Official Statement).

(v) *Disclosure Counsel Opinion.* An opinion of Richards, Watson & Gershon, A Professional Corporation, as Disclosure Counsel, dated the Closing Date and addressed to the Agency and the Underwriter, to the effect that, based on the information made available to it in its role as Disclosure Counsel to the Agency, without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, but on the basis of their participation in conferences with the Underwriter, Bond Counsel, the Agency, legal counsel to the Agency and others, and their examination of certain documents, no information has come to the attention of the attorneys in the firm rendering legal services in connection with the issuance of the Bonds which would lead them to believe that the Official Statement as of its date and as of the Closing Date contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except that no opinion or belief need be expressed as to the Appendices to the Official Statement; financial, engineering, and demographic data or statistical forecasts, projections, estimates, assumptions and expressions of opinions; information about the book-entry only system and The Depository Trust Company; the Insurer, the Policy and the Reserve Surety; and statements relating to the treatment of the Bonds or the interest, discount or premium related thereto for tax purposes under the law of any jurisdiction contained in the Official Statement);

(vi) *Underwriter's Counsel Opinion.* An opinion of Stradling Yocca Carlson & Rauth, A Professional Corporation, as counsel to the Underwriter, dated the Closing Date and addressed to the Underwriter, to the effect that, based on the information made available to it in its role as counsel to the Underwriter, without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, but on the basis of their participation in conferences with the Underwriter, Bond Counsel, the Agency, legal counsel to the Agency and others, and their examination of certain documents, no information has come to the attention of the attorneys in the firm rendering legal services in connection with the issuance of the Bonds which would lead them to believe that the Official Statement as of its date and as of the Closing Date contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except that no opinion or belief need be expressed as to the Appendices to the Official Statement; financial, engineering, and demographic data or statistical forecasts, projections, estimates, assumptions and expressions of opinions; information about the book-entry only system and The Depository Trust Company; the Insurer, the Policy and Reserve Surety; and statements relating to the treatment of the Bonds or the interest, discount or premium related thereto for tax purposes under the law of any jurisdiction contained in the Official Statement);

(vii) *Trustee Counsel Opinion.* The opinion of counsel to the Trustee, dated the date of the Closing, addressed to the Underwriter and the Agency, in form and substance satisfactory to the Underwriter and to Bond Counsel;

(viii) *Agency Certificate.* A certificate of the Agency, dated the date of the Closing, signed on behalf of the Agency by the City Manager of the City of Brea or other duly authorized officer of the Agency to the following effect:

(A) The representations, warranties and covenants of the Agency contained herein are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing and the Agency has complied with all of the terms and conditions of this Purchase Agreement required to be complied with by the Agency at or prior to the date of the Closing; and

(B) No event affecting the Agency has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ix) *Trustee's Certificate.* A certificate of the Trustee, dated the date of Closing, in form and substance acceptable to the Agency, the Underwriter and to Bond Counsel;

(x) *Fiscal Consultant's Certificate.* A certificate of Keyser Marston & Associates, Inc., as Fiscal Consultant, dated the date of the Closing, in form and substance acceptable to the Underwriter and the Agency, consenting to the inclusion of such firm's Fiscal Consultant's Report in the Preliminary Official Statement and the Official Statement, and certifying as to the accuracy of [APPENDIX B—"FISCAL CONSULTANT'S REPORT" and the information in the Official Statement under the caption "PROJECT AREA" and "TAX REVENUES AND DEBT SERVICE COVERAGE"] attributed to the Fiscal Consultant, and stating that to the best of such firm's knowledge, but without having conducted any investigation with respect thereto, nothing has come to such firm's attention between the date of such report and the date hereof which would materially alter any of the conclusions set forth in such report and information attributed to the Fiscal Consultant contained in the Official Statement;

(xi) *Documents.*

(A) An original executed copy of each of the Agency Documents, which shall be delivered and in full force and effect;

(B) The Official Statement, approved by the Agency;

(C) A certificate, dated the date of the Preliminary Official Statement, of the Agency, to the effect that, for purposes of compliance with the Rule, the Agency deems the Preliminary Official Statement to be final as of its date;

(D) A tax certificate or certificates with respect to maintaining the tax-exempt status of the 2017A Bonds, duly executed by the Agency;

(E) Copies of the preliminary and final notices to the California Debt and Investment Advisory Commission relating to the Bonds;

(F) A certified copy of the redevelopment plan for the Project Area and all resolutions/ordinances related thereto;

- (G) The Policy;
 - (H) The Reserve Surety;
 - (I) The DOF Letter;
 - (J) A certified copy of the Agency Resolution; and
 - (K) A certified copy of the Agency OS Resolution;
- (xii) Evidence that the ratings on the Bonds are as described in the Official Statement;
- (xiii) A report of Causey Demgen & Moore, Inc., certified public accountants, in form and substance satisfactory to the Underwriter and Bond Counsel as to the sufficiency of the escrow fund to prepay the Refunded Bonds;
- (xiv) A certificate of the Insurer as to the accuracy of the information in the Official Statement relating to the Insurer, the Policy and the Reserve Surety;
- (xv) An opinion of counsel to Insurer as to the due authorization and enforceability of the Policy and Reserve Surety; and
- (xvi) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the Closing Date, of the representations contained herein and in the Official Statement and the due performance or satisfaction by the Trustee and the Agency at or prior to such time of all agreements then to be performed and all conditions then to be satisfied in connection with the delivery and sale of the Bonds.

If the Agency shall be unable to satisfy the conditions contained in this Purchase Agreement, or if the obligations of the Underwriter shall be terminated for any reason permitted by the Purchase Agreement, the Purchase Agreement shall terminate and neither the Underwriter nor the Agency shall be under any further obligation hereunder.

8. Expenses.

(a) Subject to Section 8(b), whether or not the transactions contemplated by this Purchase Contract are consummated, the Underwriter shall be under no obligation to pay, and the Agency shall pay only from the proceeds of the Bonds, but only as the Agency and such other party providing such services may agree, all expenses and costs of the Agency incident to the performance of their obligations in connection with the authorization, execution, sale and delivery of the Bonds to the Underwriter, including, without limitation, costs for printing of the Preliminary Official Statement, the Official Statement and the Bonds; rating agency fees and charges; initial fees of the Trustee and the Escrow Agent, including fees and disbursements of their counsel, if any; fees and disbursements of Bond Counsel and other professional advisors employed by the Agency; and for expenses (included in the expense component of the underwriter's discount) incurred by the Underwriter on behalf of Agency's employees which are incidental to implementing this Purchase Contract, including, but not limited to, meals, transportation, lodging, and entertainment of those employees.

(b) The Underwriter shall pay all out-of-pocket expenses of the Underwriter, including, without limitation, advertising expenses, the California Debt and Investment Advisory Commission fee, CUSIP Services Bureau charges, regulatory fees imposed on new securities issuers and any and all other expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds, including fees and expenses of Underwriter's Counsel.

9. Notice. Any notice or other communication to be given to the Agency under this Purchase Agreement may be given by delivering the same in writing to such entity at the address set forth above. Any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to Stifel, Nicolaus & Company, Incorporated, One Montgomery Street, 35th Floor, San Francisco, California 94104, Attention: Jim Cervantes.

10. Entire Agreement. This Purchase Agreement, when accepted by the Agency, shall constitute the entire agreement among the Agency and the Underwriter and is made solely for the benefit of the Agency and the Underwriter (including the successors or assigns of the Underwriter). No other person shall acquire or have any right hereunder by virtue hereof, except as provided herein. All of the Agency's representations, warranties and agreements in this Purchase Agreement shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Underwriter, until the earlier of: (i) delivery of and payment for the Bonds hereunder; and (ii) any termination of this Purchase Agreement.

11. Counterparts. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

12. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

13. State of California Law Governs. The validity, interpretation and performance of this Purchase Agreement shall be governed by the laws of California.

14. No Assignment. The rights and obligations created by this Purchase Agreement shall not be subject to assignment by the Underwriter or the Agency without the prior written consent of the other parties hereto.

STIFEL, NICOLAUS & COMPANY,
INCORPORATED

By: _____
Its: Authorized Officer

Accepted as of the date first stated above at _____ p.m.:

SUCCESSOR AGENCY TO THE
BREA REDEVELOPMENT AGENCY

By: _____
Its: Executive Director

APPENDIX A

MATURITY SCHEDULE

\$_____

**Successor Agency To The
Brea Redevelopment Agency
Redevelopment Project AB
2017 Tax Allocation Refunding Bonds, Series A
(Tax-Exempt)**

<i>Maturing (August 1)</i>	<i>Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>
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* Insured Bonds

Optional Redemption of 2017A Bonds. The 2017A Bonds maturing on or before August 1, 202_, are not subject to redemption prior to their respective stated maturities. The 2017A Bonds maturing on or after August 1, 202_, are subject to redemption in whole, or in part at the Request of the Successor Agency among maturities on such basis as shall be designated by the Successor Agency and by lot within a maturity, at the option of the Successor Agency, on any date on or after August 1, 202_, from any available source of funds, at a redemption price equal to 100% of the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

\$ _____
**Successor Agency To The
Brea Redevelopment Agency
Redevelopment Project AB
2017 Tax Allocation Refunding Bonds, Series B
(Federally Taxable)**

<i>Maturing (August 1)</i>	<i>Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>
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* _____
Insured Bonds

Optional Redemption of 2017B Bonds. The 2017B Bonds maturing on or before August 1, 202_, are not subject to redemption prior to their respective stated maturities. The 2017B Bonds maturing on or after August 1, 202_, are subject to redemption in whole, or in part at the Request of the Successor Agency among maturities on such basis as shall be designated by the Successor Agency and by lot within a maturity, at the option of the Successor Agency, on any date on or after August 1, 202_, from any available source of funds, at a redemption price equal to 100% of the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

City of Brea

BOARD COMMUNICATION

TO: Honorable Chair and Board Members

FROM: David Crabtree, Community Development Director

DATE: 04/14/2017

SUBJECT: Bond Proceeds Funding Agreement Between the City of Brea and the Successor Agency to the Brea Redevelopment Agency for 2011A Non-Housing Bonds

RECOMMENDATION

Adopt resolution approving the 2011A Bond Proceeds Funding Agreement.

BACKGROUND

As a result of the Dissolution Act, the Brea Redevelopment Agency was dissolved on February 1, 2012 and was replaced with the Successor Agency to the Brea Redevelopment Agency. In September 2015, Senate Bill (SB) 107 was enacted amending the Dissolution Act and thus allowing for the expenditure of bonds issued between January 2011 and June 2011. In June 2011, the former Brea Redevelopment Agency issued its 2011A Non-Housing Bonds.

The 2011A Non-Housing Bonds (2011A Bonds) generated approximately \$13.4 million for public facilities. Per SB 107, a maximum of 45% of these bonds may be accessed for public facilities under this legislation. Per SB 107, the Successor Agency may spend up to 5% of these bond proceeds before Department of Finance (DOF) approval of what is called a Last and Final Recognized Obligation Payment Schedule (LFROPS). Pursuant to a prior review by DOF, the DOF determined that the Successor Agency had previously expended the 5% portion of these bonds. The remaining 40% is subject to the approval of DOF on the LFROPS. We anticipate filing the LFROPS during Fiscal Year 2017-18. City Council has approved these proceeds toward the funding for the Downtown Parking Structure which began construction during Fiscal Year 2016-17.

Before finalizing the LFROPS process, the Successor Agency is planning to undertake proceedings to issue bonds to refund all of the outstanding 2011A Bonds to generate savings by the lowering of annual bond payments due to issuance of refunding bonds. This will cause the remaining 55% of the 2011A bond proceeds which may not be used for public facilities to be used to defease a portion of the outstanding 2011A Bonds. The 2011A Bond Proceeds Funding Agreement includes \$7,351,010.40, as the amount representing the 55% portion that must be used toward defeasing bonds.

In order to access the 2011A bond proceeds, the City and Successor Agency adopted resolutions approving the 2011A Bond Proceeds Funding Agreement. The 2011A Bond Proceeds Funding Agreement must also be approved by resolution of the Oversight Board. Upon approval by the Oversight Board, a copy of the resolutions and the 2011A Bond

Proceeds Funding Agreement will be forwarded to the DOF for approval.

FISCAL IMPACT

The 2011A Non-Housing Bonds generated approximately \$13.4 million in proceeds for public facilities. As a result of SB 107, the Successor Agency may use up to 45% of these bond proceeds for public projects. The Successor Agency had already spent 5% of these bond proceeds leaving the remaining 40% to be accessed by the Successor Agency upon the filing and approval by DOF of a LFROPS.

Prior to the filing of the LFROPS, the Successor Agency has one more opportunity to issue refunding bonds to refinance the outstanding balance of the 2011A Non-Housing Bonds in order to generate savings of approximately \$1.475 million which results in approximately \$182,570 in average annual property tax revenues to the City. Per SB 107, the remaining 55% or \$7,351,010.40, of the 2011A Non-Housing Bonds that must be applied toward the refunding of the outstanding balance of the 2011A Non-Housing Bonds.

In order to access these 2011A bond proceeds, the City and Successor Agency adopted resolutions approving the 2011A Bond Proceeds Funding Agreement. The 2011A Bond Proceeds Funding Agreement is being submitted to the Oversight Board for approval. Upon approval by the Oversight Board, a copy of the resolutions and the 2011A Bond Proceeds Funding Agreement will be forwarded to the DOF for approval.

SIGNATURE BLOCK

David Crabtree, Community Development Director

Prepared by: Lee Squire, Financial Services Manager

Concurrence: Cindy Russell, Administrative Services Director

Attachments

Resolution OB 2017-11

Exhibit A - Resolution No. 09(2011)

2011 Bond Proceeds Funding Agreement

Resolution SA 2017-05

RESOLUTION NO. OB 2017-11

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE BREA REDEVELOPMENT AGENCY APPROVING THE EXECUTION AND DELIVERY OF A 2011A BOND PROCEEDS FUNDING AGREEMENT AND TAKING CERTAIN RELATED ACTIONS

A. RECITALS:

(i) The Brea Redevelopment Agency (the “**Former Agency**”) was a redevelopment agency formed pursuant to the Community Redevelopment Law, set forth in Part 1 (commencing with Section 33000) of Division 24 of the California Health and Safety Code (“**HSC**”);

(ii) The Former Agency undertook a program to redevelop a project area known as “Redevelopment Project AB”;

(iii) Pursuant to AB X1 26 (which was enacted in June 2011) and the California Supreme Court’s decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, 53 Cal. 4th 231 (2011), the Former Agency was dissolved as of February 1, 2012, the Successor Agency was constituted as the successor entity to the Former Agency, and an oversight board of the Successor Agency (the “**Oversight Board**”) was established;

(iv) AB X1 26 added Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) to Division 24 of the HSC. Such Parts 1.8 and 1.85, including amendments and supplements enacted after AB X1 26, are referred to herein as the “**Dissolution Act**”;

(v) Pursuant to HSC Section 34177, the Successor Agency must prepare a Recognized Obligation Payment Schedule (“**ROPS**”) for each specified period, and

submit the ROPS to the Oversight Board and the State Department of Finance (“**DOF**”) for approval;

(vi) Pursuant to HSC Section 34191.6 (added by SB 107 enacted in September 2015), the Successor Agency may prepare a Last and Final Recognized Obligation Payment Schedule (the “**LFROPS**”) upon meeting certain conditions; provided that such LFROPS will only become effective upon approval by the Oversight Board and the DOF;

(vii) Before dissolution, the Former Agency issued its 2011 Tax Allocation Bonds, Series A (Redevelopment Project AB) (the “**2011A Bonds**”), in the aggregate principal amount of \$18,839,323.25, pursuant to an Indenture of Trust, dated as of June 1, 2011 (the “**Indenture**”), by and between the Former Agency and The Bank of New York Mellon Trust Company, N.A., as trustee;

(viii) Attached as Exhibit A is a copy of Resolution No. 09(2011), adopted by the Former Agency on June 7, 2011, authorizing the issuance of the 2011A Bonds;

(ix) The 2011A Bonds were issued in part to refund tax-exempt bonds issued by the Former Agency, in that a portion of the proceeds of the 2011A Bonds were used to refund and defease the Former Agency’s 2001 Subordinate Tax Allocation Refunding Bonds, Series B, and a portion of the proceeds of the 2011A Bonds, in the amount of \$13,365,473.44, was deposited in a 2011 Redevelopment Fund (established under the Indenture) for use on Qualifying Redevelopment Projects (as defined in the Indenture) (the moneys deposited and maintained in the 2011 Redevelopment Fund being referred to below as the “**2011A Project Proceeds**”);

(x) In light of restrictions imposed by the Dissolution Act, most of the 2011A Project Proceeds in the 2011 Redevelopment Fund have not yet been spent as of the dated date of this Resolution;

(xi) Pursuant to the Dissolution Act, all assets, properties and contracts of the Former Agency, including unspent 2011A Project Proceeds, transferred to the control of the Successor Agency by operation of law;

(xii) According to HSC Section 34191.4, the Successor Agency may proceed with certain actions pertaining to the use of remaining unspent bond proceeds, after the Successor Agency has received a finding of completion (the “**Finding of Completion**”) issued by the DOF pursuant to HSC Section 34179.7.

(xiii) The DOF issued a Finding of Completion to the Successor Agency on July 9, 2013;

(xiv) Pursuant to HSC Section 34191.4(c)(2) (which was added by SB 107), the Successor Agency may spend up to five percent of the 2011A Project Proceeds before the DOF's approval of the LFROPS;

(xv) Further, pursuant to HSC Section 34191.4(c)(4) (which was added by SB 107), after the DOF's approval of the LFROPS, the Successor Agency may spend an additional 40 percent of the 2011A Project Proceeds (which, together with the five percent pursuant to HSC Section 34191.4(c)(2), would constitute 45 percent of the 2011A Project Proceeds);

(xvi) Pursuant to a prior review by the DOF, the DOF determined that the Successor Agency had previously expended \$772,376 of the 2011A Project Proceeds, which is more than five percent of the 2011A Project Proceeds;

(xvii) The Successor Agency is working towards the preparation of an LFROPS;

(xviii) Before the finalizing the LFROPS process, the Successor Agency has determined to undertake proceedings to issue bonds (the “**Refunding Bonds**”) as

permitted by HSC Section 34177.5, to refund all of the outstanding 2011A Bonds to generate savings (the “**Refunding**”);

(xix) The Successor Agency has determined that it will: (i) in conjunction with the Refunding, cause \$7,351,010.40 (i.e., 55 percent of the 2011A Project Proceeds, the portion which may not be used for projects under HSC Section 34191.4) to be used to defease a portion of the outstanding 2011A Bonds; and (ii) use the remaining 2011A Project Proceeds (the “**Balance Amount**”) for the costs of Qualifying Redevelopment Projects, as permitted under HSC Section 34191.4(c);

(xx) In light of Successor Agency’s limited staffing, the City’s traditional role and established procedures for the awarding of public works contracts, and the timing needs with respect to the Projects, the Successor Agency desires to enter into a 2011A Bond Proceeds Funding Agreement (the “Funding Agreement”) with the City, for the City to perform or cause to be performed the work required to complete the Projects, with payment therefor to be made from the Balance Amount;

(xxi) The Funding Agreement is in furtherance of the winding down the Former Agency’s affairs, with respect to the expenditure of unspent bond proceeds as permitted under HSC Section 34191.4;

B. RESOLUTION:

NOW, THEREFORE, be it found, determined and resolved by the Oversight Board of the Successor Agency to the Brea Redevelopment Agency, as follows:

Section 1. The above recitals are true and correct and are a substantive part of this Resolution.

Section 2. This Oversight Board hereby approves the Successor Agency's execution and delivery of the Funding Agreement, substantially in the form attached hereto as Exhibit B.

Section 3. This Resolution supersedes Resolution No. 2016-02, previously adopted by this Oversight Board on January 26, 2016, in its entirety.

Section 4. The members of this Oversight Board and the staff of the Successor Agency are hereby authorized, jointly and severally, to do all things which they may deem necessary or proper to effectuate the purposes of this Resolution and the Funding Agreement (including making any modification to the Funding Agreement to accommodate discussions or determinations by the State Department of Finance prior to the execution and delivery of the Funding Agreement).

APPROVED AND ADOPTED this 14th day of April, 2017.

Bill Gallardo, Chair

ATTEST:

Lillian Harris-Neal, City Clerk

I, Lillian Harris-Neal, City Clerk of the City of Brea, do hereby certify that the foregoing Resolution was adopted at a regular meeting of the Oversight Board of the Successor Agency to the Brea Redevelopment Agency, held on the 14th day of April 2017, by the following vote:

AYES: BOARD MEMBERS:

NOES: BOARD MEMBERS:

ABSENT: BOARD MEMBERS:

ATTEST: BOARD MEMBERS:

DATED: April 14, 2017

Lillian Harris-Neal, City Clerk

EXHIBIT A

Resolution No. 09(2011) of the Brea Redevelopment Agency, adopted on June 7, 2011,
approving the issuance of the
Brea Redevelopment Agency 2011 Tax Allocation Bonds,
Series A (Redevelopment Project AB)

(see attached)

RESOLUTION NO. 09(2011)

A RESOLUTION OF THE BREA REDEVELOPMENT AGENCY AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$23,000,000 PRINCIPAL AMOUNT OF TAX ALLOCATION BONDS TO PROVIDE FINANCING AND REFINANCING FOR THE REDEVELOPMENT PROJECT AB AND NOT TO EXCEED \$15,000,000 PRINCIPAL AMOUNT OF TAXABLE TAX ALLOCATION HOUSING BONDS TO PROVIDE FINANCING FOR QUALIFYING LOW- AND MODERATE-INCOME HOUSING PROJECTS, APPROVING RELATED FINANCING AGREEMENTS AND AUTHORIZING OFFICIAL ACTIONS

A. RECITALS:

(i) A redevelopment plan for the Redevelopment Project AB, in the City of Brea (the "Redevelopment Project"), has been adopted in compliance with all requirements of Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Redevelopment Law"); and

(ii) In order to provide financing for the Redevelopment Project, the Brea Redevelopment Agency (the "Agency") has previously issued its bonds which are payable from the tax increment revenues derived from the Redevelopment Project (the "Tax Revenues"), including the following which are currently outstanding:

- Brea Redevelopment Agency 2001 Tax Allocation Refunding Bonds, Series A (Redevelopment Project AB) issued in the aggregate original principal amount of \$56,170,000;
- Brea Redevelopment Agency 2001 Subordinate Tax Allocation Refunding Bonds, Series B (Redevelopment Project AB) issued by the Agency in the aggregate original principal amount of \$5,260,000 (the "2001 Series B Bonds"); and

- Brea Redevelopment Agency 2003 Tax Allocation Bonds (Redevelopment Project AB) issued in the aggregate principal amount of \$120,497,865.90; and

(iii) In order to raise funds to finance designated programs, projects and activities relating to the Redevelopment Project and to refund the outstanding 2001 Series B Bonds, the Agency wishes to authorize the issuance of its Brea Redevelopment Agency 2011 Tax Allocation Bonds, Series A (Redevelopment Project AB) in the aggregate principal amount of not to exceed \$23,000,000 (the "Series A Bonds") under the Redevelopment Law, which will be payable from the Tax Revenues; and

(iv) In order to raise funds to finance designated low- and moderate-income housing projects, the Agency further wishes to authorize the issuance of its Brea Redevelopment Agency 2011 Taxable Tax Allocation Housing Bonds, Series B (Redevelopment Project AB) in the aggregate principal amount of not to exceed \$15,000,000 (the "Series B Bonds") under the Redevelopment Law, which will be payable from the portion of the Tax Revenues which are required to be deposited into the low and moderate income housing fund of the Agency; and

(v) The Agency wishes to take its action at this time authorizing the issuance of the 2011 Bonds and approving related documents and actions;

B. RESOLUTION:

NOW, THEREFORE, be it found, determined and resolved, by the Brea Redevelopment Agency as follows:

1. **Authorization of 2011 Bonds.** The Agency hereby authorizes the issuance of the Series A Bonds in the aggregate principal amount of not to exceed \$23,000,000 for the purpose of providing funds to finance programs, projects and activities relating to the Redevelopment Project and to refund the 2001 Series B Bonds. The Agency further hereby authorizes the issuance of the Series B Bonds in the aggregate principal amount of not to exceed \$15,00,000 for the purpose of providing funds to finance qualifying low- and moderate-income housing projects in the City of Brea. The Series A Bonds and the Series B Bonds (collectively, the "2011 Bonds") shall be issued under the provisions of the Redevelopment Law.

2. **Approval of Authorizing Documents.** The Agency hereby approves the following financing documents (collectively, the "Financing Agreements") in connection with the issuance and sale of the 2011 Bonds:

- Indenture of Trust between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee, authorizing the issuance of the Series A Bonds;
- Indenture of Trust between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee, authorizing the issuance of the Series B Bonds;
- Irrevocable Refunding Instructions, given by the Agency to The Bank of New York Mellon Trust Company, N.A., relating to the deposit and application of funds to refinance the 2001 Series B Bonds; and
- Purchase Contract among the Agency, the Brea Public Financing Authority (the "Authority") and Stone & Youngberg LLC, as

underwriter (the "Underwriter"), relating to the purchase and sale of the 2011 Bonds.

The Financing Agreements are hereby approved in substantially the respective forms thereof on file with the Secretary together with any additions thereto or changes therein deemed necessary or advisable by the Executive Director, and the execution thereof by the Executive Director shall be conclusive evidence of the approval of any such additions or changes. The Executive Director is hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest to, each of the Financing Agreements for and in the name and on behalf of the Agency. The Agency hereby authorizes the delivery and performance of the Financing Agreements.

3. **Sale of Bonds to Financing Authority.** The Agency hereby authorizes the negotiated sale of the 2011 Bonds to the Authority under the Purchase Contract which is approved pursuant to Section 2. As provided in the Purchase Contract and a resolution of the governing board of the Authority, the Authority has authorized the sale of the 2011 Bonds to the Underwriter, such sale to be completed concurrent with the purchase of the 2011 Bonds by the Authority from the Agency. The Agency hereby delegates to the Executive Director the authority to accept an offer from the Authority to purchase the 2011 Bonds, provided that such offer is upon substantially the same terms and conditions as the Authority shall agree to sell the 2011 Bonds to the Underwriter. The amount of Underwriter's discount on the sale of the Series A Bonds shall not exceed 1.25% of the par amount thereof and the true interest rate on the Series A Bonds (taking into account any original issue discount on the sale thereof) shall not exceed 8.25% per annum. The amount of Underwriter's discount on the sale of the Series B Bonds shall not exceed 1.25% of the par amount thereof and the true

interest rate on the Series B Bonds (taking into account any original issue discount on the sale thereof) shall not exceed 8.50% per annum.

4. **Approval of Official Statement.** The Agency hereby approves the Preliminary Official Statement describing the 2011 Bonds in the form on file with the Secretary. The Underwriter is hereby authorized to distribute the Preliminary Official Statement and the Executive Director is hereby authorized and directed to (a) execute and deliver to the Underwriter a certificate deeming the Preliminary Official Statement to be nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, prior to the distribution thereof by the Underwriter, (b) approve any changes in or additions to the Preliminary Official Statement to cause the Official Statement to be put in final form, and (c) execute said final Official Statement for and in the name and on behalf of the Agency.

5. **Official Actions.** The Chair, the Executive Director, the Assistant Treasurer, the Assistant Secretary and any and all other officers of the Agency are hereby authorized and directed, for and in the name and on behalf of the Agency, to do any and all things and take any and all actions, including making arrangements for the delivery of a policy of municipal bond insurance and the execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, may deem necessary or advisable in connection with the issuance and sale of the 2011 Bonds as described herein. Whenever in this resolution any officer of the Agency is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person

designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

6. **Effective Date.** This Resolution shall take effect from and after the date of its passage and adoption.

APPROVED AND ADOPTED this 7th day of June, 2011.


Chair

I, Kathie Mendoza, Interim Assistant Secretary of the Brea Redevelopment Agency of the City of Brea, do hereby certify that the foregoing Resolution was adopted at a regular meeting of the Brea Redevelopment Agency held on the 7th day of June, 2011 by the following vote:

AYES: AGENCY MEMBERS: Garcia, Murdock, Simonoff, Schweitzer, Moore

NOES: AGENCY MEMBERS: None

ABSENT: AGENCY MEMBERS: None

ABSTAIN: AGENCY MEMBERS: None

ATTEST: 
Interim Assistant Secretary

EXHIBIT B

2011A Bond Proceeds Funding Agreement
(in substantial final form)

(see attached)

2011A BOND PROCEEDS FUNDING AGREEMENT

This 2011A BOND PROCEEDS FUNDING AGREEMENT (this “**Agreement**”), dated as of _____, 2017, is entered into by and between the City of Brea (the “**City**”) and the Successor Agency to the Brea Redevelopment Agency (the “**Successor Agency**,” and together with the City, the “**Parties**”).

RECITALS:

A. The Brea Redevelopment Agency (the “**Former Agency**”) was a redevelopment agency formed pursuant to the Community Redevelopment Law, set forth in Part 1 (commencing with Section 33000) of Division 24 of the California Health and Safety Code (“**HSC**”);

B. The Former Agency undertook a program to redevelop a project area known as “Redevelopment Project AB.”

C. Pursuant to AB X1 26 (which was enacted in June 2011) and the California Supreme Court’s decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, 53 Cal. 4th 231 (2011), the Former Agency was dissolved as of February 1, 2012, the Successor Agency was constituted as the successor entity to the Former Agency, and an oversight board of the Successor Agency (the “**Oversight Board**”) was established.

D. AB X1 26 added Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) to Division 24 of the HSC. Such Parts 1.8 and 1.85, including amendments and supplements enacted after AB X1 26, are referred to herein as the “**Dissolution Act**.”

E. Pursuant to HSC Section 34177, the Successor Agency must prepare a Recognized Obligation Payment Schedule (“**ROPS**”) for each specified period. Each ROPS must be submitted to the Oversight Board of the Successor Agency and the State Department of Finance (“**DOF**”) for approval.

F. Pursuant to HSC Section 34191.6 (added by SB 107 enacted in September 2015), the Successor Agency may prepare a Last and Final Recognized Obligation Payment Schedule (the “**LFROPS**”) upon meeting certain conditions; provided that such LFROPS will only become effective upon approval by the Oversight Board and the DOF.

G. Before dissolution, the Former Agency issued its 2011 Tax Allocation Bonds, Series A (Redevelopment Project AB) (the “**2011A Bonds**”), in the aggregate principal amount of \$18,839,323.25, pursuant to an Indenture of Trust, dated as of June 1, 2011 (the “**Indenture**”), by and between the Former Agency and The Bank of New York Mellon Trust Company, N.A., as trustee.

H. The 2011A Bonds were issued in part to refund tax-exempt bonds issued by the Former Agency, in that a portion of the proceeds of the 2011A Bonds were used to refund and defease the Former Agency’s 2001 Subordinate Tax Allocation Refunding Bonds, Series B, and a portion of the proceeds of the 2011A Bonds, in the amount of \$13,365,473.44, was deposited in a 2011 Redevelopment Fund (established under the Indenture) for use on Qualifying

Redevelopment Projects (as defined in the Indenture). The moneys deposited and maintained in the 2011 Redevelopment Fund are referred to below as the “**2011A Project Proceeds**.”

I. In light of restrictions imposed by the Dissolution Act, most of the 2011A Project Proceeds in the 2011 Redevelopment Fund have not yet been spent as of the dated date of this Agreement.

J. Pursuant to the Dissolution Act, all assets, properties and contracts of the Former Agency, including unspent 2011A Project Proceeds, transferred to the control of the Successor Agency by operation of law.

K. According to HSC Section 34191.4, the Successor Agency may proceed with certain actions pertaining to the use of remaining unspent bond proceeds, after the Successor Agency has received a finding of completion (the “**Finding of Completion**”) issued by the DOF pursuant to HSC Section 34179.7.

L. The DOF issued a Finding of Completion to the Successor Agency on July 9, 2013.

M. Pursuant to HSC Section 34191.4(c)(2) (which was added by SB 107), the Successor Agency may spend up to five percent of the 2011A Project Proceeds before the DOF’s approval of the LFROPS.

N. Further, pursuant to HSC Section 34191.4(c)(4) (which was added by SB 107), after the DOF’s approval of the LFROPS, the Successor Agency may spend an additional 40 percent of the 2011A Project Proceeds (which, together with the five percent pursuant to HSC Section 34191.4(c)(2), would constitute 45 percent of the 2011A Project Proceeds).

O. Pursuant to a prior review by the DOF, the DOF determined that the Successor Agency had previously expended \$772,376 of the 2011A Project Proceeds, which is more than five percent of the 2011A Project Proceeds.

P. The Successor Agency is working towards the preparation of an LFROPS.

Q. Before the finalizing the LFROPS process, the Successor Agency has determined to undertake proceedings to issue bonds (the “**Refunding Bonds**”) as permitted by HSC Section 34177.5, to refund all of the outstanding 2011A Bonds to generate savings (the “**Refunding**”).

R. The Successor Agency has determined that it will: (i) in conjunction with the Refunding, cause \$7,351,010.40 (*i.e.*, 55 percent of the 2011A Project Proceeds, the portion which may not be used for projects under HSC Section 34191.4) to be used to defease a portion of the outstanding 2011A Bonds; and (ii) use the remaining 2011A Project Proceeds (the “**Balance Amount**”) for the costs of Qualifying Redevelopment Projects, including those projects listed in Exhibit A hereto (the “**Projects**”), as permitted under HSC Section 34191.4(c).

S. In light of Successor Agency’s limited staffing, the City’s traditional role and established procedures for the awarding of public works contracts, and the timing needs with respect to the Projects, the Successor Agency desires to enter into this Agreement with the City,

for the City to perform or cause to be performed the work required to complete the Projects, with payment therefor to be made from 2011A Project Proceeds.

T. This Agreement is in furtherance of the winding down of the Former Agency's affairs, with respect to the expenditure of unspent bond proceeds as permitted under HSC Section 34191.4.

U. The Oversight Board adopted Resolution No. OB 2017-__ on ____, 2017 (the "**OB Resolution**") approving the Successor Agency's execution and delivery of this Agreement.

V. The DOF has reviewed the OB Resolution and issued its letter, dated ____, 2017, approving the OB Resolution.

NOW, THEREFORE, THE PARTIES DO HEREBY AGREE AS FOLLOWS:

Section 1. Subject to the provisions of this Agreement and with the funding provided pursuant to this Agreement, the City agrees to perform or cause to be performed the work required for the Projects, including but not limited to the preparation of designs, plans and specifications and all demolition, construction and installations. The City shall perform such work in accordance with all applicable federal, state and local laws, rules and regulations. Subject to the covenants set forth herein, the City shall have the sole discretion with respect to the design, planning, specification and the timing with respect to all components of the Projects.

Section 2. In connection with the Refunding, the Successor Agency shall cause \$7,351,010.40 to be used to defease a portion of the 2011A Bonds.

Section 3. At such time as the Successor Agency prepares the LFROPS, the Successor Agency shall list on the LFROPS a transfer of the Balance Amount to the City for use in accordance with Section 4. As soon as practicable upon the effectiveness of LFROPS, the Successor Agency shall transfer the Balance Amount (subject to any adjustment pursuant to the DOF-approved LFROPS) to the City.

Section 4. The City shall use the 2011A Project Proceeds transferred to it pursuant to this Agreement for costs of the Projects (or reimbursement to the City for any funds advanced for costs of the Projects) in a manner consistent with the covenants in the Indenture.

Section 5. To the extent the City still holds 2011A Project Proceeds transferred pursuant to this Agreement after the completion of the Projects (as determined by the City Council), the City shall return such unspent 2011A Project Proceeds to the Successor Agency within a reasonable time after such determination.

Section 6. Each Party shall maintain books and records regarding its duties pursuant to this Agreement. Such books and records shall be available for inspection by the officers and agents of the other Party at all reasonable times.

Section 7. The Parties agree to take all appropriate steps and execute any documents which may reasonably be necessary or convenient to implement the intent of this Agreement.

Section 8. This Agreement may be amended from time to time by written instrument executed by both Parties.

Section 9. No official, agent, or employee of the Successor Agency or the City, or members of the City Council, or members of the Successor Agency governing board or Oversight Board shall be individually or personally liable for any payment hereunder in the event of any default or breach by the Successor Agency or the City, or for any amount which may otherwise become due to the City or Successor Agency, or successor thereto, or on any obligations under the terms of this Agreement.

Section 10. This Agreement is made in the State of California under the Constitution and laws of the State of California, and is to be so construed.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized officers.

**SUCCESSOR AGENCY TO THE BREA
REDEVELOPMENT AGENCY**

By _____
[Mayor of the City of Brea
or Executive Director]

ATTEST:

City Clerk of the City of Brea

CITY OF BREA

By _____
Mayor

ATTEST:

City Clerk

EXHIBIT A

Description of Projects

1. the construction of a multi-level parking structure at the intersection of Brea Boulevard and Birch Street in the City's Downtown area.
2. any other programs, projects and activities of benefit to the Former Agency's Redevelopment Project AB, so long as the program or project is determined by the City to be consistent with the bond covenants under the Indenture.



RESOLUTION NO. SA 2017-05

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BREA, ACTING AS THE SUCCESSOR AGENCY TO THE BREA REDEVELOPMENT AGENCY, APPROVING THE EXECUTION AND DELIVERY OF A 2011A BOND PROCEEDS FUNDING AGREEMENT AND TAKING CERTAIN RELATED ACTIONS

A. RECITALS:

(i) The Brea Redevelopment Agency (the “**Former Agency**”) was a redevelopment agency formed pursuant to the Community Redevelopment Law, set forth in Part 1 (commencing with Section 33000) of Division 24 of the California Health and Safety Code (“**HSC**”);

(ii) The Former Agency undertook a program to redevelop a project area known as “Redevelopment Project AB”;

(iii) Pursuant to AB X1 26 (which was enacted in June 2011) and the California Supreme Court’s decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, 53 Cal. 4th 231 (2011), the Former Agency was dissolved as of February 1, 2012, the Successor Agency was constituted as the successor entity to the Former Agency, and an oversight board of the Successor Agency (the “Oversight Board”) was established;

(iv) AB X1 26 added Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) to Division 24 of the HSC. Such Parts 1.8 and 1.85, including amendments and supplements enacted after AB X1 26, are referred to herein as the “**Dissolution Act**”;

(v) Pursuant to HSC Section 34177, the Successor Agency must prepare a Recognized Obligation Payment Schedule ("**ROPS**") for each specified period, and submit the ROPS to the Oversight Board and the State Department of Finance ("**DOF**") for approval;

(vi) Pursuant to HSC Section 34191.6 (added by SB 107 enacted in September 2015), the Successor Agency may prepare a Last and Final Recognized Obligation Payment Schedule (the "**LFROPS**") upon meeting certain conditions; provided that such LFROPS will only become effective upon approval by the Oversight Board and the DOF;

(vii) Before dissolution, the Former Agency issued its 2011 Tax Allocation Bonds, Series A (Redevelopment Project AB) (the "**2011A Bonds**"), in the aggregate principal amount of \$18,839,323.25, pursuant to an Indenture of Trust, dated as of June 1, 2011 (the "**Indenture**"), by and between the Former Agency and The Bank of New York Mellon Trust Company, N.A., as trustee;

(viii) The 2011A Bonds were issued in part to refund tax-exempt bonds issued by the Former Agency, in that a portion of the proceeds of the 2011A Bonds were used to refund and defease the Former Agency's 2001 Subordinate Tax Allocation Refunding Bonds, Series B, and a portion of the proceeds of the 2011A Bonds, in the amount of \$13,365,473.44, was deposited in a 2011 Redevelopment Fund (established under the Indenture) for use on Qualifying Redevelopment Projects (as defined in the Indenture) (the moneys deposited and maintained in the 2011 Redevelopment Fund being referred to below as the "**2011A Project Proceeds**");

(ix) In light of restrictions imposed by the Dissolution Act, most of the 2011A Project Proceeds in the 2011 Redevelopment Fund have not yet been spent as of the dated date of this Resolution;

(x) Pursuant to the Dissolution Act, all assets, properties and contracts of the Former Agency, including unspent 2011A Project Proceeds, transferred to the control of the Successor Agency by operation of law;

(xi) According to HSC Section 34191.4, the Successor Agency may proceed with certain actions pertaining to the use of remaining unspent bond proceeds, after the Successor Agency has received a finding of completion (the "**Finding of Completion**") issued by the DOF pursuant to HSC Section 34179.7.

(xii) The DOF issued a Finding of Completion to the Successor Agency on July 9, 2013;

(xiii) Pursuant to HSC Section 34191.4(c)(2) (which was added by SB 107), the Successor Agency may spend up to five percent of the 2011A Project Proceeds before the DOF's approval of the LFROPS;

(xiv) Further, pursuant to HSC Section 34191.4(c)(4) (which was added by SB 107), after the DOF's approval of the LFROPS, the Successor Agency may spend an additional 40 percent of the 2011A Project Proceeds (which, together with the five percent pursuant to HSC Section 34191.4(c)(2), would constitute 45 percent of the 2011A Project Proceeds);

(xv) Pursuant to a prior review by the DOF, the DOF determined that the Successor Agency had previously expended \$772,376 of the 2011A Project Proceeds, which is more than five percent of the 2011A Project Proceeds;

(xvi) The Successor Agency is working towards the preparation of an LFROPS;

(xvii) Before the finalizing the LFROPS process, the Successor Agency has determined to undertake proceedings to issue bonds (the "**Refunding Bonds**") as permitted by HSC Section 34177.5, to refund all of the outstanding 2011A Bonds to generate savings (the "**Refunding**");

(xviii) The Successor Agency has determined that it will: (i) in conjunction with the Refunding, cause \$7,351,010.40 (*i.e.*, 55 percent of the 2011A Project Proceeds, the portion which may not be used for projects under HSC Section 34191.4) to be used to defease a portion of the outstanding 2011A Bonds; and (ii) use the remaining 2011A Project Proceeds (the "**Balance Amount**") for the costs of Qualifying Redevelopment Projects, as permitted under HSC Section 34191.4(c);

(xix) In light of Successor Agency's limited staffing, the City's traditional role and established procedures for the awarding of public works contracts, and the timing needs with respect to the Projects, the Successor Agency desires to enter into a 2011A Bond Proceeds Funding Agreement (the "**Funding Agreement**") with the City, for the City to perform or cause to be performed the work required to complete the Projects, with payment therefor to be made from the Balance Amount;

(xx) The Funding Agreement is in furtherance of the winding down the Former Agency's affairs, with respect to the expenditure of unspent bond proceeds as permitted under HSC Section 34191.4;

B. RESOLUTION:

NOW, THEREFORE, be it found, determined and resolved by the City Council of the City of Brea, acting as the Successor Agency to the Brea Redevelopment Agency, as follows:

1. The above recitals are true and correct and are a substantive part of this Resolution.

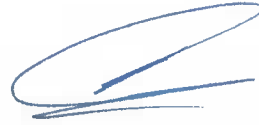
2. The Funding Agreement, in the form attached hereto as Exhibit A, is hereby approved. The Mayor of the City (or, in the Mayor's absence, the Mayor Pro Tem of the City) and the Executive Director of the Successor Agency (together, the Authorized Officers"), is hereby authorized to execute and deliver, for and in the name of the Successor Agency, the Funding Agreement, in substantially such form, with changes therein as the Authorized Officer executing the same may approve (with such approval to be conclusively evidenced by the execution and delivery thereof).

3. The Oversight Board is hereby requested to approve the execution and delivery by the Successor Agency of the Funding Agreement. The City Clerk is hereby directed to transmit this Resolution to the Oversight Board for consideration at the earliest possible date.

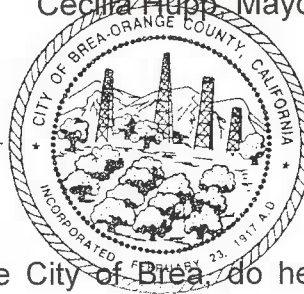
4. This Resolution supersedes Resolution No. SA 2016-01, in its entirety. Resolution No. SA 2016-01 is hereby rescinded.

5. The officers of the City, acting as Successor Agency, are hereby authorized, jointly and severally, to execute and deliver any and all necessary documents and instruments and to do all things which they may deem necessary or proper to effectuate the purposes of this Resolution and the Agreement.

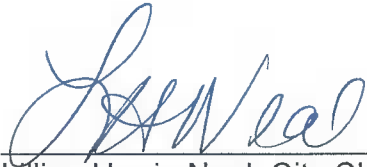
APPROVED AND ADOPTED this 4th day of April, 2017.



Cecilia Hupp, Mayor



ATTEST:



Lillian Harris-Neal, City Clerk

I, Lillian Harris-Neal, City Clerk of the City of Brea, do hereby certify that the foregoing Resolution was adopted at a regular meeting of the City Council of the City of Brea, acting as the Successor Agency to the Brea Redevelopment Agency, held on the 4th day of April, 2017, by the following vote:

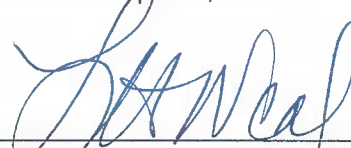
AYES: COUNCIL MEMBERS: Hupp, Parker, Marick, Simonoff, Vargas

NOES: COUNCIL MEMBERS: None

ABSENT: COUNCIL MEMBERS: None

ATTEST: COUNCIL MEMBERS: None

DATED: April 4, 2017



Lillian Harris-Neal, City Clerk

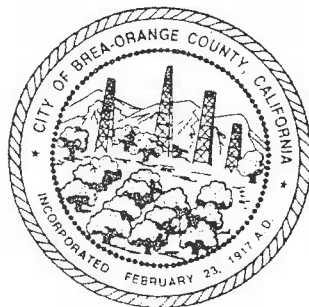


EXHIBIT A

2011A Bond Proceeds Funding Agreement
(in substantial final form)

(see attached)

2011A BOND PROCEEDS FUNDING AGREEMENT

This 2011A BOND PROCEEDS FUNDING AGREEMENT (this “**Agreement**”), dated as of _____, 2017, is entered into by and between the City of Brea (the “**City**”) and the Successor Agency to the Brea Redevelopment Agency (the “**Successor Agency**,” and together with the City, the “**Parties**”).

RECITALS:

A. The Brea Redevelopment Agency (the “**Former Agency**”) was a redevelopment agency formed pursuant to the Community Redevelopment Law, set forth in Part 1 (commencing with Section 33000) of Division 24 of the California Health and Safety Code (“**HSC**”);

B. The Former Agency undertook a program to redevelop a project area known as “Redevelopment Project AB.”

C. Pursuant to AB X1 26 (which was enacted in June 2011) and the California Supreme Court’s decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, 53 Cal. 4th 231 (2011), the Former Agency was dissolved as of February 1, 2012, the Successor Agency was constituted as the successor entity to the Former Agency, and an oversight board of the Successor Agency (the “**Oversight Board**”) was established.

D. AB X1 26 added Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) to Division 24 of the HSC. Such Parts 1.8 and 1.85, including amendments and supplements enacted after AB X1 26, are referred to herein as the “**Dissolution Act**.”

E. Pursuant to HSC Section 34177, the Successor Agency must prepare a Recognized Obligation Payment Schedule (“**ROPS**”) for each specified period. Each ROPS must be submitted to the Oversight Board of the Successor Agency and the State Department of Finance (“**DOF**”) for approval.

F. Pursuant to HSC Section 34191.6 (added by SB 107 enacted in September 2015), the Successor Agency may prepare a Last and Final Recognized Obligation Payment Schedule (the “**LFROPS**”) upon meeting certain conditions; provided that such LFROPS will only become effective upon approval by the Oversight Board and the DOF.

G. Before dissolution, the Former Agency issued its 2011 Tax Allocation Bonds, Series A (Redevelopment Project AB) (the “**2011A Bonds**”), in the aggregate principal amount of \$18,839,323.25, pursuant to an Indenture of Trust, dated as of June 1, 2011 (the “**Indenture**”), by and between the Former Agency and The Bank of New York Mellon Trust Company, N.A., as trustee.

H. The 2011A Bonds were issued in part to refund tax-exempt bonds issued by the Former Agency, in that a portion of the proceeds of the 2011A Bonds were used to refund and defease the Former Agency’s 2001 Subordinate Tax Allocation Refunding Bonds, Series B, and a portion of the proceeds of the 2011A Bonds, in the amount of \$13,365,473.44, was deposited in a 2011 Redevelopment Fund (established under the Indenture) for use on Qualifying

Redevelopment Projects (as defined in the Indenture). The moneys deposited and maintained in the 2011 Redevelopment Fund are referred to below as the “**2011A Project Proceeds**.”

I. In light of restrictions imposed by the Dissolution Act, most of the 2011A Project Proceeds in the 2011 Redevelopment Fund have not yet been spent as of the dated date of this Agreement.

J. Pursuant to the Dissolution Act, all assets, properties and contracts of the Former Agency, including unspent 2011A Project Proceeds, transferred to the control of the Successor Agency by operation of law.

K. According to HSC Section 34191.4, the Successor Agency may proceed with certain actions pertaining to the use of remaining unspent bond proceeds, after the Successor Agency has received a finding of completion (the “**Finding of Completion**”) issued by the DOF pursuant to HSC Section 34179.7.

L. The DOF issued a Finding of Completion to the Successor Agency on July 9, 2013.

M. Pursuant to HSC Section 34191.4(c)(2) (which was added by SB 107), the Successor Agency may spend up to five percent of the 2011A Project Proceeds before the DOF’s approval of the LFROPS.

N. Further, pursuant to HSC Section 34191.4(c)(4) (which was added by SB 107), after the DOF’s approval of the LFROPS, the Successor Agency may spend an additional 40 percent of the 2011A Project Proceeds (which, together with the five percent pursuant to HSC Section 34191.4(c)(2), would constitute 45 percent of the 2011A Project Proceeds).

O. Pursuant to a prior review by the DOF, the DOF determined that the Successor Agency had previously expended \$772,376 of the 2011A Project Proceeds, which is more than five percent of the 2011A Project Proceeds.

P. The Successor Agency is working towards the preparation of an LFROPS.

Q. Before the finalizing the LFROPS process, the Successor Agency has determined to undertake proceedings to issue bonds (the “**Refunding Bonds**”) as permitted by HSC Section 34177.5, to refund all of the outstanding 2011A Bonds to generate savings (the “**Refunding**”).

R. The Successor Agency has determined that it will: (i) in conjunction with the Refunding, cause \$7,351,010.40 (*i.e.*, 55 percent of the 2011A Project Proceeds, the portion which may not be used for projects under HSC Section 34191.4) to be used to defease a portion of the outstanding 2011A Bonds; and (ii) use the remaining 2011A Project Proceeds (the “**Balance Amount**”) for the costs of Qualifying Redevelopment Projects, including those projects listed in Exhibit A hereto (the “**Projects**”), as permitted under HSC Section 34191.4(c).

S. In light of Successor Agency’s limited staffing, the City’s traditional role and established procedures for the awarding of public works contracts, and the timing needs with respect to the Projects, the Successor Agency desires to enter into this Agreement with the City,

for the City to perform or cause to be performed the work required to complete the Projects, with payment therefor to be made from 2011A Project Proceeds.

T. This Agreement is in furtherance of the winding down of the Former Agency's affairs, with respect to the expenditure of unspent bond proceeds as permitted under HSC Section 34191.4.

U. The Oversight Board adopted Resolution No. OB 2017-__ on ____, 2017 (the "**OB Resolution**") approving the Successor Agency's execution and delivery of this Agreement.

V. The DOF has reviewed the OB Resolution and issued its letter, dated ____, 2017, approving the OB Resolution.

NOW, THEREFORE, THE PARTIES DO HEREBY AGREE AS FOLLOWS:

Section 1. Subject to the provisions of this Agreement and with the funding provided pursuant to this Agreement, the City agrees to perform or cause to be performed the work required for the Projects, including but not limited to the preparation of designs, plans and specifications and all demolition, construction and installations. The City shall perform such work in accordance with all applicable federal, state and local laws, rules and regulations. Subject to the covenants set forth herein, the City shall have the sole discretion with respect to the design, planning, specification and the timing with respect to all components of the Projects.

Section 2. In connection with the Refunding, the Successor Agency shall cause \$7,351,010.40 to be used to defease a portion of the 2011A Bonds.

Section 3. At such time as the Successor Agency prepares the LFROPS, the Successor Agency shall list on the LFROPS a transfer of the Balance Amount to the City for use in accordance with Section 4. As soon as practicable upon the effectiveness of LFROPS, the Successor Agency shall transfer the Balance Amount (subject to any adjustment pursuant to the DOF-approved LFROPS) to the City.

Section 4. The City shall use the 2011A Project Proceeds transferred to it pursuant to this Agreement for costs of the Projects (or reimbursement to the City for any funds advanced for costs of the Projects) in a manner consistent with the covenants in the Indenture.

Section 5. To the extent the City still holds 2011A Project Proceeds transferred pursuant to this Agreement after the completion of the Projects (as determined by the City Council), the City shall return such unspent 2011A Project Proceeds to the Successor Agency within a reasonable time after such determination.

Section 6. Each Party shall maintain books and records regarding its duties pursuant to this Agreement. Such books and records shall be available for inspection by the officers and agents of the other Party at all reasonable times.

Section 7. The Parties agree to take all appropriate steps and execute any documents which may reasonably be necessary or convenient to implement the intent of this Agreement.

Section 8. This Agreement may be amended from time to time by written instrument executed by both Parties.

Section 9. No official, agent, or employee of the Successor Agency or the City, or members of the City Council, or members of the Successor Agency governing board or Oversight Board shall be individually or personally liable for any payment hereunder in the event of any default or breach by the Successor Agency or the City, or for any amount which may otherwise become due to the City or Successor Agency, or successor thereto, or on any obligations under the terms of this Agreement.

Section 10. This Agreement is made in the State of California under the Constitution and laws of the State of California, and is to be so construed.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized officers.

**SUCCESSOR AGENCY TO THE BREA
REDEVELOPMENT AGENCY**

By _____
[Mayor of the City of Brea
or Executive Director]

ATTEST:

City Clerk of the City of Brea

CITY OF BREA

By _____
Mayor

ATTEST:

City Clerk

EXHIBIT A

Description of Projects

1. the construction of a multi-level parking structure at the intersection of Brea Boulevard and Birch Street in the City's Downtown area.
2. any other programs, projects and activities of benefit to the Former Agency's Redevelopment Project AB, so long as the program or project is determined by the City to be consistent with the bond covenants under the Indenture.

City of Brea

BOARD COMMUNICATION

TO: Honorable Chair and Board Members
FROM: David Crabtree, Community Development Director
DATE: 04/14/2017
SUBJECT: Second Amendment to the Brea Mall Owner Participation Agreement OPA.

RECOMMENDATION

Adopt the Resolution Approving the Second Amendment to the Brea Mall Owner Participation Agreement.

BACKGROUND

As the Successor Agency prepares to market the 2011 Bonds for refunding, there is an opportunity to lower the amount of the future bond payments which would free up property tax revenue and thus increase the amount of property tax revenue to be paid to the taxing entities. An amendment to the Brea Mall Owner Participation Agreement to provide for fixed annual payments, with a true-up provision, is necessary to facilitate such bond refunding.

The Brea Redevelopment Merged Plan established an annual limit of \$14 million as the maximum amount of tax increment revenues allocable to the former Redevelopment Agency (RDA) for Project Area AB, in which the Mall is located. In 1988, the former RDA entered into an Owner Participation Agreement with the owners of Brea Mall (Brea Mall OPA). That agreement was amended in 1995. Under the Brea Mall OPA and the amendment, the former RDA annually paid the Brea Mall 80% of net property tax revenues generated by the site plus \$15,000. Net property tax revenues generated by the site is defined in the agreement to mean the tax increment revenue generated from the Brea Mall above the 1987-88 base year tax increment revenue.

The proposed Second Amendment to Brea Mall OPA will establish a fixed payment schedule for the OPA Annual Payments for the fiscal year beginning 2016-17 through the end of fiscal year 2021-22. The establishment of a fixed payment schedule for OPA Annual Payments will facilitate the Successor Agency's preparation of the Last and Final Recognized Obligation Payment Schedule (LFROPS).

The Successor Agency will prepare and submit the LFROPS to the Oversight Board and DOF. The LFROPS is designed to save time and expenses in that the Successor Agency, the Oversight Board, and the DOF will no longer be required to expend the resources necessary to prepare and review periodic ROPS. A fixed payment schedule for the Successor Agency's enforceable obligations assures that the amounts listed on the LFROPS and approved for funding will be sufficient to pay each years' obligations. The LFROPS is required in order for the Successor Agency to apply to DOF for approval to access approximately \$5.2 million in 2011 Series A Bonds to be used for the

Downtown Parking Structure.

In consultation with DOF staff, it was recommended to request approval of the Second Amendment to the Brea Mall OPA as part of the processing of the Annual Recognized Obligation Payment Schedule (ROPS) 17-18. The amount noted on the fixed payment schedule for 2017-18 is the amount being requested on ROPS 17-18.

The Successor Agency adopted a resolution approving a Second Amendment to the Brea Mall OPA at their meeting of January 17. A similar resolution was also approved by the Oversight Board, however, both resolutions were rejected by the California Department of Finance (DOF). The Amendment has been revised and hopefully will now be accepted by DOF.

A similar resolution was approved by the Successor Agency at the City Council Meeting on April 4, 2017. Upon approval by the Oversight Board, the Successor Agency and Oversight Board resolutions along with the Second Amendment to Brea Mall OPA will be forwarded to DOF for their approval. DOF has up to forty days to review and approve the Oversight Board resolution and the Second Amendment to the Brea Mall OPA.

FISCAL IMPACT

The Second Amendment to the Brea Mall OPA establishes fixed payments for fiscal years 2016-17 to 2021-22 which range from \$1,575,641 for 2016-17 to \$1,770,673 for 2021-22. The total fixed payments for the six years are \$9,955,605. The Amendment provides for a “true up” during fiscal year 2021-22 which will compare the total amount for the fixed payments to the total amounts of the actual calculated payments.

If the total calculated payments are less than the total fixed payments remitted to the Mall, then the difference is owed by the Brea Mall to the Successor Agency and would be a reduction to the final fixed payment for fiscal year 2021-22. However, if the total actual calculated payments are greater than the total fixed payments remitted to the Mall, the difference would be owed to the Brea Mall. In the scenario that a “true up” is due to the Mall, that payment will be subordinate to the bond payments.

This stipulation in the amendment improves the marketability of the refunding bonds and thus reduces annual bond payments, which benefits all of the taxing entities as they would receive their share of the property tax revenue not needed for the bond payment.

SIGNATURE BLOCK

David Crabtree, Community Development Director

Prepared by: Lee Squire, Financial Services Manager

Concurrence: Kathie DeRobbio, Economic Development Manager

Attachments

Resolution OB 2017-12

Amendment to OPA

Resolution SA 2017-06

RESOLUTION NO. OB 2017-12

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE BREA REDEVELOPMENT AGENCY AUTHORIZING THE EXECUTION AND DELIVERY OF A SECOND AMENDMENT TO AN OWNER PARTICIPATION AGREEMENT AND TAKING RELATED ACTIONS

A. RECITALS:

(i) The Brea Redevelopment Agency (the “**Former Agency**”) was a redevelopment agency formed pursuant to the Community Redevelopment Law, set forth in Part 1 (commencing with Section 33000) of Division 24 of the California Health and Safety Code (“**HSC**”);

(ii) The Former Agency undertook a program to redevelop a project area known as “Redevelopment Project AB” (the “**Project Area**”) pursuant to a redevelopment plan (the “Redevelopment Plan”) adopted and approved by the City Council of the City of Brea;

(iii) Pursuant to HSC Section 33333.4, the Redevelopment Plan established an annual limit of \$14 million (the “**Annual TI Cap**”) as the maximum amount of tax increment revenues allocable to the Former Agency with respect to the portion of the Project Area known as the “AB Merged Project”;

(iv) Pursuant to AB X1 26 (enacted in June 2011) and the California Supreme Court’s decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, 53 Cal. 4th 231 (2011), the Former Agency was dissolved as of February 1, 2012, the Successor Agency to the Brea Redevelopment Agency (the “**Successor Agency**”) was constituted as the successor entity to the Former Agency, and an oversight board of the Successor Agency (the “Oversight Board”) was established;

(v) AB X1 26 added Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) to Division 24 of the HSC (such Parts 1.8 and 1.85, together with any amendments and supplements thereto, being collectively referred to herein as the “**Dissolution Act**”);

(vi) Pursuant to HSC Section 34175(b), all contracts of the Former Agency transferred to the control of the Successor Agency by operation of law;

(vii) Pursuant to HSC Section 34177, the Successor Agency prepares Recognized Obligation Payment Schedules (each, a “**ROPS**”) at the times prescribed by the Dissolution Act, listing the payments for enforceable obligations to be made during each specified fiscal period;

(viii) Pursuant to HSC Section 34177, each ROPS must be approved by the Oversight Board and the State Department of Finance (the “**DOF**”);

(ix) Before dissolution, the Former Agency entered into an Owner Participation Agreement executed in 1988 (the “**Original OPA**”), by and between the Former Agency and Corporate Property Investors, which was amended by a First Amendment to Owner Participation Agreement, executed in 1995 (the “First OPA Amendment,” and together with the Original OPA, “Brea Mall OPA”);

(x) The Former Agency entered into the Brea Mall OPA in connection with the expansion and renovation of a development known as the “**Brea Mall**,” located within the AB Merged Project of the Project Area;

(xi) The Retail Property Trust is the current major owner and operator of the Brea Mall and has succeeded Corporate Property Investors with respect to the Brea Mall OPA (The Retail Property Trust, together with any successor or assign thereto with respect to its rights under the Brea Mall OPA, being referred to herein as the “**Brea Mall Owner**”);

(xii) Under the Brea Mall OPA (particularly, Paragraphs III.A and III.B of Attachment No. 3 of the Original OPA, as amended by the First OPA Amendment), the Former Agency (and the Successor Agency, after the Former Agency’s dissolution) must pay the Brea Mall Owner on or before the last day of each fiscal year (*i.e.*, June 30), beginning in fiscal year 1989-90 through the end of fiscal year 2021-22, an annual amount (the “**OPA Annual Payment**”), calculated according to a formula based on the tax increment revenue generated from the Brea Mall;

(xiii) In fiscal year 2003-04 (*i.e.*, after the execution and delivery of the First OPA Amendment), the amount of tax increment revenues allocable to the Former Agency with respect to the AB Merged Project reached the Annual TI Cap (and thus became limited by the Annual TI Cap);

(xiv) Based on negotiations between the Former Agency and the Brea Mall Owner, the Brea Mall Owner agreed to cap the Annual OPA Payment to the fiscal year 2003-04 amount in recognition of the Annual TI Cap, so long as the Annual TI Cap remained effective;

(xv) SB 107, which was enacted in September 2015, amended the Dissolution Act;

(xvi) HSC Section 34189(a) was amended pursuant to SB 107 to provide, in relevant part, that for the purposes of payment of enforceable obligations, the Successor Agency “is not subject to the limitations relating to time, number of tax dollars, or any other matters set forth in [HSC] Sections 33333.2, 33333.4, and 33333.6.”

(xvii) As recognized by the DOF in its May 17, 2016 approval letter for the Successor Agency’s ROPS for the fiscal year 2016-17, the Annual TI Cap is no longer applicable for the purpose of the Annual OPA Payment as the result of SB 107.

(xviii) The Successor Agency and The Retail Property Trust propose to execute an amendment to the Brea Mall OPA (the “**Second Amendment**”), substantially in the

form attached as Exhibit A, to establish a fixed payment schedule for the OPA Annual Payments through the end of fiscal year 2021-22, and an additional reconciliation payment (to the extent necessary) in fiscal year 2021-22 (the “**True-Up Payment**”);

(xix) Under HSC Section 34181(e), the Oversight Board may approve any amendment to an agreement between the Former Agency (as succeeded by the Successor Agency) and any private party, if the Oversight Board finds the Successor Agency’s execution and delivery of such amendment are in the best interests of the taxing entities;

(xx) Pursuant to HSC Section 34191.6, the Successor Agency may prepare a Last and Final ROPS (the “**LFROPS**”) and submit the LFROPS to the Oversight Board and the DOF for approval.

(xxi) After the effectiveness of the LFROPS, the Successor Agency will make payments pursuant to the LFROPS;

(xxii) The execution and delivery of the Second Amendment represent a necessary step toward the Successor Agency’s preparation of an LFROPS;

(xxiii) The LFROPS is designed to save time and expenses, in that the Successor Agency, the Oversight Board and the DOF will no longer be required to expend the resources necessary to prepare and review each periodic ROPS;

(xxiv) Currently, the Successor Agency must calculate the OPA Annual Payment each year and retains a fiscal consultant to assist with such calculation;

(xxv) Under Second Amendment, the Successor Agency will not be required to calculate the OPA Annual Payment annually but, instead, be required to calculate the True-Up Payment only in fiscal year 2021-22; and as such, the execution and delivery of the Second Amendment is also expected to result in a reduction of the Successor Agency’s expenses in that respect;

(xxvi) The Successor Agency has begun proceedings for the issuance of bonds (the “**Refunding Bonds**”) to refund certain outstanding bonds issued by the Former Agency (the “**Existing Bonds**”) that are secured by and payable from property tax revenues generated from the Project Area;

(xxvii) Under the current terms of the Existing Bonds and the Brea Mall OPA, the Annual OPA Payments rank senior to the Existing Bonds with respect to the pledge and lien on a portion of property tax revenues from the Project Area;

(xxviii) The establishment of a fixed payment schedule for the OPA Annual Payments through the end of fiscal year 2021-22 and the subordination of the True-up Payment to the Refunding Bonds pursuant to the terms of the Second Amendment would enhance the marketability of the Refunding Bonds, because it allows the Successor Agency to provide more definitive estimates for debt service coverage (i.e., the comparison between (i) the dollar amount of property tax revenues available for payment

on the Refunding Bonds and (ii) the dollar amount of principal and interest payments on the Refunding Bonds);

(xxix) The enhanced marketability of Refunding Bonds would facilitate the generation of greater savings to the Successor Agency (which would then increase the residual amounts available to be disbursed to the taxing entities from the Redevelopment Property Tax Trust Fund, after payment of the Successor Agency's enforceable obligations);

(xxx) In sum, the execution and delivery of the Second Amendment is expected to increase net revenues to the taxing entities;

B. RESOLUTION:

NOW, THEREFORE, be it found, determined and resolved by the Oversight Board to the Successor Agency to the Brea Redevelopment Agency, as follows:

1. The above recitals are true and correct and are a substantive part of this Resolution.

2. For the purposes of HSC Section 34181(e), the Oversight Board hereby finds and determines that the Successor Agency's execution and delivery of the Second Amendment are in the best interests of the taxing entities.

3. The Oversight Board hereby directs and approves the Successor Agency's execution and delivery of the Second Amendment, substantially in the form of Exhibit A hereto.

4. This Resolution supersedes any prior Oversight Board action previously taken in connection with Resolution No. OB 2017-04.

5. The members of this Oversight Board and the staff of the Successor Agency are hereby authorized, jointly and severally, to do all things which they may deem necessary or proper to effectuate the purposes of this Resolution and the Brea OPA, as amended by the Second Amendment.

APPROVED AND ADOPTED this 14th day of April 2017.

Bill Gallardo, Chair

ATTEST:

Lillian Harris-Neal, City Clerk

I, Lillian Harris-Neal, City Clerk of the City of Brea, do hereby certify that the foregoing Resolution was passed at a regular meeting of the Oversight Board for the Successor Agency to the Brea Redevelopment Agency, held on the 14th day of April, 2017, by the following vote:

AYES: BOARD MEMBERS:

NOES: BOARD MEMBERS:

ABSENT: BOARD MEMBERS:

ABSTAIN: BOARD MEMBERS:

Dated: April 14, 2017

Lillian Harris-Neal, City Clerk

April 14, 2017
RESO. OB 2017-12

EXHIBIT A

Second Amendment to Brea OPA
(in substantial final form)

(see attached)

SECOND AMENDMENT
(to Owner Participation Agreement)

This **Second Amendment** (this “**Second Amendment**”), dated as of _____, 2017, is entered into by and between Successor Agency to the Brea Redevelopment Agency (the “**Successor Agency**”), as successor to the former Brea Redevelopment Agency (the “**Former Agency**”), and The Retail Property Trust, a Massachusetts business trust (“**The Retail Property Trust**” or the “**Owner**”), as successor-in-interest to Corporate Property Investors, an unincorporated Massachusetts voluntary association commonly known a Massachusetts business trust, established by Declaration of Trust, dated June 24, 1971 (the “**Original Owner**”).

This Second Amendment amends the Owner Participation Agreement (the “**1988 OPA**”), executed by and between the Former Agency and the Original Owner in 1988, as amended by the First Amendment to Owner Participation Agreement (“**First OPA Amendment**,” and together with the 1988 OPA, the “**First Amended OPA**”) executed by and between the Former Agency and the Original Owner in 1995. Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the First Amended OPA. The Successor Agency and the Owner, together, are referred to below as the “**Parties**.”

RECITALS

A. The Former Agency was a redevelopment agency duly formed pursuant to the Community Redevelopment Law, set forth in Part 1 of Division 24 of the California Health and Safety Code (“**HSC**”).

B. The Former Agency undertook a program to redevelop a project area known as “Redevelopment Project AB” (the “**Project Area**”) pursuant to a redevelopment plan (the “**Redevelopment Plan**”) adopted and approved by the City Council of the City of Brea.

C. Pursuant to HSC Section 33333.4, the Redevelopment Plan established an annual limit of \$14 million (the “**Annual TI Cap**”) as the maximum amount of tax increment revenues allocable to the Former Agency with respect to the portion of the Project Area known as the “AB Merged Project.”

D. Pursuant to AB X1 26 (enacted in June 2011) and the California Supreme Court’s decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, 53 Cal. 4th 231 (2011), the Former Agency was dissolved as of February 1, 2012, the Successor Agency was constituted as the successor entity to the Former Agency, and an oversight board of the Successor Agency (the “**Oversight Board**”) was established.

E. AB X1 26 added Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) to Division 24 the HSC. Such Parts 1.8 and 1.85, together with amendments and supplements thereto enacted from time to time, are collectively referred to herein as the “**Dissolution Act**.”

F. Pursuant to HSC Section 34175(b), all contracts of the Former Agency transferred to the control of the Successor Agency by operation of law.

G. Pursuant to HSC Section 34177, the Successor Agency prepares Recognized Obligation Payment Schedules (each, a “**ROPS**”) at the times prescribed by the Dissolution Act, listing the payments for enforceable obligations to be made during each specified fiscal period.

H. Pursuant to HSC Section 34177, each ROPS must be approved by the Oversight Board and the State Department of Finance (the “**DOF**”).

I. The Successor Agency may only make payments pursuant to a DOF-approved ROPS.

J. Before the Former Agency’s dissolution, the Former Agency and the Original Owner entered into the First Amended OPA in connection with the expansion and renovation of a development known as the “**Brea Mall**,” located within the AB Merged Project of the Project Area.

K. The Retail Property Trust is the current major owner and operator of the Brea Mall and has succeeded Corporate Property Investors with respect to the First Amended OPA.

L. Under the First Amended OPA (particularly, Paragraphs III.A and III.B of Attachment No. 3 of the 1988 OPA, as amended by the First OPA Amendment), the Former Agency (and the Successor Agency, after the Former Agency’s dissolution) must pay the Owner on or before the last day of each fiscal year (*i.e.*, June 30), beginning in fiscal year 1989-90 through the end of fiscal year 2021-22, an annual amount (the “**OPA Annual Payment**”), calculated according to a formula based on the tax increment revenue generated from the Brea Mall.

M. In fiscal year 2003-04 (*i.e.*, after the execution and delivery of the First OPA Amendment), the amount of tax increment revenues allocable to the Former Agency with respect to the AB Merged Project reached the Annual TI Cap (and thus became limited by the Annual TI Cap).

N. Based on negotiations between the Former Agency and the Owner, the Owner agreed to cap the Annual OPA Payment to the fiscal year 2003-04 amount in recognition of the Annual TI Cap, so long as the Annual TI Cap remained effective.

O. SB 107, which was enacted in September 2015, amended the Dissolution Act.

P. HSC Section 34189(a) was amended pursuant to SB 107 to provide, in relevant part, that for the purposes of payment of enforceable obligations, the Successor Agency “is not subject to the limitations relating to time, number of tax dollars, or any other matters set forth in [HSC] Sections 33333.2, 33333.4, and 33333.6.”

Q. As recognized by the DOF in its May 17, 2016 approval letter for the Successor Agency’s ROPS for the fiscal year 2016-17 (“**ROPS 16-17**”), the Annual TI Cap is no longer applicable for the purpose of the Annual OPA Payment as the result of SB 107.

R. The Parties are entering into this Second Amendment to establish a payment schedule for the OPA Annual Payments through the end of fiscal year 2021-22, so that the

Successor Agency can reflect such payments on its ROPS, including any proposed Last and Final Recognized Obligation Payment Schedule (“LFROPS”).

NOW, THEREFORE, THE PARTIES, FOR AND IN CONSIDERATION OF THE MUTUAL PROMISES AND AGREEMENTS CONTAINED HEREIN, DO AGREE AS FOLLOWS:

Section 1. Agreement to Remain In Effect Except as Amended Hereby. Save and except as amended by this Second Amendment, the First Amended OPA shall remain in full force and effect. The First Amended OPA, as amended by this Second Amendment, shall constitute the “Agreement.”

Section 2. Fiscal Year 15-16 Annual OPA Payment. The Parties agree as follows:

(a) The payment due by the Successor Agency to the Owner pursuant to Paragraph III.A of Attachment 3 to the 1988 OPA, as amended by Section 3 of the First OPA Amendment, for fiscal year 2015-16 (*i.e.*, the installment due on or before June 30, 2016) was \$1,506,944 (the “**FY 15-16 Payment**”).

(b) Owner acknowledges that it has received \$1,426,352 from the Successor Agency for partial satisfaction of the FY 15-16 Payment. Owner understands that the payment of remaining portion of the FY 15-16 Payment, in the amount of \$80,592, has been delayed as the result of the implementation of SB 107 and the ROPS process. Such delay shall not constitute a default under the Agreement so long as the Successor Agency pays such remaining portion on or before June 30, 2017.

Section 3. Annual OPA Payment for Fiscal Years 2016-17 through 2021-22.

(a) Notwithstanding any provision in the First Amended OPA to the contrary, the Successor Agency shall pay the amounts set forth in the table below (subject only to any true-up adjustment pursuant to Section 4). Each such payment, upon receipt by the Owner, shall constitute satisfaction of the Annual OPA Payment due under Paragraph III.A of Attachment 3 to the 1988 OPA (as amended by Section 3 of the First OPA Amendment) for each relevant fiscal year, subject only to the provisions of Section 4 below:

Fiscal Year	Due Date	Amount
2016-17	June 30, 2017	\$1,575,641
2017-18	June 30, 2018	1,583,169
2018-19	June 30, 2019	1,628,662
2019-20	June 30, 2020	1,675,065
2020-21	June 30, 2021	1,722,395
2021-22	June 30, 2022	1,770,673
Total:		\$9,955,605

(b) The Owner acknowledges that the Successor Agency intends to prepare an LFROPS pursuant to HSC Section 34191.6, and will include a line item on the LFROPS to reflect the payment schedule set forth in Section 3(a).

Section 4. True-Up.

(a) By no later than October 31, 2021, the Successor Agency shall provide a written report (the “**True-Up Report**”) to the Owner, showing: (i) the total dollar amount of the Annual OPA Payments for Fiscal Years 2016-17 through 2021-22 (inclusive) based on the schedule set forth in Section 3(a) (the “**Amendment Payments**”), and (ii) the total dollar amount of the Annual OPA Payments which would have been due pursuant to Paragraph III.A of Attachment 3 to the 1988 OPA (as amended by Section 3 of the First OPA Amendment), if this Second Amendment had never taken effect (the “**Original Formula Payments**”). If the Owner has any objection to the Successor Agency’s calculations as shown in the True-Up Report, the Owner shall notify the Successor Agency by November 30, 2021 in writing (an “**Objection Notice**”). (If the Owner does not give any such Objection Notice by November 30, 2021, that shall serve as evidence of the Owner’s agreement with the True-Up Report and constitute a waiver to any future objections.) The Successor Agency and the Owner shall negotiate in good faith to resolve any disagreement regarding the True-Up Report.

(b) Based on the True-Up Report (as adjusted per the Parties’ agreement, if the Owner files a timely Objection Notice), if the total dollar amount of the Amendment Payments is greater than the total dollar amount of the Original Formula Payments (such difference being the “**Adjustment Amount**”), then the Successor Agency’s payment pursuant to Section 3(a) for Fiscal Year 2021-22 shall be reduced by the Adjustment Amount. In other words, the Successor Agency’s payment for Fiscal Year 2021-22 shall equal \$1,770,673 minus the Adjustment Amount.

(c) Based on the True-Up Report (as adjusted per the Parties’ agreement, if the Owner files a timely Objection Notice), if the total dollar amount of the Original Formula Payments is greater than the total dollar amount of the Amendment Payments (such difference being the “**SA True-Up Amount**”), then the Successor Agency shall undertake proceedings to amend its LFROPS to reflect the SA True-Up Amount. The Successor Agency shall promptly pay the SA True-Up Amount to the Owner from available Redevelopment Property Tax Trust Fund disbursements, after the effectiveness of the amended LFROPS.

Section 5. Pledge of Net Property Tax Revenues. With respect to the Amendment Payments based on the schedule set forth in Section 3(a), the Successor Agency hereby affirms that each and all of such Amendment Payments shall continue to be secured by a pledge of the Net Property Tax Revenues generated from the Site, senior to other bonded indebtedness of the Successor Agency; provided, that the SA True-Up Amount (to the extent that any will be due) shall be secured by a pledge of the Net Property Tax Revenues generated from the Site on a subordinate basis to the currently outstanding bonded debt of the Successor Agency (whether originally incurred or issued by the Former Agency or the Successor Agency) and any future bonded debt that will be incurred to refund such outstanding bonds (so long as the refunding meets the savings requirements under California Health and Safety Code Section 34177.5(a)).

Section 6. Miscellaneous Provisions.

(a) This Second Amendment shall be governed by, interpreted under, construed and enforced, in accordance with the laws of the State of California.

(b) If any provision of this Second Amendment is found to be invalid, or if the application of this Second Amendment to any person or circumstance is disallowed or found to be invalid, the remainder of the provisions of this Second Amendment, or the application thereof, to persons or circumstances other than those to which its application was disallowed or found invalid, will not be affected and will remain in full force and effect.

(c) This Second Amendment may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts shall together constitute but one and the same.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives.

**SUCCESSOR AGENCY TO THE BREA
REDEVELOPMENT AGENCY**

By _____
Mayor of the City of Brea

ATTEST:

City Clerk of the City of Brea

**THE RETAIL PROPERTY TRUST,
a Massachusetts business trust**

By: _____

Print Name: _____

Title: _____



RESOLUTION NO. SA 2017-06

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BREA, ACTING AS THE SUCCESSOR AGENCY TO THE BREA REDEVELOPMENT AGENCY AUTHORIZING THE EXECUTION AND DELIVERY OF A SECOND AMENDMENT TO AN OWNER PARTICIPATION AGREEMENT AND TAKING RELATED ACTIONS

A. RECITALS:

(i) The Brea Redevelopment Agency (the “**Former Agency**”) was a redevelopment agency formed pursuant to the Community Redevelopment Law, set forth in Part 1 (commencing with Section 33000) of Division 24 of the California Health and Safety Code (“**HSC**”);

(ii) The Former Agency undertook a program to redevelop a project area known as “Redevelopment Project AB” (the “**Project Area**”) pursuant to a redevelopment plan (the “Redevelopment Plan”) adopted and approved by the City Council of the City of Brea;

(iii) Pursuant to HSC Section 33333.4, the Redevelopment Plan established an annual limit of \$14 million (the “**Annual TI Cap**”) as the maximum amount of tax increment revenues allocable to the Former Agency with respect to the portion of the Project Area known as the “AB Merged Project”;

(iv) Pursuant to AB X1 26 (enacted in June 2011) and the California Supreme Court’s decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, 53 Cal. 4th 231 (2011), the Former Agency was dissolved as of February 1, 2012, the Successor Agency to the Brea Redevelopment Agency (the “**Successor Agency**”) was constituted as the successor entity to the Former Agency, and an oversight board of the Successor Agency (the “Oversight Board”) was established;

(v) AB X1 26 added Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) to Division 24 of the HSC (such Parts 1.8 and 1.85, together with any amendments and supplements thereto, being collectively referred to herein as the “Dissolution Act”);

(vi) Pursuant to HSC Section 34175(b), all contracts of the Former Agency transferred to the control of the Successor Agency by operation of law;

(vii) Pursuant to HSC Section 34177, the Successor Agency prepares Recognized Obligation Payment Schedules (each, a “**ROPS**”) at the times prescribed by the Dissolution Act, listing the payments for enforceable obligations to be made during each specified fiscal period;

(viii) Pursuant to HSC Section 34177, each ROPS must be approved by the Oversight Board and the State Department of Finance (the “**DOF**”);

(ix) Before dissolution, the Former Agency entered into an Owner Participation Agreement executed in 1988 (the "**Original OPA**"), by and between the Former Agency and Corporate Property Investors, which was amended by a First Amendment to Owner Participation Agreement, executed in 1995 (the "**First OPA Amendment**," and together with the Original OPA, "**Brea Mall OPA**");

(x) The Former Agency entered into the Brea Mall OPA in connection with the expansion and renovation of a development known as the "**Brea Mall**," located within the AB Merged Project of the Project Area;

(xi) The Retail Property Trust is the current major owner and operator of the Brea Mall and has succeeded Corporate Property Investors with respect to the Brea Mall OPA (The Retail Property Trust, together with any successor or assign thereto with respect to its rights under the Brea Mall OPA, being referred to herein as the "**Brea Mall Owner**");

(xii) Under the Brea Mall OPA (particularly, Paragraphs III.A and III.B of Attachment No. 3 of the Original OPA, as amended by the First OPA Amendment), the Former Agency (and the Successor Agency, after the Former Agency's dissolution) must pay the Brea Mall Owner on or before the last day of each fiscal year (*i.e.*, June 30), beginning in fiscal year 1989-90 through the end of fiscal year 2021-22, an annual amount (the "**OPA Annual Payment**"), calculated according to a formula based on the tax increment revenue generated from the Brea Mall;

(xiii) In fiscal year 2003-04 (*i.e.*, after the execution and delivery of the First OPA Amendment), the amount of tax increment revenues allocable to the Former Agency with respect to the AB Merged Project reached the Annual TI Cap (and thus became limited by the Annual TI Cap);

(xiv) Based on negotiations between the Former Agency and the Brea Mall Owner, the Brea Mall Owner agreed to cap the Annual OPA Payment to the fiscal year 2003-04 amount in recognition of the Annual TI Cap, so long as the Annual TI Cap remained effective;

(xv) SB 107, which was enacted in September 2015, amended the Dissolution Act;

(xvi) HSC Section 34189(a) was amended pursuant to SB 107 to provide, in relevant part, that for the purposes of payment of enforceable obligations, the Successor Agency "is not subject to the limitations relating to time, number of tax dollars, or any other matters set forth in [HSC] Sections 33333.2, 33333.4, and 33333.6";

(xvii) As recognized by the DOF in its May 17, 2016 approval letter for the Successor Agency's ROPS for the fiscal year 2016-17, the Annual TI Cap is no longer applicable for the purpose of the Annual OPA Payment as the result of SB 107;

(xviii) The Successor Agency and The Retail Property Trust propose to execute an amendment to the Brea Mall OPA (the "**Second Amendment**"), substantially in the

form attached as Exhibit A, to establish a fixed payment schedule for the OPA Annual Payments through the end of fiscal year 2021-22, and an additional reconciliation payment (to the extent necessary) in fiscal year 2021-22 (the "**True-Up Payment**");

(xix) Pursuant to HSC Section 34191.6, the Successor Agency may prepare a Last and Final ROPS (the "**LFROPS**") and submit the LFROPS to the Oversight Board and the DOF for approval.

(xx) After the effectiveness of the LFROPS, the Successor Agency will make payments pursuant to the LFROPS;

(xxi) The execution and delivery of the Second Amendment represent a necessary step toward the Successor Agency's preparation of an LFROPS;

(xxii) The LFROPS is designed to save time and expenses, in that the Successor Agency, the Oversight Board and the DOF will no longer be required to expend the resources necessary to prepare and review each periodic ROPS;

(xxiii) Currently, the Successor Agency must calculate the OPA Annual Payment each year and retains a fiscal consultant to assist with such calculation;

(xxiv) Under Second Amendment, the Successor Agency will not be required to calculate the OPA Annual Payment annually but, instead, be required to calculate the True-Up Payment only in fiscal year 2021-22; and as such, the execution and delivery of the Second Amendment is also expected to result in a reduction of the Successor Agency's expenses in that respect;

(xxv) The Successor Agency has begun proceedings for the issuance of bonds (the "**Refunding Bonds**") to refund certain outstanding bonds issued by the Former Agency (the "**Existing Bonds**") that are secured by and payable from property tax revenues generated from the Project Area;

(xxvi) Under the current terms of the Existing Bonds and the Brea Mall OPA, the Annual OPA Payments rank senior to the Existing Bonds with respect to the pledge and lien on a portion of property tax revenues from the Project Area;

(xxvii) The establishment of a fixed payment schedule for the OPA Annual Payments (which will remain senior to the Existing Bonds and the Refunding Bonds) through the end of fiscal year 2021-22 and the subordination of the True-up Payment to the Existing Bonds and the Refunding Bonds pursuant to the terms of the Second Amendment would enhance the marketability of the Refunding Bonds, because it allows the Successor Agency to provide more definitive estimates for debt service coverage (i.e., the comparison between (i) the dollar amount of property tax revenues available for payment on the Refunding Bonds and (ii) the dollar amount of principal and interest payments on the Refunding Bonds);

(xxviii) The enhanced marketability of Refunding Bonds would facilitate the generation of greater savings to the Successor Agency (which would then increase the

residual amounts available to be disbursed to the taxing entities from the Redevelopment Property Tax Trust Fund, after payment of the Successor Agency's enforceable obligations);

(xxix) In sum, the execution and delivery of the Second Amendment is expected to increase net revenues to the taxing entities;

(xxx) Under HSC Section 34181(e), the Oversight Board may approve any amendment to an agreement between the Former Agency (as succeeded by the Successor Agency) and any private party, if the Oversight Board finds the Successor Agency's execution and delivery of such amendment is in the best interests of the taxing entities;

B. RESOLUTION:

NOW, THEREFORE, be it found, determined and resolved by City Council of the City of Brea, acting as the Successor Agency to the Brea Redevelopment Agency, as follows:

1. The above recitals are true and correct and are a substantive part of this Resolution.

2. The Second Amendment, in the form attached hereto as Exhibit A, is hereby approved. Each of the Mayor of the City, the Mayor Pro Tem of the City and the Executive Director of the Successor Agency (who is the City Manager of the City) (collectively, the "**Authorized Officers**"), acting individually, is hereby authorized to execute and deliver, for and in the name of the Successor Agency, the Second Amendment, in substantially such form, with changes therein as the Authorized Officer executing the same may approve (with such approval to be conclusively evidenced by the execution and delivery thereof); provided, that such execution and delivery shall occur after the effectiveness of the Oversight Board Resolution (defined below).

3. The Oversight Board is hereby requested adopt a resolution (the "**Oversight Board Resolution**") to: (a) make a finding and determination for the purposes of HSC Section 34181(e), that the Successor Agency's execution and delivery of the Second Amendment are in the best interests of the taxing entities, and (b) direct and authorize the Successor Agency to execute and deliver the Second Amendment. The City Clerk is hereby directed to transmit this Resolution to the Oversight Board for consideration at the earliest possible date.

4. This Resolution supersedes Resolution No. SA 2017-001, in its entirety. Resolution No. SA 2017-001 is hereby rescinded.

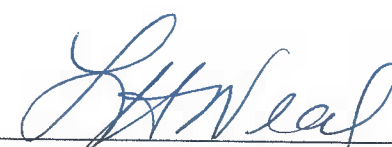
5. The officers of the City, acting for and on behalf Successor Agency, are hereby authorized, jointly and severally, to execute and deliver any and all necessary documents and instruments and to do all things which they may deem necessary or proper to effectuate the purposes of this Resolution and the Second Amendment.

APPROVED AND ADOPTED this 4th day of April, 2017.

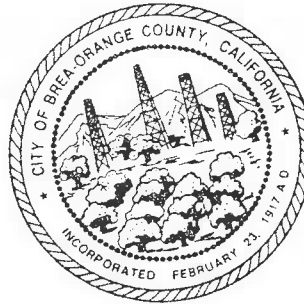


Cecilia Hupp, Mayor

ATTEST:



Lillian Harris-Neal, City Clerk



I, Lillian Harris-Neal, City Clerk of the City of Brea, do hereby certify that the foregoing Resolution was passed at a regular meeting of the City Council of the City of Brea, acting as the Successor Agency to the Brea Redevelopment Agency, held on the 4th day of April, 2017, by the following vote:

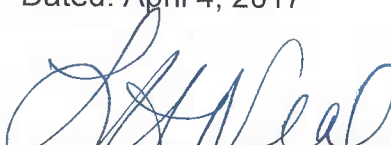
AYES: COUNCILMEMBERS: Hupp, Parker, Marick, Simonoff, Vargas

NOES: COUNCILMEMBERS: None

ABSENT: COUNCILMEMBERS: None

ABSTAIN: COUNCILMEMBERS: None

Dated: April 4, 2017



Lillian Harris-Neal, City Clerk



April 4, 2017
RESO. SA 2017-06

EXHIBIT A

Second Amendment to Brea OPA
(in substantial final form)

(see attached)

SECOND AMENDMENT
(to Owner Participation Agreement)

This **Second Amendment** (this “**Second Amendment**”), dated as of _____, 2017, is entered into by and between Successor Agency to the Brea Redevelopment Agency (the “**Successor Agency**”), as successor to the former Brea Redevelopment Agency (the “**Former Agency**”), and The Retail Property Trust, a Massachusetts business trust (“**The Retail Property Trust**” or the “**Owner**”), as successor-in-interest to Corporate Property Investors, an unincorporated Massachusetts voluntary association commonly known a Massachusetts business trust, established by Declaration of Trust, dated June 24, 1971 (the “**Original Owner**”).

This Second Amendment amends the Owner Participation Agreement (the “**1988 OPA**”), executed by and between the Former Agency and the Original Owner in 1988, as amended by the First Amendment to Owner Participation Agreement (“**First OPA Amendment**,” and together with the 1988 OPA, the “**First Amended OPA**”) executed by and between the Former Agency and the Original Owner in 1995. Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the First Amended OPA. The Successor Agency and the Owner, together, are referred to below as the “**Parties**.”

RECITALS

A. The Former Agency was a redevelopment agency duly formed pursuant to the Community Redevelopment Law, set forth in Part 1 of Division 24 of the California Health and Safety Code (“**HSC**”).

B. The Former Agency undertook a program to redevelop a project area known as “Redevelopment Project AB” (the “**Project Area**”) pursuant to a redevelopment plan (the “**Redevelopment Plan**”) adopted and approved by the City Council of the City of Brea.

C. Pursuant to HSC Section 33333.4, the Redevelopment Plan established an annual limit of \$14 million (the “**Annual TI Cap**”) as the maximum amount of tax increment revenues allocable to the Former Agency with respect to the portion of the Project Area known as the “AB Merged Project.”

D. Pursuant to AB X1 26 (enacted in June 2011) and the California Supreme Court’s decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, 53 Cal. 4th 231 (2011), the Former Agency was dissolved as of February 1, 2012, the Successor Agency was constituted as the successor entity to the Former Agency, and an oversight board of the Successor Agency (the “**Oversight Board**”) was established.

E. AB X1 26 added Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) to Division 24 the HSC. Such Parts 1.8 and 1.85, together with amendments and supplements thereto enacted from time to time, are collectively referred to herein as the “**Dissolution Act**.”

F. Pursuant to HSC Section 34175(b), all contracts of the Former Agency transferred to the control of the Successor Agency by operation of law.

G. Pursuant to HSC Section 34177, the Successor Agency prepares Recognized Obligation Payment Schedules (each, a “**ROPS**”) at the times prescribed by the Dissolution Act, listing the payments for enforceable obligations to be made during each specified fiscal period.

H. Pursuant to HSC Section 34177, each ROPS must be approved by the Oversight Board and the State Department of Finance (the “**DOF**”).

I. The Successor Agency may only make payments pursuant to a DOF-approved ROPS.

J. Before the Former Agency’s dissolution, the Former Agency and the Original Owner entered into the First Amended OPA in connection with the expansion and renovation of a development known as the “**Brea Mall**,” located within the AB Merged Project of the Project Area.

K. The Retail Property Trust is the current major owner and operator of the Brea Mall and has succeeded Corporate Property Investors with respect to the First Amended OPA.

L. Under the First Amended OPA (particularly, Paragraphs III.A and III.B of Attachment No. 3 of the 1988 OPA, as amended by the First OPA Amendment), the Former Agency (and the Successor Agency, after the Former Agency’s dissolution) must pay the Owner on or before the last day of each fiscal year (*i.e.*, June 30), beginning in fiscal year 1989-90 through the end of fiscal year 2021-22, an annual amount (the “**OPA Annual Payment**”), calculated according to a formula based on the tax increment revenue generated from the Brea Mall.

M. In fiscal year 2003-04 (*i.e.*, after the execution and delivery of the First OPA Amendment), the amount of tax increment revenues allocable to the Former Agency with respect to the AB Merged Project reached the Annual TI Cap (and thus became limited by the Annual TI Cap).

N. Based on negotiations between the Former Agency and the Owner, the Owner agreed to cap the Annual OPA Payment to the fiscal year 2003-04 amount in recognition of the Annual TI Cap, so long as the Annual TI Cap remained effective.

O. SB 107, which was enacted in September 2015, amended the Dissolution Act.

P. HSC Section 34189(a) was amended pursuant to SB 107 to provide, in relevant part, that for the purposes of payment of enforceable obligations, the Successor Agency “is not subject to the limitations relating to time, number of tax dollars, or any other matters set forth in [HSC] Sections 33333.2, 33333.4, and 33333.6.”

Q. As recognized by the DOF in its May 17, 2016 approval letter for the Successor Agency’s ROPS for the fiscal year 2016-17 (“**ROPS 16-17**”), the Annual TI Cap is no longer applicable for the purpose of the Annual OPA Payment as the result of SB 107.

R. The Parties are entering into this Second Amendment to establish a payment schedule for the OPA Annual Payments through the end of fiscal year 2021-22, so that the

Successor Agency can reflect such payments on its ROPS, including any proposed Last and Final Recognized Obligation Payment Schedule (“LFROPS”).

NOW, THEREFORE, THE PARTIES, FOR AND IN CONSIDERATION OF THE MUTUAL PROMISES AND AGREEMENTS CONTAINED HEREIN, DO AGREE AS FOLLOWS:

Section 1. Agreement to Remain In Effect Except as Amended Hereby. Save and except as amended by this Second Amendment, the First Amended OPA shall remain in full force and effect. The First Amended OPA, as amended by this Second Amendment, shall constitute the “Agreement.”

Section 2. Fiscal Year 15-16 Annual OPA Payment. The Parties agree as follows:

(a) The payment due by the Successor Agency to the Owner pursuant to Paragraph III.A of Attachment 3 to the 1988 OPA, as amended by Section 3 of the First OPA Amendment, for fiscal year 2015-16 (*i.e.*, the installment due on or before June 30, 2016) was \$1,506,944 (the “FY 15-16 Payment”).

(b) Owner acknowledges that it has received \$1,426,352 from the Successor Agency for partial satisfaction of the FY 15-16 Payment. Owner understands that the payment of remaining portion of the FY 15-16 Payment, in the amount of \$80,592, has been delayed as the result of the implementation of SB 107 and the ROPS process. Such delay shall not constitute a default under the Agreement so long as the Successor Agency pays such remaining portion on or before June 30, 2017.

Section 3. Annual OPA Payment for Fiscal Years 2016-17 through 2021-22.

(a) Notwithstanding any provision in the First Amended OPA to the contrary, the Successor Agency shall pay the amounts set forth in the table below (subject only to any true-up adjustment pursuant to Section 4). Each such payment, upon receipt by the Owner, shall constitute satisfaction of the Annual OPA Payment due under Paragraph III.A of Attachment 3 to the 1988 OPA (as amended by Section 3 of the First OPA Amendment) for each relevant fiscal year, subject only to the provisions of Section 4 below:

Fiscal Year	Due Date	Amount
2016-17	June 30, 2017	\$1,575,641
2017-18	June 30, 2018	1,583,169
2018-19	June 30, 2019	1,628,662
2019-20	June 30, 2020	1,675,065
2020-21	June 30, 2021	1,722,395
2021-22	June 30, 2022	1,770,673
Total:		\$9,955,605

(b) The Owner acknowledges that the Successor Agency intends to prepare an LFROPS pursuant to HSC Section 34191.6, and will include a line item on the LFROPS to reflect the payment schedule set forth in Section 3(a).

Section 4. True-Up.

(a) By no later than October 31, 2021, the Successor Agency shall provide a written report (the "**True-Up Report**") to the Owner, showing: (i) the total dollar amount of the Annual OPA Payments for Fiscal Years 2016-17 through 2021-22 (inclusive) based on the schedule set forth in Section 3(a) (the "**Amendment Payments**"), and (ii) the total dollar amount of the Annual OPA Payments which would have been due pursuant to Paragraph III.A of Attachment 3 to the 1988 OPA (as amended by Section 3 of the First OPA Amendment), if this Second Amendment had never taken effect (the "**Original Formula Payments**"). If the Owner has any objection to the Successor Agency's calculations as shown in the True-Up Report, the Owner shall notify the Successor Agency by November 30, 2021 in writing (an "**Objection Notice**"). (If the Owner does not give any such Objection Notice by November 30, 2021, that shall serve as evidence of the Owner's agreement with the True-Up Report and constitute a waiver to any future objections.) The Successor Agency and the Owner shall negotiate in good faith to resolve any disagreement regarding the True-Up Report.

(b) Based on the True-Up Report (as adjusted per the Parties' agreement, if the Owner files a timely Objection Notice), if the total dollar amount of the Amendment Payments is greater than the total dollar amount of the Original Formula Payments (such difference being the "**Adjustment Amount**"), then the Successor Agency's payment pursuant to Section 3(a) for Fiscal Year 2021-22 shall be reduced by the Adjustment Amount. In other words, the Successor Agency's payment for Fiscal Year 2021-22 shall equal \$1,770,673 minus the Adjustment Amount.

(c) Based on the True-Up Report (as adjusted per the Parties' agreement, if the Owner files a timely Objection Notice), if the total dollar amount of the Original Formula Payments is greater than the total dollar amount of the Amendment Payments (such difference being the "**SA True-Up Amount**"), then the Successor Agency shall undertake proceedings to amend its LFROPS to reflect the SA True-Up Amount. The Successor Agency shall promptly pay the SA True-Up Amount to the Owner from available Redevelopment Property Tax Trust Fund disbursements, after the effectiveness of the amended LFROPS.

Section 5. Pledge of Net Property Tax Revenues. With respect to the Amendment Payments based on the schedule set forth in Section 3(a), the Successor Agency hereby affirms that each and all of such Amendment Payments shall continue to be secured by a pledge of the Net Property Tax Revenues generated from the Site, senior to other bonded indebtedness of the Successor Agency; provided, that the SA True-Up Amount (to the extent that any will be due) shall be secured by a pledge of the Net Property Tax Revenues generated from the Site on a subordinate basis to the currently outstanding bonded debt of the Successor Agency (whether originally incurred or issued by the Former Agency or the Successor Agency) and any future bonded debt that will be incurred to refund such outstanding bonds (so long as the refunding meets the savings requirements under California Health and Safety Code Section 34177.5(a)).

Section 6. Miscellaneous Provisions.

(a) This Second Amendment shall be governed by, interpreted under, construed and enforced, in accordance with the laws of the State of California.

(b) If any provision of this Second Amendment is found to be invalid, or if the application of this Second Amendment to any person or circumstance is disallowed or found to be invalid, the remainder of the provisions of this Second Amendment, or the application thereof, to persons or circumstances other than those to which its application was disallowed or found invalid, will not be affected and will remain in full force and effect.

(c) This Second Amendment may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts shall together constitute but one and the same.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives.

**SUCCESSOR AGENCY TO THE BREA
REDEVELOPMENT AGENCY**

By _____
Mayor of the City of Brea

ATTEST:

City Clerk of the City of Brea

**THE RETAIL PROPERTY TRUST,
a Massachusetts business trust**

By: _____

Print Name: _____

Title: _____

City of Brea

BOARD COMMUNICATION

TO: Honorable Chair and Board Members

FROM: David Crabtree, Community Development Director

DATE: 04/14/2017

SUBJECT: **Consideration of Approval of Execution and Delivery of an Agreement to Terminate Disposition and Development Agreement as to Commercial Center Component (Gateway Center) and Related Payoff Agreement and Taking Certain Related Actions**

RECOMMENDATION

Adopt resolution to approve an Agreement to Terminate Disposition and Development Agreement as to Commercial Center Component and related Payoff Agreement and taking certain related actions.

BACKGROUND

Action consideration for this item was held over to the Board's meeting of April 14 to allow staff to return with additional information. Staff will provide the Board an update on this request at the meeting of April 14. The following is the previous staff report and exhibits for the Board's consideration.

With the elimination of redevelopment in California in 2012, successor agencies to the former redevelopment agencies have been tasked with the wind-down of the former redevelopment agencies' affairs. The proposed actions are in furtherance of the expeditious wind-down of the affairs of the former Brea Redevelopment Agency (the "Former Agency").

Pursuant to Health and Safety Code ("HSC") Section 34191.5, the Successor Agency prepared a long range property management plan (the "LRPMP") addressing the disposition of the real properties interests acquired by the Former Agency. As reflected on the LRPMP (as Property Interest #5), the Former Agency was, and now the Successor Agency is, the beneficiary under a Subordinated Deed of Trust and Assignment of Rents (the "Deed of Trust"). The Deed of Trust relates to a property commonly known as the "Gateway Center" (a shopping center located in Downtown Brea). The Deed of Trust secures certain periodic payments (the "Participation Payments") which Brea Gateway Center LP is obligated to make to the Successor Agency pursuant to a Disposition and Development Agreement (the "DDA"). Under the DDA, the Successor Agency is also obligated to make certain payments to Brea Gateway Center LP, as described below.

The Former Agency entered into the DDA in 1991 with Brea Center Associates, the original developer. The DDA outlined the redevelopment of Downtown Brea and included several components commonly known today as the Gateway Center, Downtown Birch Street, and

the Ash Street Cottages. There have been three amendments to the DDA, executed in November 1992, February 1994 and November 1994, respectively. The Gateway Center is identified in the DDA as the “Commercial Center Component.” The current tenants of the Gateway Center include Ralphs, Rite Aid, Cost Plus and other businesses.

Before Brea Gateway Center LP acquired fee ownership of the Gateway Center, the property was owned by the Former Agency. The Former Agency leased the property to Brea Gateway Center LP’s predecessor under a Ground Lease (the “Lease”). The Lease included terms for three categories of rent: participation rent, refinancing rent, and sale rent.

The DDA, as amended by its second amendment, contemplated the possible sale of the “Commercial Component”, *i.e.*, the Gateway Center, to Brea Gateway Center LP, and provided that, in the event of such sale, Brea Gateway Center LP’s obligation to make payments under the provisions relating to the participation rent, refinancing rent, and sale rent would survive termination of the Lease. After Brea Gateway Center LP became the fee owner of the Gateway Center in 1994, it executed the Deed of Trust, in favor of the Former Agency, to provide security for the Brea Gateway Center LP’s payment obligations under the DDA.

Participation Payment to Successor Agency; Brea Gateway Center LP’s Offer for Early Payoff – Simply described, the periodic participation rent payments are calculated based on a percentage of the performance of shopping center income (e.g., tenant rents), less certain operating expenses. In contrast, the refinancing rent and sale rent would become payable only if Brea Gateway Center LP refinanced or sold the property to an unrelated third party. Historically, the Successor Agency has only received participation rent. No triggering of the refinancing rent or sale rent has ever occurred over the term of the agreement.

By the terms of the agreements, without any modification, the final participation rent payment would be made in 2048. The Successor Agency would have to continue to expend resources to administer the related DDA provisions.

When the LRPMP was being prepared, the State Department of Finance (the “DOF”) and Successor Agency Staff discussed the possibility of the Successor Agency disposing its interest under the Deed of Trust, through a sale to, or a pay-off by, the Brea Gateway Center LP. However, in light of the DOF’s deadline to finalize the LRPMP for approval (by the end of December 2015), the Successor Agency was not in a position to engage in, and complete the necessary negotiation with, Brea Gateway Center LP for such a transaction.

In the LRPMP, it is listed that the Successor Agency would continue to receive the Participation Payments under the DDA and the Deed of Trust. However, that does not prohibit the possibility of an early pay-off by Brea Gateway Center LP and a corresponding termination of the DDA with respect to the Commercial Center Component, if approved by the Successor Agency and the Oversight Board. HSC Section 34181(e) provides that the Oversight Board may approve any modification to or early termination of an agreement with a private party if the Oversight Board finds that such modification or early termination would be in the best interests of the taxing entities. Such Oversight Board action would be subject to the DOF’s approval.

At this time, Brea Gateway Center LP has put forth an offer to pay a lump sum of \$8,050,000 for an early payoff of the Participation Payments. Brea Gateway Center LP calculated this payoff amount assuming a February 15, 2017 payoff date. However, the Successor Agency

will not be able to consummate the transaction until the DOF has issued its approval. Brea Gateway Center LP has agreed to proceed with the agreement that, to the extent it pays any further scheduled participation rent between February 15, 2017 and the transaction closing date (the "Interim Participation Rent Amounts"), the payment otherwise due for the payoff will be reduced by the Interim Participation Rent Amounts.

Successor Agency Payment Obligation under DDA Pertaining to CFD – Section 201.9 of the DDA (as amended by the second amendment) provides that if the City or the Former Agency ever formed a community facilities district (a "CFD") affecting the Commercial Center Component (i.e., Gateway Center site), then the Former Agency (and now the Successor Agency) would be obligated to make certain periodic payments to the Brea Gateway Center LP, calculated based on a portion of the amount that Brea Gateway Center LP must pay for the CFD special tax (attributable to the parcels where the Ralphs and Rite-Aid stores are located).

In 1996, a CFD was formed, triggering the Successor Agency's obligation to make this CFD-related payment. Staff estimates that the Successor Agency's CFD-related payments between now and the related final payment date in 2021 would total approximately \$135,000 (the "CFD Offset").

It is proposed that Brea Gateway Center LP's payment otherwise due to the Successor Agency for the payoff be reduced by the \$135,000 CFD Offset. This way, any further Successor Agency obligation to make payments under Section 201.9 of the DDA would be extinguished at the same time.

DISCUSSION

Pursuant to Brea Gateway Center LP's offer, the net amount to be received by the Successor Agency will be based on this \$8,050,000 offer amount, minus the \$135,000 CFD Offset and any offset for Interim Participation Rent Amounts, as discussed above.

The payoff will be implemented pursuant to a Payoff Agreement and Joint Escrow Instructions (the "Payoff Agreement"), in the form attached to the Resolution as an Exhibit. The termination of the DDA as to the Commercial Center Component will be effected by an Terminate Disposition and Development Agreement as to Commercial Center Component (the "DDA Termination Agreement"), in the form attached to the Payoff Agreement as Attachment A. The Successor Agency will also execute a Substitution of Trustee and Full Reconveyance (the "Deed of Trust Reconveyance"), to evidence the termination its rights and interests under the Deed of Trust upon the payoff.

By adopting the attached Resolution, the Oversight Board will take action to approve the Successor Agency's execution and delivery of the Payoff Agreement, the DDA Termination Agreement and the Deed of Trust Reconveyance. Pursuant to law, the Oversight Board resolution will become effective only upon the DOF's approval (or deemed approval).

It is contemplated that, upon receipt of the DOF's approval, Successor Agency and Brea Gateway Center will work with a title and escrow company to open an escrow to complete the transaction. After the close of escrow, the Successor Agency will transmit the proceeds from the transaction to the County Auditor-Controller, who will disburse the money to the taxing entities, including the City.

FISCAL IMPACT

Staff requested Keyser Marston Associates (“KMA”) to provide an analysis of Gateway Center LP’s payoff offer. A summary of KMA’s findings is attached as Exhibit A to this report. In summary, KMA finds that the \$8.05 million pay-off offer merits approval. Per KMA’s analysis, the offer covers the net present value of future participation rent payable to the Successor Agency (estimated by KMA to be \$5.18 million), and the intrinsic value to Brea Gateway Center with the removal of the burden imposed by the DDA restrictions (including freedom for future sale, or refinancing of the property without considerations with respect to the sale rent or the refinancing rent).

The proposed transaction would also extinguish the Successor Agency’s obligation to make future CFD-related payments (estimated to be \$135,000) under the DDA.

This payoff will result in a one-time receipt of approximately \$8 million to the Successor Agency, which will then be transmitted to the County Auditor-Controller for disbursement to the taxing entities.

SIGNATURE BLOCK

Respectfully submitted: David M. Crabtree, AICP, Community Development Director

Prepared by: David M. Crabtree, AICP, Community Development Director

Concurrence: Cindy Russell, Administrative Services Director

Concurrence: Lee Squire, Financial Services Manager

Attachments

Resolution OB 2017-08

Reso No.SA 2017-02

KMA Buyout Memo 2.24.17

Sections of lease and DDA amendments

RESOLUTION NO. OB 2017-08

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE BREA REDEVELOPMENT AGENCY APPROVING THE SUCCESSOR AGENCY'S EXECUTION AND DELIVERY OF AN AGREEMENT TO TERMINATE DISPOSITION AND DEVELOPMENT AGREEMENT AS TO COMMERCIAL CENTER COMPONENT AND A RELATED PAYOFF AGREEMENT AND TAKING CERTAIN RELATED ACTIONS

A. RECITALS:

(i) The Brea Redevelopment Agency (the "**Former Agency**") was a redevelopment agency duly formed pursuant to the Community Redevelopment Law, set forth in Part 1 of Division 24 of the California Health and Safety Code ("**HSC**");

(ii) Pursuant to AB X1 26 (enacted in June 2011) and the *California Supreme Court's decision in California Redevelopment Association, et al. v. Ana Matosantos, et al.*, 53 Cal.4th 231 (2011), the Former Agency was dissolved as of February 1, 2012, the Successor Agency to the Brea Redevelopment Agency (the "**Successor Agency**") was constituted as the successor entity to the Former Agency, and an oversight board of the Successor Agency (the "**Oversight Board**") was established;

(iii) AB X1 26 added Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) to Division 24 of the HSC. Such Parts 1.8 and 1.85, together with any amendments and supplements thereto enacted from time to time, are collectively referred to herein as the "**Dissolution Act**";

(iv) Pursuant to the Dissolution Act, all assets, properties, and contracts of the Former Agency have transferred to the control of the Successor Agency by operation of law;

(v) As part of the Former Agency's program to redevelop a project area known and designated as the Redevelopment Project AB, the Former Agency entered into a Disposition and Development Agreement in October 1991 (the "**Original DDA**"), by and between the Former Agency and Brea Center Associates (the "**Original Developer**"), relating to a site consisting of multiple components, including among them, a "**Commercial Center Component**";

(vi) The Original DDA has been amended and supplemented by an Amendment No. 1 to the Disposition and Development Agreement, executed in November 1992 ("**DDA Amendment No. 1**"), an Amendment No. 2 to the Disposition and Development Agreement, executed in February 1994 ("**DDA Amendment No. 2**"), and an Amendment No. 3 to the Disposition and Development Agreement, executed in November 1994 ("**DDA Amendment No. 3**"), each by and among the Former Agency, Watt-Craig Associates Limited Partnership ("**Watt-Craig**") on the one hand as the successor to the Original Developer with respect to the Commercial Center Component and Baywood Homes-

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Victoria on the other hand as the successor to the Original Developer with respect to the “Housing Component” (the Original DDA, as so amended and supplemented, being referred to herein as the “**DDA**”);

(vii) The Former Agency, as landlord, and Watt-Craig, as tenant, entered into a Ground Lease, dated as of May 12, 1994 (the “**Lease**”), with respect to the Commercial Center Component.

(viii) Pursuant to Sections 3.2, 3.3 and 3.4 of the Lease, Watt-Craig agreed to make certain payments (referred to in the Lease as “**Participation Rent**,” “**Refinancing Rent**” and “**Sale Rent**,” and collectively referred to herein as the “**Participation Payments**”) in accordance with the terms of provisions of Sections 3.2, 3.3, 3.4, 3.5 and 3.6 of the Lease;

(ix) Pursuant to the provisions of DDA Amendment No. 2 and the Lease, the final Participation Payment (the “**Final Participation Payment Date**”) was scheduled to take place in the year 2048;

(x) Pursuant to the DDA, the Former Agency granted Watt-Craig an option to purchase the Commercial Center Component but Watt-Craig was required to continue to pay the Participation Payments with respect to the Gateway Center Property for a number of years after a purchase under the option;

(xi) Watt-Craig exercised its option to purchase the Commercial Center Component in 1995, and assigned its rights to purchase the Commercial Center Component to Brea Gateway Center LP, an affiliate entity of Watt-Craig, and, as the result, Brea Gateway Center LP became the fee title owner to the Commercial Center Component pursuant to the exercised option;

(xii) Brea Gateway Center LP executed a Subordinated Deed of Trust and Assignment of Rents and Request for Special Notice, dated as of August 4, 1995 (the “**Deed of Trust**”), creating a security interest in the Commercial Center Component to secure Brea Gateway Center LP’s obligations to make Participation Payments to the Former Agency;

(xiii) Brea Gateway Center LP has made an offer (the “**Prepayment Offer**”) to make a lump sum payment, in the approximate amount of \$8 million, to prepay all future Participation Payments in full and effect a termination of the DDA with respect to Commercial Center Component (including the termination of the Successor Agency’s obligation to make payments to Brea Gateway Center LP under Section 201.9 of the DDA, as amended by Section 6 of DDA Amendment No. 2);

(xiv) In connection with the Prepayment Offer, there has been presented to the Oversight Board forms of the following: (i) a Payoff Agreement and Joint Escrow Instructions (the “**Payoff Agreement**”), and (b) an Agreement to Terminate Disposition and Development Agreement as to Commercial Center Component (“**DDA Termination Agreement**”) as Attachment A to the Payoff Agreement, and (c) a Substitution of Trustee

and Full Reconveyance (the “**Deed of Trust Reconveyance**”) as Attachment B to the Payoff Agreement;

(xv) HSC Section 34181(e) provides that the Oversight Board may approve a modification to or early termination of agreements with a private party if the Oversight Board finds that such modification or early termination would be in the best interests of the taxing entities;

(xvi) The Oversight Board finds that acceptance of the Prepayment offer would reduce liabilities and increase net revenues to the taxing entities, and it is in the best interests of the Successor Agency and the affected taxing entities to accept the Prepayment offer and approve the Successor Agency’s execution and delivery of the Payoff Agreement and the DDA Termination Agreement;

B. RESOLUTION:

NOW, THEREFORE, be it found, determined and resolved by the Oversight Board of the Successor Agency to the Brea Redevelopment Agency, as follows:

1. The above recitals are true and correct and are a substantive part of this Resolution.

2. The Oversight Board hereby approves the Successor Agency’s execution and delivery of: (i) the Payoff Agreement, substantially in the form of Exhibit A hereto, (ii) the DDA Termination Agreement, substantially in the form attached to the Payoff Agreement, and (iii) the Deed of Trust Reconveyance, substantially in the form attached to the Payoff Agreement.

3. For the purposes of HSC Section 34181(e), the Oversight Board finds and determines that the Successor Agency’s acceptance of the Prepayment Offer, and the execution and delivery of the Payoff Agreement, the DDA Termination Agreement and the Deed of Trust Reconveyance are in the best interests of the taxing entities.

4. The officers and staff of the Successor Agency are hereby authorized, jointly and severally, to do all things (including but not limited to the execution of any certificates or other instruments) which they may deem necessary or proper to effectuate the purposes of this Resolution, the Prepayment Agreement, the DDA Termination Agreement and the Deed of Trust Reconveyance.

APPROVED AND ADOPTED this 14th day of March 2017.

Bill Gallardo, Chair

ATTEST:

Lillian Harris-Neal, City Clerk

I, Lillian Harris-Neal, City Clerk of the City of Brea, do hereby certify that the foregoing Resolution was passed at a regular meeting of the Oversight Board for the Successor Agency to the Brea Redevelopment Agency, held on the 14th day of March 2017, by the following vote:

AYES: BOARD MEMBERS:

NOES: BOARD MEMBERS:

ABSENT: BOARD MEMBERS:

ABSTAIN: BOARD MEMBERS:

Dated: April 14, 2017

Lillian Harris-Neal, City Clerk

April 14, 2017
RESO. OB 2017-08

EXHIBIT A

Prepayment Agreement
(with DDA Termination Agreement as Attachment A,
and Deed of Trust Reconveyance as Attachment B)

(in substantial final form)

(see attached)

PAYOFF AGREEMENT AND JOINT ESCROW INSTRUCTIONS

This **Payoff Agreement and Joint Escrow Instructions** (this “**Agreement**”), dated as of _____, 2017, is entered into by and between the Successor Agency to the Brea Redevelopment Agency, a public body of the State of California (the “**Successor Agency**”) and Brea Gateway Center, L.P., an Illinois limited partnership (the “**Brea Gateway Center LP**”).

Recitals

A. The Brea Redevelopment Agency (“**Former Agency**”) was a redevelopment agency formed pursuant to the Community Redevelopment Law, set forth in Part 1 of Division 24 of the California Health and Safety Code (“**HSC**”).

B. Pursuant to AB X1 26 (enacted in June 2011) and the California Supreme Court’s decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, 53 Cal.4th 231 (2011), the Former Agency was dissolved as of February 1, 2012, the Successor Agency was constituted as the successor entity to the Former Agency, and an oversight board of the Successor Agency (the “**Oversight Board**”) was established.

C. AB X1 26 added to Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) to Division 24 the HSC. Such Parts 1.8 and 1.85, together with any amendments and supplements thereto enacted from time to time, are collectively referred to herein as the “**Dissolution Act**.”

D. Pursuant to the Dissolution Act, all assets, properties, and contracts of the Former Agency have transferred to the control of the Successor Agency by operation of law.

E. As part of the Former Agency’s program to redevelop a project area known and designated as the Redevelopment Project AB, the Former Agency entered into a Disposition and Development Agreement in October 1991 (the “**Original DDA**”), by and between the Former Agency and Brea Center Associates (the “**Original Developer**”). The Original DDA relates to a site consisting of multiple components, including among them, a “**Commercial Center Component**” as described in the Original DDA and in Recital F, below and the referenced Attachments. The Original DDA has been amended and supplemented by an Amendment No. 1 to the Disposition and Development Agreement, executed in November 1992 (“**DDA Amendment No. 1**”), an Amendment No. 2 to the Disposition and Development Agreement, executed in February 1994 (“**DDA Amendment No. 2**”), and an Amendment No. 3 to the Disposition and Development Agreement, executed in November 1994 (“**DDA Amendment No. 3**”), each by and among the Former Agency, Watt-Craig Associates Limited Partnership (“**Watt-Craig**”) on the one hand as the successor to the Original Developer with respect to the Commercial Center Component and Baywood Homes-Victoria on the other hand as the successor to the Original Developer with respect to the “**Housing Component**.” The Original DDA, as so amended and supplemented, is referred to herein as the “**DDA**.” The Original DDA, DDA Amendment No. 1, DDA Amendment No. 2 and DDA Amendment No. 3 are each recorded in the Official Records of the County, as Document No. 91-562200 (recorded on October 15, 1991), Document No. 94-0158683 (recorded on March 4, 1994), Document No. 94-0158684 (recorded on March 4, 1994) and Document No. 94-0694881 (recorded on December 1, 1994), respectively.

F. The legal description of the Commercial Center Component is set forth in Exhibit A to each of Attachment A and Attachment B hereto.

G. The Former Agency, as landlord, and Watt-Craig, as tenant, entered into a Ground Lease, dated as of May 12, 1994 (the "**Lease**"), with respect to the Commercial Center Component.

H. Pursuant to Sections 3.2, 3.3 and 3.4 of the Lease, Watt-Craig agreed to make certain payments (referred to in the Lease as "Participation Rent," "Refinancing Rent" and "Sale Rent," and collectively referred to herein as the "**Participation Payments**") in accordance with the terms of provisions of Sections 3.2, 3.3, 3.4, 3.5 and 3.6 of the Lease. Pursuant to the provisions of DDA Amendment No. 2 and the Lease, the final Participation Payment (the "**Final Participation Payment Date**") was scheduled to take place in the year 2048.

I. Pursuant to the DDA, the Former Agency granted Watt-Craig an option to purchase the Commercial Center Component but Watt-Craig was required to continue to pay the Participation Payments for a number of years after a purchase under the option.

J. Watt-Craig exercised its option to purchase the Commercial Center Component in 1995, and assigned its rights to purchase the Commercial Center Component to Brea Gateway Center LP, an affiliate entity of Watt-Craig. Brea Gateway Center LP then became the fee title owner to the Commercial Center Component pursuant to the exercised option.

K. Brea Gateway Center LP executed a Subordinated Deed of Trust and Assignment of Rents and Request for Special Notice, dated as of August 4, 1995 recorded in the Official Records of the County, as Document No. 95-0349470 (recorded on August 14, 1995) (the "**Deed of Trust**"), creating a security interest in the Commercial Center Component to secure Brea Gateway Center LP's obligations to make Participation Payments to the Former Agency.

L. Brea Gateway Center LP has offered to make a lump sum payment, in the amount of \$ _____*, to prepay in full all future Participation Payments (the "**Prepayment**") and effect a termination of the DDA with respect to Commercial Center Component (including the termination of the Successor Agency's obligation to make payments to Brea Gateway Center LP under Section 201.9 of the DDA, as amended by Section 6 of DDA Amendment No. 2).

M. While the DDA currently does not contemplate such Prepayment, the Successor Agency is willing to accept the Prepayment subject to the terms of this Agreement.

* This dollar amount will be inserted prior to signing of the agreement, as it will change depending how soon the DOF will issue its approval and the parties will be able to open the escrow thereafter. It will be equal to \$8,050,000 minus (i) the monthly Participation Payments that Brea Gateway Center paid to the Agency between 2/15/2017 and the escrow open date, and (ii) \$134,467.37, representing the estimated payments that the Successor Agency would have to pay Brea Gateway Center pursuant to Section 201.9 of the DDA, as amended by Section 6 of DDA Amendment No. 2 between 2017 and 2021.

N. The City Council of the City of Brea, acting as the governing body of the Successor Agency, adopted its Resolution No. _____, on _____, 2017, authorizing the Successor Agency's execution and delivery of documents relating to the Prepayment, including this Agreement.

O. The Oversight Board adopted its Resolution No. _____, on _____, 2017 (the "**Oversight Board Resolution**") approving the Successor Agency's execution and delivery of documents relating to the Prepayment, including this Agreement. The California State Department of Finance issued its letter, dated _____, 2017, approving the Oversight Board Resolution.

NOW, THEREFORE, IN CONSIDERATION OF THE FOREGOING, THE MUTUAL COVENANTS SET FORTH HEREIN, AND OTHER CONSIDERATION THE SUFFICIENCY OF WHICH THE PARTIES HERETO ACKNOWLEDGE, THE PARTIES HERETO AGREE AS FOLLOWS:

Section 1. Prepayment Amount.

Brea Gateway Center LP hereby agrees to pay to the Successor Agency the sum of \$_____* (the "**Prepayment Amount**"), as prepayment in full of all future Participation Payments due under the DDA, and the Successor Agency agrees to accept such prepayment, provided that Brea Gateway Center LP complies with this Agreement and the Escrow (defined below) successfully closes pursuant to Section 3 hereof.

Section 2. Execution and Delivery of Deed of Trust Reconveyance and Agreement to Terminate DDA as to the Commercial Component.

In consideration of the Prepayment Amount, the Successor Agency agrees to execute and deliver: (i) Agreement to Terminate the Disposition and Development Agreement as to the Commercial Center Component, in substantially the form attached hereto as Attachment A ("**DDA Termination Agreement**"), and (ii) Substitution of Trustee and Full Reconveyance, in substantially the form attached hereto as Attachment B (the "**Deed of Trust Reconveyance**"). The DDA Termination Agreement and the Deed of Trust shall become effective only upon the successful Close of Escrow (defined below).

Section 3. Escrow.

(a) The payment of the Prepayment Amount and the reconveyance of the Deed of Trust shall be accomplished through an escrow (the "**Escrow**") as follows. This Agreement shall constitute escrow instructions and a copy hereof shall be deposited with the Escrow Holder (defined below) for this purpose.

(b) The escrow shall be opened with Chicago Title Insurance Company, 700 South Flower Street, Suite 800, Los Angeles, CA 90017 (Escrow Officer: Debbie Bond) ("**Escrow Holder**"), within three (3) business days after the execution of this Agreement by the Successor Agency and Brea Gateway Center LP, with the deposit of an executed copy or executed counterparts of this Agreement with Escrow Holder. This document shall be considered as the

* This dollar amount will be inserted prior to signing of the agreement. See footnote on page 2.

escrow instructions between the parties, with such further instructions as Escrow Holder requires in order to clarify the duties and responsibilities of Escrow Holder. If Escrow Holder shall require further escrow instructions, Escrow Holder shall promptly prepare such escrow instructions upon the terms and provisions hereof. Provided such further escrow instructions are consistent with this Agreement, they shall be promptly signed by the Successor Agency and Brea Gateway Center LP within five (5) business days after delivery thereof to each party. The further escrow instructions shall incorporate each and every term of this Agreement and shall provide that in the event of any conflict between the terms and conditions of this Agreement and such further escrow instructions, the terms and conditions of this Agreement shall control.

(c) For the purposes of this Agreement, the “**Close of Escrow**” shall be the date on which the DDA Termination Agreement and the Deed of Trust Reconveyance are each recorded in the Official Records of the Orange County (California) County Recorder’s Office. Provided that all of Successor Agency’s and Brea Gateway Center LP’s obligations to be performed on or before the Close of Escrow have been performed and all of the conditions to the Close of Escrow set forth in this Agreement have been satisfied, the Escrow shall close on or before _____, 2017.

(d) On or before the Close of Escrow, Brea Gateway Center LP shall deposit into Escrow the following (properly executed and acknowledged, if applicable):

- (i) The Prepayment Amount;
- (ii) The Brea Gateway Center LP’s executed counterpart of the DDA Termination Agreement; and
- (iii) Any other documents contemplated by this Agreement or required by Escrow Holder to be deposited by Brea Gateway Center LP to carry out the Escrow and this transaction.

(e) On or before the Close of Escrow, the Successor Agency shall deposit into Escrow the following (properly executed and acknowledged, if applicable):

- (i) The Deed of Trust Reconveyance, duly executed by the Successor Agency;
- (ii) The Successor Agency’s executed counterpart of the DDA Termination Agreement; and
- (iii) Any other documents contemplated by this Agreement or required by Escrow Holder to be deposited by the Successor Agency to carry out the escrow and this transaction.

* This date will be inserted just before signing of the agreement. It is assumed that the parties will sign the agreement (as well as the other documents) as soon as practical upon the DOF’s approval. The deposit of documents with the escrow company will take place quickly thereafter, and the close of escrow can occur as soon as Brea Gateway Center can arrange the wire transfer.

(f) The Escrow shall not close unless and until both parties have deposited with Escrow Holder all sums and documents required to be deposited as provided in this Agreement. Escrow Holder shall prepare a preliminary settlement statement, showing all costs, for execution by both parties.

(g) Upon receipt of the funds and documents described in this Section 3, and satisfaction (or express written waiver) of the closing conditions, Escrow Holder shall cause the Deed of Trust Reconveyance and the DDA Termination Agreement to be recorded in the office of the County Recorder of Orange County, California, and shall deliver the Prepayment Amount (less any amount to be paid by the Successor Agency pursuant to Section 3(h) below) to the Successor Agency.

(h) It is agreed that Brea Gateway Center's obligation to make any additional monthly Participation Payments shall be suspended while the Escrow remains open and, upon the successful Close of Escrow, such obligation shall be extinguished and the DDA Termination Agreement and the Deed of Trust Reconveyance shall become effective.

(i) The Successor Agency and Brea Gateway Center LP shall each pay one-half of the escrow fee and one-half of the cost of recording the DDA Termination Agreement and the Deed of Trust Reconveyance. Brea Gateway Center LP shall pay any other closing costs or charges not expressly provided herein, unless otherwise agreed by the Executive Director of the Successor Agency in writing.

(j) In the event that the Escrow shall fail to close because of the default of Successor Agency, including Successor Agency's failure or refusal to deliver the Successor Agency's executed counterpart of the DDA Termination Agreement or the Deed of Trust Reconveyance after Brea Gateway Center LP has deposited the Prepayment Amount, the Successor Agency shall be liable for any escrow cancellation charges. If the Escrow fails to close for any other reason, Brea Gateway Center LP shall pay all charges relating to such escrow cancellation.

(k) In the event that Escrow fails to close, Escrow Holder shall promptly: (i) return to Brea Gateway Center all of the documents and funds (less any charges for escrow cancellation pursuant to Section 3(j) above) deposited by Brea Gateway Center, and (ii) return to the Successor Agency all documents deposited by the Successor Agency.

Section 4. Release.

(a) In consideration of the Successor Agency's acceptance of the prepayment described herein, Brea Gateway Center LP fully and irrevocably releases, waives, acquits and discharges the Successor Agency from all Claims (defined below), whether known or unknown, existing or potential, suspected or unsuspected, or that may hereafter be sustained, that Brea Gateway Center LP may have or assert, or may hereafter have or assert, against the Successor Agency, excluding Claims based on any failure by the Successor Agency to comply with the terms of this Agreement.

(b) As used herein, the term "**Claims**" shall mean any past, present or future, fixed or contingent, matured or unmatured, liquidated or unliquidated, claims, cross-claims,

liabilities, rights, demands, notices, injuries, damages, losses, requests, obligations to defend or indemnify, suits, lawsuits, costs, costs of suit, attorneys' fees, experts' fees, actions, administrative proceedings, causes of action or orders of any nature, character, type or description, relating to the DDA and this Agreement whenever and however occurring, whether at law, or in equity, and whether sounding in tort, contract, nuisance, trespass, negligence, strict liability or any statutory, common law or other cause of action.

(c) Brea Gateway Center LP represents and warrants that Brea Gateway Center LP has not assigned any Claims.

(d) Brea Gateway Center LP acknowledges that it may hereafter discover facts different from, or in addition to, those that it now believes to be true with respect to any and all of the matters or rights released in this Section 4. Nevertheless, Brea Gateway Center LP agrees that the releases set forth in this Section 4 shall be and shall remain effective in all respects, notwithstanding the discovery of any such different or additional facts.

(e) Brea Gateway Center LP hereby waives and relinquishes all rights and benefits under California Civil Code Section 1542, which provides as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

Brea Gateway Center LP Initials

Section 5. No Brokers

Each party to this agreement represents and warrants that it has not has not engaged a broker or other similar functioning party (an “**Intermediary**”) with regard to this transaction and, in the event that a claim is made for a commission or other similar payment against a party (the “Indemnatee”) because of the other party’s engagement of an Intermediary, that latter party agrees to indemnify and hold harmless the Indemnatee from such claim.

Section 6. Use of Proceeds

Brea Gateway Center LP understands that, after the Successor Agency’s receipt of moneys to be released from the Escrow, the Successor Agency will transmit such proceeds to the County Auditor-Controller, who will then distribute such the moneys to the affected taxing entities in accordance to the Dissolution Act.

Section 7. Benefits Limited to Parties.

Nothing contained in this Agreement, expressed or implied, is intended to confer upon any person, other than the parties hereto and their successors and assigns, any rights or remedies under or by reason of this Agreement.

Section 8. Complete Agreement.

This Agreement contains all of the agreements of the parties hereto with respect to the matters contained herein, and all prior or contemporaneous agreements or understandings, oral or written, pertaining to any such matters are merged herein and shall not be effective for any purpose.

Section 9. Modification in Writing.

No provision of this Agreement may be changed, discharged, supplemented, terminated or waived except in writing signed by the parties hereto.

Section 10. Governing Law.

This Agreement shall be governed by, interpreted under, construed and enforced, in accordance with the laws of the State of California.

Section 11. Execution in Counterparts.

This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts shall together constitute but one and the same.

[Remainder of Page Left Blank. Signatures Follow.]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers.

**SUCCESSOR AGENCY TO THE
BREA REDEVELOPMENT AGENCY**

By _____
Cecilia Hupp
Mayor of the City Brea

ATTEST:

Lillian Harris-Neal
City Clerk of the City Brea

BREA GATEWAY CENTER, L.P.,
an Illinois limited partnership

By: _____

Print Name: _____

Title: _____

ATTACHMENT A

Form of
Agreement to Terminate Disposition and Development Agreement
as to Commercial Center Component

(attached)

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

City of Brea
1 Civic Center Circle
Brea, CA 92821
Attention: City Clerk

[SPACE ABOVE FOR RECORDER'S USE ONLY]

*[This document is exempt from Recording Fees
pursuant to California Government Code Section 27383]*

AGREEMENT TO TERMINATE DISPOSITION AND DEVELOPMENT AGREEMENT
AS TO COMMERCIAL CENTER COMPONENT

This **Agreement to Terminate Disposition and Development Agreement as to Commercial Center Component** (this “**Agreement**”), dated as of _____, 2017, is entered into by and between the Successor Agency to the Brea Redevelopment Agency, a public body of the State of California (the “**Successor Agency**”) and Brea Gateway Center, L.P., an Illinois limited partnership (“**Brea Gateway Center LP**”).

This Agreement amends the DDA (as defined and described below). Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the DDA.

Recitals

A. The Brea Redevelopment Agency (the “**Former Agency**”) was a redevelopment agency formed pursuant to the Community Redevelopment Law, set forth in Part 1 of Division 24 of the California Health and Safety Code (“**HSC**”).

B. Pursuant to AB X1 26 (enacted in June 2011) and the California Supreme Court’s decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, 53 Cal.4th 231 (2011), the Former Agency was dissolved as of February 1, 2012, the Successor Agency was constituted as the successor entity to the Former Agency.

C. AB X1 26 added to Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) to Division 24 the HSC. Such Parts 1.8 and 1.85, together with any amendments and supplements thereto enacted from time to time, are collectively referred to herein as the “**Dissolution Act**.”

D. Pursuant to the Dissolution Act, all assets, properties, and contracts of the Former Agency have transferred to the control of the Successor Agency by operation of law.

E. As part of the Former Agency’s program to redevelop a project area known and designated as the Redevelopment Project AB, the Former Agency entered into a Disposition and Development Agreement in October 1991 (the “**Original DDA**”), by and between the Former Agency and Brea Center Associates (the “**Original Developer**”). The Original DDA relates to a

site consisting of multiple components, including among them, a “**Commercial Center Component**” as described in the Original DDA. The Original DDA has been amended and supplemented by an Amendment No. 1 to the Disposition and Development Agreement, executed in November 1992 (“**DDA Amendment No. 1**”), an Amendment No. 2 to the Disposition and Development Agreement, executed in February 1994 (“**DDA Amendment No. 2**”), and an Amendment No. 3 to the Disposition and Development Agreement, executed in November 1994 (“**DDA Amendment No. 3**”), each by and among the Former Agency, Watt-Craig Associates Limited Partnership (“**Watt-Craig**”) on the one hand as the successor to the Original Developer with respect to the Commercial Center Component and Baywood Homes-Victoria on the other hand as the successor to the Original Developer with respect to the “Housing Component.” The Original DDA, as so amended and supplemented, is referred to herein as the “**DDA**.” The Original DDA, DDA Amendment No. 1, DDA Amendment No. 2 and DDA Amendment No. 3 are each recorded in the Official Records of the County, as Document No. 91-562200 (recorded on October 15, 1991), Document No. 94-0158683 (recorded on March 4, 1994), Document No. 94-0158684 (recorded on March 4, 1994) and Document No. 94-0694881 (recorded on December 1, 1994), respectively.

F. The legal description of the Commercial Component is set forth in Exhibit A hereto.

G. The Former Agency, as landlord, and Watt-Craig, as tenant, entered into a Ground Lease, dated as of May 12, 1994 (the “**Lease**”), with respect to the Commercial Center Component.

H. Pursuant to Sections 3.2, 3.3 and 3.4 of the Lease, Watt-Craig agreed to make certain payments (referred to in the Lease as “Participation Rent,” “Refinancing Rent” and “Sale Rent,” and collectively referred to herein as the “**Participation Payments**”) in accordance with the terms of provisions of Sections 3.2, 3.3, 3.4, 3.5 and 3.6 of the Lease. Pursuant to the provisions of DDA Amendment No. 2 and the Lease, the final Participation Payment (the “**Final Participation Payment Date**”) was scheduled to take place in the year 2048.

I. Pursuant to the DDA, the Former Agency granted Watt-Craig an option to purchase the Commercial Center Component but Watt-Craig was required to continue to pay the Participation Payments with respect to the Gateway Center Property for a number of years after a purchase under the option.

J. Watt-Craig exercised its option to purchase the Commercial Center Component in 1995, and assigned its rights to purchase the Commercial Center Component to Brea Gateway Center LP, an affiliate entity of Watt-Craig. Brea Gateway Center LP then became the fee title owner to the Commercial Center Component pursuant to the exercised option.

K. Brea Gateway Center LP executed a Subordinated Deed of Trust and Assignment of Rents and Request for Special Notice, dated as of August 4, 1995 and recorded in the Official Records of the County, as Document No. 95-0349470 (recorded on August 14, 1995) (the “**Deed of Trust**”), creating a security interest in the Commercial Center Component to secure the Brea Gateway Center LP’s obligations to make Participation Payments to the Former Agency.

L. The Successor Agency affirms that the construction and improvements required to be completed by the Developer with respect to the Commercial Center Component under the DDA have been completed, and the recordation of this Agreement has the same force and effect as the recordation of a Certificate of Completion with respect to each Parcel that constitutes the Commercial Center Component.

M. Brea Gateway Center LP has made, and the Successor Agency has accepted, a lump sum of \$ [REDACTED], as prepayment and satisfaction in full of all future Participation Payments (the “**Prepayment**”) and effect a termination of the DDA with respect to Commercial Center Component (including the termination of the Successor Agency’s obligation to make payments to Brea Gateway Center LP under Section 201.9 of the DDA, as amended by Section 6 of DDA Amendment No. 2).

N. The City Council of the City of Brea, acting as the governing body of the Successor Agency, adopted its Resolution No. _____, on _____, 2017, authorizing the Successor Agency’s execution and delivery of documents relating to the Prepayment, including this Amendment.

O. The Oversight Board adopted its Resolution No. _____, on _____, 2017 (the “**Oversight Board Resolution**”) approving the Successor Agency’s execution and delivery of documents relating to the Prepayment, including this Amendment. The California State Department of Finance issued its letter, dated _____, 2017, approving the Oversight Board Resolution.

NOW, THEREFORE, THE PARTIES HERETO, FOR AND IN CONSIDERATION OF THE MUTUAL PROMISES AND AGREEMENTS HEREIN, CONTAINED DO AGREE AS FOLLOWS:

Section 1. As of the dated date of this Agreement, and with regard to the Commercial Center Component, the DDA shall be deemed completed and terminated. The parties hereto shall execute such other and further documents as may be reasonably necessary to reflect such termination.

Section 2. The parties hereby agree and confirm that this Agreement shall have no effect on the provisions of the DDA pertaining to any property other than the Commercial Center Component (the “**Other Properties**”).

Section 3. This Agreement shall be governed by, interpreted under, construed and enforced, in accordance with the laws of the State of California.

* This dollar amount will be inserted prior to signing of the agreement, as it will change depending how soon the DOF will issue its approval and the parties will be able to open the escrow thereafter.. It will be equal to \$8,050,000 minus (i) the monthly Participation Payments that Brea Gateway Center paid to the Agency between 2/15/2017 and the escrow open date, and (ii) \$134,467.37, representing the estimated payments that the Successor Agency would have to pay Brea Gateway Center pursuant to Section 201.9 of the DDA, as amended by Section 6 of DDA Amendment No. 2 between 2017 and 2021.

Section 4. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts shall together constitute but one and the same.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers.

**SUCCESSOR AGENCY TO THE
BREA REDEVELOPMENT AGENCY**

By _____
Cecilia Hupp
Mayor of the City of Brea

ATTEST:

Lillian Harris-Neal
City Clerk of the City of Brea

BREA GATEWAY CENTER, L.P.,
an Illinois limited partnership

By: _____

Print Name: _____

Title: _____

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____,
(insert name and title of the officer)

Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_____ (Seal)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____,
(insert name and title of the officer)

Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A

(Agreement to Terminate Disposition and Development Agreement as to Commercial Center Component)

LEGAL DESCRIPTION OF PROPERTY

Parcels 1 to 11, inclusive, of Parcel Map No. 91-217 in the City of Brea, County of Orange, State of California, as per Map filed in Book 280, Page(s) 44 to 48 inclusive, of Parcel Maps, in the office of the County Recorder of said County.

EXCEPTING THEREFROM all coal, oil, petroleum, natural gas and other hydrocarbons upon, in or under said land, but without the right of surface entry, as reserved by Ontario Investment Company in deed recorded November 28, 1910 in Book 194, Page 243 of Deeds, records of Orange County, and other deeds of record.

ATTACHMENT B

Form of
Substitution of Trustee and Full Reconveyance
(attached)

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

Brea Gateway Center, L.P.

Attention: _____

[SPACE ABOVE FOR RECORDER'S USE ONLY]

SUBSTITUTION OF TRUSTEE AND FULL RECONVEYANCE

The undersigned, being the present beneficiary under that certain Subordinated Deed of Trust, made on August 4, 1995, by Brea Gateway Center, L.P., as trustor, to Continental Lawyers Title Company, as trustee, and recorded on August 14, 1995, as Document No. 95-0349470, Official Records of the County of Orange, State of California (the "Deed of Trust"), **HEREBY APPOINTS AND SUBSTITUTES THE SUCCESSOR AGENCY TO THE BREA REDEVELOPMENT AGENCY (the "Successor Agency")** as the new trustee thereunder.

As such duly appointed and substituted trustee thereunder, the Successor Agency **DOES HEREBY RECONVEY** to the person or persons legally entitled thereto, without warranty, all the estate, title and interest of the trustee under said Deed of Trust.

The Successor Agency became the successor entity to the former Brea Redevelopment Agency (*i.e.*, the named beneficiary under the Deed of Trust) as of February 1, 2012, by operation of law, particularly Health and Safety Code Section 34173.

SUCCESSOR AGENCY TO THE BREA REDEVELOPMENT AGENCY

By _____
Cecilia Hupp
Mayor of the City of Brea

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Orange)

On _____, before me, _____,
(insert name and title of the officer)

Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A

(Substitution of Trustee and Full Reconveyance)

LEGAL DESCRIPTION OF PROPERTY

Parcels 1 to 11, inclusive, of Parcel Map No. 91-217 in the City of Brea, County of Orange, State of California, as per Map filed in Book 280, Page(s) 44 to 48 inclusive, of Parcel Maps, in the office of the County Recorder of said County.

EXCEPTING THEREFROM all coal, oil, petroleum, natural gas and other hydrocarbons upon, in or under said land, but without the right of surface entry, as reserved by Ontario Investment Company in deed recorded November 28, 1910 in Book 194, Page 243 of Deeds, records of Orange County, and other deeds of record.

RESOLUTION NO. SA 2017-02

A RESOLUTION OF THE CITY COUNCIL OF THE CITY BREA, ACTING AS THE SUCCESSOR AGENCY TO THE BREA REDEVELOPMENT AGENCY, AUTHORIZING THE SUCCESSOR AGENCY'S EXECUTION AND DELIVERY OF AN AGREEMENT TO TERMINATE DISPOSITION AND DEVELOPMENT AGREEMENT AS TO COMMERCIAL CENTER COMPONENT AND A RELATED PAYOFF AGREEMENT AND TAKING CERTAIN RELATED ACTIONS

A. RECITALS:

(i) The Brea Redevelopment Agency (the "**Former Agency**") was a redevelopment agency duly formed pursuant to the Community Redevelopment Law, set forth in Part 1 of Division 24 of the California Health and Safety Code ("**HSC**");

(ii) Pursuant to AB X1 26 (enacted in June 2011) and the *California Supreme Court's decision in California Redevelopment Association, et al. v. Ana Matosantos, et al.*, 53 Cal.4th 231 (2011), the Former Agency was dissolved as of February 1, 2012, the Successor Agency to the Brea Redevelopment Agency (the "**Successor Agency**") was constituted as the successor entity to the Former Agency, and an oversight board of the Successor Agency (the "**Oversight Board**") was established;

(iii) AB X1 26 added Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) to Division 24 of the HSC. Such Parts 1.8 and 1.85, together with any amendments and supplements thereto enacted from time to time, are collectively referred to herein as the "**Dissolution Act**";

(iv) Pursuant to the Dissolution Act, all assets, properties, and contracts of the Former Agency have transferred to the control of the Successor Agency by operation of law;

(v) As part of the Former Agency's program to redevelop a project area known and designated as the Redevelopment Project AB, the Former Agency entered into a Disposition and Development Agreement in October 1991 (the "**Original DDA**"), by and between the Former Agency and Brea Center Associates (the "**Original Developer**"), relating to a site consisting of multiple components, including among them, a "**Commercial Center Component**";

(vi) The Original DDA has been amended and supplemented by an Amendment No. 1 to the Disposition and Development Agreement, executed in November 1992 ("**DDA Amendment No. 1**"), an Amendment No. 2 to the Disposition and Development Agreement, executed in February 1994 ("**DDA Amendment No. 2**"), and an Amendment No. 3 to the Disposition and Development Agreement, executed in November 1994 ("**DDA Amendment No. 3**"), each by and among the Former Agency, Watt-Craig Associates Limited Partnership ("**Watt-Craig**") on the one hand as the successor to the Original Developer with respect to the Commercial Center Component and Baywood Homes-Victoria on the other hand as the successor to the Original Developer with respect to the

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"Housing Component" (the Original DDA, as so amended and supplemented, being referred to herein as the "**DDA**");

(vii) The Former Agency, as landlord, and Watt-Craig, as tenant, entered into a Ground Lease, dated as of May 12, 1994 (the "**Lease**"), with respect to the Commercial Center Component.

(viii) Pursuant to Sections 3.2, 3.3 and 3.4 of the Lease, Watt-Craig agreed to make certain payments (referred to in the Lease as "**Participation Rent**," "**Refinancing Rent**" and "**Sale Rent**," and collectively referred to herein as the "**Participation Payments**") in accordance with the terms of provisions of Sections 3.2, 3.3, 3.4, 3.5 and 3.6 of the Lease;

(ix) Pursuant to the provisions of DDA Amendment No. 2 and the Lease, the final Participation Payment (the "**Final Participation Payment Date**") was scheduled to take place in the year 2048;

(x) Pursuant to the DDA, the Former Agency granted Watt-Craig an option to purchase the Commercial Center Component but Watt-Craig was required to continue to pay the Participation Payments with respect to the Gateway Center Property for a number of years after a purchase under the option;

(xi) Watt-Craig exercised its option to purchase the Commercial Center Component in 1995, and assigned its rights to purchase the Commercial Center Component to Brea Gateway Center LP, an affiliate entity of Watt-Craig, and, as the result, Brea Gateway Center LP became the fee title owner to the Commercial Center Component pursuant to the exercised option;

(xii) Brea Gateway Center LP executed a Subordinated Deed of Trust and Assignment of Rents and Request for Special Notice, dated as of August 4, 1995 (the "**Deed of Trust**"), creating a security interest in the Commercial Center Component to secure Brea Gateway Center LP's obligations to make Participation Payments to the Former Agency;

(xiii) Brea Gateway Center LP has made an offer (the "**Prepayment Offer**") to make a lump sum payment, in the approximate amount of \$8 million, to prepay all future Participation Payments in full and effect a termination of the DDA with respect to Commercial Center Component (including the termination of the Successor Agency's obligation to make payments to Brea Gateway Center LP under Section 201.9 of the DDA, as amended by Section 6 of DDA Amendment No. 2);

(xiv) In connection with the Prepayment Offer, there has been presented to the this Board forms of the following: (i) a Payoff Agreement and Joint Escrow Instructions (the "**Payoff Agreement**"), and (b) Agreement to Terminate Disposition and Development Agreement as to Commercial Center Component ("**DDA Termination Agreement**") as Attachment A to the Payoff Agreement, and (c) a Substitution of Trustee and Full Reconveyance (the "**Deed of Trust Reconveyance**") as Attachment B to the Payoff Agreement;

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(xv) Under HSC Section 34181(e), the Oversight Board may approve a modification to or an early termination of an agreement between the Former Agency (as succeeded by the Successor Agency) and any private party, if the Oversight Board finds the Successor Agency's execution and delivery of such modification or early termination is in the best interests of the taxing entities;

B. RESOLUTION:

NOW, THEREFORE, be it found, determined and resolved by the City Council of the City of Brea, acting as the Successor Agency to the Brea Redevelopment Agency, as follows:

1. The above recitals are true and correct and are a substantive part of this Resolution.

2. The Payoff Agreement, DDA Termination Agreement and the Deed of Trust Reconveyance, in the forms attached hereto as Exhibit A, are hereby approved. Each of the Mayor of the City, the Mayor Pro Tem of the City and the Executive Director of the Successor Agency (who is the City Manager of the City) (collectively, the "**Authorized Officers**"), acting individually, is hereby authorized to execute and deliver, for and in the name of the Successor Agency, the Payoff Agreement, DDA Termination Agreement and the Deed of Trust Reconveyance, in substantially such forms, with changes therein as the Authorized Officer executing the same may approve (with such approval to be conclusively evidenced by the execution and delivery thereof); provided, that such execution and delivery shall occur after the effectiveness of the Oversight Board Resolution (defined below)

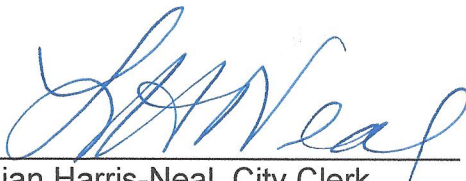
3. The Oversight Board is hereby requested to adopt a resolution (the "**Oversight Board Resolution**") to: (a) make a finding and determination for the purposes of HSC Section 34181(e), that the Successor Agency's execution and delivery of the Payoff Agreement, the DDA Termination Agreement and the Deed of Trust Reconveyance are in the best interests of the taxing entities, and (b) approve the Successor Agency's execution and delivery of the Payoff Agreement, DDA Termination Agreement and the Deed of Trust Reconveyance. The City Clerk is hereby directed to transmit this Resolution to the Oversight Board for consideration at the earliest possible date.

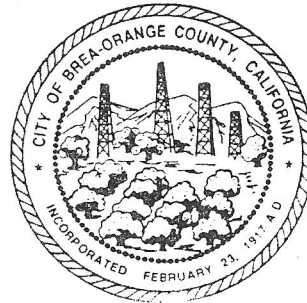
4. The officers of the City, acting for an on behalf Successor Agency, are hereby authorized, jointly and severally, to execute and deliver any and all necessary documents and instruments and to do all things which they may deem necessary or proper to effectuate the purposes of this Resolution, the Prepayment Agreement, the DDA Termination Agreement and the Deed of Trust Reconveyance.

APPROVED AND ADOPTED this 7th day of March, 2017.


Cecilia Hupp, Mayor

ATTEST:


Lillian Harris-Neal, City Clerk



I, Lillian Harris-Neal, City Clerk of the City of Brea, do hereby certify that the foregoing Resolution was passed at a regular meeting of the City Council of the City of Brea, acting as the Successor Agency to the Brea Redevelopment Agency, held on the 7th day of March, 2017, by the following vote:

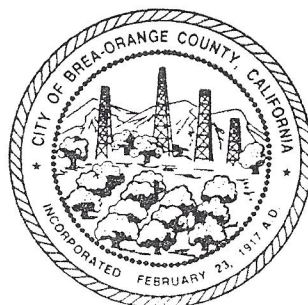
AYES: BOARD MEMBERS: Hupp, Parker, Marick, Simonoff, Vargas

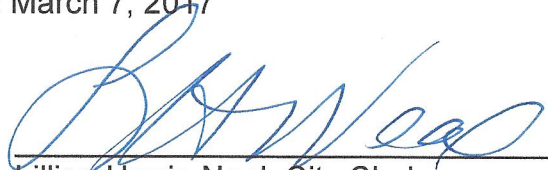
NOES: BOARD MEMBERS: None

ABSENT: BOARD MEMBERS: None

ABSTAIN: BOARD MEMBERS: None

Dated: March 7, 2017




Lillian Harris-Neal, City Clerk

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EXHIBIT A

Prepayment Agreement
(with DDA Termination Agreement as Attachment A,
and Deed of Trust Recovenyance as Attachment B)

(in substantial final form)

(see attached)

PAYOFF AGREEMENT AND JOINT ESCROW INSTRUCTIONS

This **Payoff Agreement and Joint Escrow Instructions** (this “**Agreement**”), dated as of _____, 2017, is entered into by and between the Successor Agency to the Brea Redevelopment Agency, a public body of the State of California (the “**Successor Agency**”) and Brea Gateway Center, L.P., an Illinois limited partnership (the “**Brea Gateway Center LP**”).

Recitals

A. The Brea Redevelopment Agency (“**Former Agency**”) was a redevelopment agency formed pursuant to the Community Redevelopment Law, set forth in Part 1 of Division 24 of the California Health and Safety Code (“**HSC**”).

B. Pursuant to AB X1 26 (enacted in June 2011) and the California Supreme Court’s decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, 53 Cal.4th 231 (2011), the Former Agency was dissolved as of February 1, 2012, the Successor Agency was constituted as the successor entity to the Former Agency, and an oversight board of the Successor Agency (the “**Oversight Board**”) was established.

C. AB X1 26 added to Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) to Division 24 the HSC. Such Parts 1.8 and 1.85, together with any amendments and supplements thereto enacted from time to time, are collectively referred to herein as the “**Dissolution Act**.”

D. Pursuant to the Dissolution Act, all assets, properties, and contracts of the Former Agency have transferred to the control of the Successor Agency by operation of law.

E. As part of the Former Agency’s program to redevelop a project area known and designated as the Redevelopment Project AB, the Former Agency entered into a Disposition and Development Agreement in October 1991 (the “**Original DDA**”), by and between the Former Agency and Brea Center Associates (the “**Original Developer**”). The Original DDA relates to a site consisting of multiple components, including among them, a “**Commercial Center Component**” as described in the Original DDA and in Recital F, below and the referenced Attachments. The Original DDA has been amended and supplemented by an Amendment No. 1 to the Disposition and Development Agreement, executed in November 1992 (“**DDA Amendment No. 1**”), an Amendment No. 2 to the Disposition and Development Agreement, executed in February 1994 (“**DDA Amendment No. 2**”), and an Amendment No. 3 to the Disposition and Development Agreement, executed in November 1994 (“**DDA Amendment No. 3**”), each by and among the Former Agency, Watt-Craig Associates Limited Partnership (“**Watt-Craig**”) on the one hand as the successor to the Original Developer with respect to the Commercial Center Component and Baywood Homes-Victoria on the other hand as the successor to the Original Developer with respect to the “**Housing Component**.” The Original DDA, as so amended and supplemented, is referred to herein as the “**DDA**.” The Original DDA, DDA Amendment No. 1, DDA Amendment No. 2 and DDA Amendment No. 3 are each recorded in the Official Records of the County, as Document No. 91-562200 (recorded on October 15, 1991), Document No. 94-0158683 (recorded on March 4, 1994), Document No. 94-0158684 (recorded on March 4, 1994) and Document No. 94-0694881 (recorded on December 1, 1994), respectively.

F. The legal description of the Commercial Center Component is set forth in Exhibit A to each of Attachment A and Attachment B hereto.

G. The Former Agency, as landlord, and Watt-Craig, as tenant, entered into a Ground Lease, dated as of May 12, 1994 (the "**Lease**"), with respect to the Commercial Center Component.

H. Pursuant to Sections 3.2, 3.3 and 3.4 of the Lease, Watt-Craig agreed to make certain payments (referred to in the Lease as "Participation Rent," "Refinancing Rent" and "Sale Rent," and collectively referred to herein as the "**Participation Payments**") in accordance with the terms of provisions of Sections 3.2, 3.3, 3.4, 3.5 and 3.6 of the Lease. Pursuant to the provisions of DDA Amendment No. 2 and the Lease, the final Participation Payment (the "**Final Participation Payment Date**") was scheduled to take place in the year 2048.

I. Pursuant to the DDA, the Former Agency granted Watt-Craig an option to purchase the Commercial Center Component but Watt-Craig was required to continue to pay the Participation Payments for a number of years after a purchase under the option.

J. Watt-Craig exercised its option to purchase the Commercial Center Component in 1995, and assigned its rights to purchase the Commercial Center Component to Brea Gateway Center LP, an affiliate entity of Watt-Craig. Brea Gateway Center LP then became the fee title owner to the Commercial Center Component pursuant to the exercised option.

K. Brea Gateway Center LP executed a Subordinated Deed of Trust and Assignment of Rents and Request for Special Notice, dated as of August 4, 1995 recorded in the Official Records of the County, as Document No. 95-0349470 (recorded on August 14, 1995) (the "**Deed of Trust**"), creating a security interest in the Commercial Center Component to secure Brea Gateway Center LP's obligations to make Participation Payments to the Former Agency.

L. Brea Gateway Center LP has offered to make a lump sum payment, in the amount of \$ _____*, to prepay in full all future Participation Payments (the "**Prepayment**") and effect a termination of the DDA with respect to Commercial Center Component (including the termination of the Successor Agency's obligation to make payments to Brea Gateway Center LP under Section 201.9 of the DDA, as amended by Section 6 of DDA Amendment No. 2).

M. While the DDA currently does not contemplate such Prepayment, the Successor Agency is willing to accept the Prepayment subject to the terms of this Agreement.

* This dollar amount will be inserted prior to signing of the agreement, as it will change depending how soon the DOF will issue its approval and the parties will be able to open the escrow thereafter. It will be equal to \$8,050,000 minus (i) the monthly Participation Payments that Brea Gateway Center paid to the Agency between 2/15/2017 and the escrow open date, and (ii) \$134,467.37, representing the estimated payments that the Successor Agency would have to pay Brea Gateway Center pursuant to Section 201.9 of the DDA, as amended by Section 6 of DDA Amendment No. 2 between 2017 and 2021.

N. The City Council of the City of Brea, acting as the governing body of the Successor Agency, adopted its Resolution No. _____, on _____, 2017, authorizing the Successor Agency's execution and delivery of documents relating to the Prepayment, including this Agreement.

O. The Oversight Board adopted its Resolution No. _____, on _____, 2017 (the "**Oversight Board Resolution**") approving the Successor Agency's execution and delivery of documents relating to the Prepayment, including this Agreement. The California State Department of Finance issued its letter, dated _____, 2017, approving the Oversight Board Resolution.

NOW, THEREFORE, IN CONSIDERATION OF THE FOREGOING, THE MUTUAL COVENANTS SET FORTH HEREIN, AND OTHER CONSIDERATION THE SUFFICIENCY OF WHICH THE PARTIES HERETO ACKNOWLEDGE, THE PARTIES HERETO AGREE AS FOLLOWS:

Section 1. Prepayment Amount.

Brea Gateway Center LP hereby agrees to pay to the Successor Agency the sum of \$_____* (the "**Prepayment Amount**"), as prepayment in full of all future Participation Payments due under the DDA, and the Successor Agency agrees to accept such prepayment, provided that Brea Gateway Center LP complies with this Agreement and the Escrow (defined below) successfully closes pursuant to Section 3 hereof.

Section 2. Execution and Delivery of Deed of Trust Reconveyance and Agreement to Terminate DDA as to the Commercial Component.

In consideration of the Prepayment Amount, the Successor Agency agrees to execute and deliver: (i) Agreement to Terminate the Disposition and Development Agreement as to the Commercial Center Component, in substantially the form attached hereto as Attachment A ("**DDA Termination Agreement**"), and (ii) Substitution of Trustee and Full Reconveyance, in substantially the form attached hereto as Attachment B (the "**Deed of Trust Reconveyance**"). The DDA Termination Agreement and the Deed of Trust shall become effective only upon the successful Close of Escrow (defined below).

Section 3. Escrow.

(a) The payment of the Prepayment Amount and the reconveyance of the Deed of Trust shall be accomplished through an escrow (the "**Escrow**") as follows. This Agreement shall constitute escrow instructions and a copy hereof shall be deposited with the Escrow Holder (defined below) for this purpose.

(b) The escrow shall be opened with Chicago Title Insurance Company, 700 South Flower Street, Suite 800, Los Angeles, CA 90017 (Escrow Officer: Debbie Bond) ("**Escrow Holder**"), within three (3) business days after the execution of this Agreement by the Successor Agency and Brea Gateway Center LP, with the deposit of an executed copy or executed counterparts of this Agreement with Escrow Holder. This document shall be considered as the

* This dollar amount will be inserted prior to signing of the agreement. See footnote on page 2.

escrow instructions between the parties, with such further instructions as Escrow Holder requires in order to clarify the duties and responsibilities of Escrow Holder. If Escrow Holder shall require further escrow instructions, Escrow Holder shall promptly prepare such escrow instructions upon the terms and provisions hereof. Provided such further escrow instructions are consistent with this Agreement, they shall be promptly signed by the Successor Agency and Brea Gateway Center LP within five (5) business days after delivery thereof to each party. The further escrow instructions shall incorporate each and every term of this Agreement and shall provide that in the event of any conflict between the terms and conditions of this Agreement and such further escrow instructions, the terms and conditions of this Agreement shall control.

(c) For the purposes of this Agreement, the “**Close of Escrow**” shall be the date on which the DDA Termination Agreement and the Deed of Trust Reconveyance are each recorded in the Official Records of the Orange County (California) County Recorder’s Office. Provided that all of Successor Agency’s and Brea Gateway Center LP’s obligations to be performed on or before the Close of Escrow have been performed and all of the conditions to the Close of Escrow set forth in this Agreement have been satisfied, the Escrow shall close on or before _____, 2017.

(d) On or before the Close of Escrow, Brea Gateway Center LP shall deposit into Escrow the following (properly executed and acknowledged, if applicable):

- (i) The Prepayment Amount;
- (ii) The Brea Gateway Center LP’s executed counterpart of the DDA Termination Agreement; and
- (iii) Any other documents contemplated by this Agreement or required by Escrow Holder to be deposited by Brea Gateway Center LP to carry out the Escrow and this transaction.

(e) On or before the Close of Escrow, the Successor Agency shall deposit into Escrow the following (properly executed and acknowledged, if applicable):

- (i) The Deed of Trust Reconveyance, duly executed by the Successor Agency;
- (ii) The Successor Agency’s executed counterpart of the DDA Termination Agreement; and
- (iii) Any other documents contemplated by this Agreement or required by Escrow Holder to be deposited by the Successor Agency to carry out the escrow and this transaction.

* This date will be inserted just before signing of the agreement. It is assumed that the parties will sign the agreement (as well as the other documents) as soon as practical upon the DOF’s approval. The deposit of documents with the escrow company will take place quickly thereafter, and the close of escrow can occur as soon as Brea Gateway Center can arrange the wire transfer.

(f) The Escrow shall not close unless and until both parties have deposited with Escrow Holder all sums and documents required to be deposited as provided in this Agreement. Escrow Holder shall prepare a preliminary settlement statement, showing all costs, for execution by both parties.

(g) Upon receipt of the funds and documents described in this Section 3, and satisfaction (or express written waiver) of the closing conditions, Escrow Holder shall cause the Deed of Trust Reconveyance and the DDA Termination Agreement to be recorded in the office of the County Recorder of Orange County, California, and shall deliver the Prepayment Amount (less any amount to be paid by the Successor Agency pursuant to Section 3(h) below) to the Successor Agency.

(h) It is agreed that Brea Gateway Center's obligation to make any additional monthly Participation Payments shall be suspended while the Escrow remains open and, upon the successful Close of Escrow, such obligation shall be extinguished and the DDA Termination Agreement and the Deed of Trust Reconveyance shall become effective.

(i) The Successor Agency and Brea Gateway Center LP shall each pay one-half of the escrow fee and one-half of the cost of recording the DDA Termination Agreement and the Deed of Trust Reconveyance. Brea Gateway Center LP shall pay any other closing costs or charges not expressly provided herein, unless otherwise agreed by the Executive Director of the Successor Agency in writing.

(j) In the event that the Escrow shall fail to close because of the default of Successor Agency, including Successor Agency's failure or refusal to deliver the Successor Agency's executed counterpart of the DDA Termination Agreement or the Deed of Trust Reconveyance after Brea Gateway Center LP has deposited the Prepayment Amount, the Successor Agency shall be liable for any escrow cancellation charges. If the Escrow fails to close for any other reason, Brea Gateway Center LP shall pay all charges relating to such escrow cancellation.

(k) In the event that Escrow fails to close, Escrow Holder shall promptly: (i) return to Brea Gateway Center all of the documents and funds (less any charges for escrow cancellation pursuant to Section 3(j) above) deposited by Brea Gateway Center, and (ii) return to the Successor Agency all documents deposited by the Successor Agency.

Section 4. Release.

(a) In consideration of the Successor Agency's acceptance of the prepayment described herein, Brea Gateway Center LP fully and irrevocably releases, waives, acquits and discharges the Successor Agency from all Claims (defined below), whether known or unknown, existing or potential, suspected or unsuspected, or that may hereafter be sustained, that Brea Gateway Center LP may have or assert, or may hereafter have or assert, against the Successor Agency, excluding Claims based on any failure by the Successor Agency to comply with the terms of this Agreement.

(b) As used herein, the term "**Claims**" shall mean any past, present or future, fixed or contingent, matured or unmatured, liquidated or unliquidated, claims, cross-claims,

liabilities, rights, demands, notices, injuries, damages, losses, requests, obligations to defend or indemnify, suits, lawsuits, costs, costs of suit, attorneys' fees, experts' fees, actions, administrative proceedings, causes of action or orders of any nature, character, type or description, relating to the DDA and this Agreement whenever and however occurring, whether at law, or in equity, and whether sounding in tort, contract, nuisance, trespass, negligence, strict liability or any statutory, common law or other cause of action.

(c) Brea Gateway Center LP represents and warrants that Brea Gateway Center LP has not assigned any Claims.

(d) Brea Gateway Center LP acknowledges that it may hereafter discover facts different from, or in addition to, those that it now believes to be true with respect to any and all of the matters or rights released in this Section 4. Nevertheless, Brea Gateway Center LP agrees that the releases set forth in this Section 4 shall be and shall remain effective in all respects, notwithstanding the discovery of any such different or additional facts.

(e) Brea Gateway Center LP hereby waives and relinquishes all rights and benefits under California Civil Code Section 1542, which provides as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

Brea Gateway Center LP Initials

Section 5. No Brokers

Each party to this agreement represents and warrants that it has not has not engaged a broker or other similar functioning party (an “**Intermediary**”) with regard to this transaction and, in the event that a claim is made for a commission or other similar payment against a party (the “Indemnatee”) because of the other party’s engagement of an Intermediary, that latter party agrees to indemnify and hold harmless the Indemnatee from such claim.

Section 6. Use of Proceeds

Brea Gateway Center LP understands that, after the Successor Agency’s receipt of moneys to be released from the Escrow, the Successor Agency will transmit such proceeds to the County Auditor-Controller, who will then distribute such the moneys to the affected taxing entities in accordance to the Dissolution Act.

Section 7. Benefits Limited to Parties.

Nothing contained in this Agreement, expressed or implied, is intended to confer upon any person, other than the parties hereto and their successors and assigns, any rights or remedies under or by reason of this Agreement.

Section 8. Complete Agreement.

This Agreement contains all of the agreements of the parties hereto with respect to the matters contained herein, and all prior or contemporaneous agreements or understandings, oral or written, pertaining to any such matters are merged herein and shall not be effective for any purpose.

Section 9. Modification in Writing.

No provision of this Agreement may be changed, discharged, supplemented, terminated or waived except in writing signed by the parties hereto.

Section 10. Governing Law.

This Agreement shall be governed by, interpreted under, construed and enforced, in accordance with the laws of the State of California.

Section 11. Execution in Counterparts.

This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts shall together constitute but one and the same.

[Remainder of Page Left Blank. Signatures Follow.]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers.

**SUCCESSOR AGENCY TO THE
BREA REDEVELOPMENT AGENCY**

By _____
Cecilia Hupp
Mayor of the City Brea

ATTEST:

Lillian Harris-Neal
City Clerk of the City Brea

BREA GATEWAY CENTER, L.P.,
an Illinois limited partnership

By: _____

Print Name: _____

Title: _____

ATTACHMENT A

Form of
Agreement to Terminate Disposition and Development Agreement
as to Commercial Center Component

(attached)

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

City of Brea
1 Civic Center Circle
Brea, CA 92821
Attention: City Clerk

[SPACE ABOVE FOR RECORDER'S USE ONLY]

*[This document is exempt from Recording Fees
pursuant to California Government Code Section 27383]*

AGREEMENT TO TERMINATE DISPOSITION AND DEVELOPMENT AGREEMENT
AS TO COMMERCIAL CENTER COMPONENT

This **Agreement to Terminate Disposition and Development Agreement as to Commercial Center Component** (this “**Agreement**”), dated as of _____, 2017, is entered into by and between the Successor Agency to the Brea Redevelopment Agency, a public body of the State of California (the “**Successor Agency**”) and Brea Gateway Center, L.P., an Illinois limited partnership (“**Brea Gateway Center LP**”).

This Agreement amends the DDA (as defined and described below). Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the DDA.

Recitals

A. The Brea Redevelopment Agency (the “**Former Agency**”) was a redevelopment agency formed pursuant to the Community Redevelopment Law, set forth in Part 1 of Division 24 of the California Health and Safety Code (“**HSC**”).

B. Pursuant to AB X1 26 (enacted in June 2011) and the California Supreme Court’s decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, 53 Cal.4th 231 (2011), the Former Agency was dissolved as of February 1, 2012, the Successor Agency was constituted as the successor entity to the Former Agency.

C. AB X1 26 added to Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) to Division 24 the HSC. Such Parts 1.8 and 1.85, together with any amendments and supplements thereto enacted from time to time, are collectively referred to herein as the “**Dissolution Act**.”

D. Pursuant to the Dissolution Act, all assets, properties, and contracts of the Former Agency have transferred to the control of the Successor Agency by operation of law.

E. As part of the Former Agency’s program to redevelop a project area known and designated as the Redevelopment Project AB, the Former Agency entered into a Disposition and Development Agreement in October 1991 (the “**Original DDA**”), by and between the Former Agency and Brea Center Associates (the “**Original Developer**”). The Original DDA relates to a

site consisting of multiple components, including among them, a “**Commercial Center Component**” as described in the Original DDA. The Original DDA has been amended and supplemented by an Amendment No. 1 to the Disposition and Development Agreement, executed in November 1992 (“**DDA Amendment No. 1**”), an Amendment No. 2 to the Disposition and Development Agreement, executed in February 1994 (“**DDA Amendment No. 2**”), and an Amendment No. 3 to the Disposition and Development Agreement, executed in November 1994 (“**DDA Amendment No. 3**”), each by and among the Former Agency, Watt-Craig Associates Limited Partnership (“**Watt-Craig**”) on the one hand as the successor to the Original Developer with respect to the Commercial Center Component and Baywood Homes-Victoria on the other hand as the successor to the Original Developer with respect to the “Housing Component.” The Original DDA, as so amended and supplemented, is referred to herein as the “**DDA**.” The Original DDA, DDA Amendment No. 1, DDA Amendment No. 2 and DDA Amendment No. 3 are each recorded in the Official Records of the County, as Document No. 91-562200 (recorded on October 15, 1991), Document No. 94-0158683 (recorded on March 4, 1994), Document No. 94-0158684 (recorded on March 4, 1994) and Document No. 94-0694881 (recorded on December 1, 1994), respectively.

F. The legal description of the Commercial Component is set forth in Exhibit A hereto.

G. The Former Agency, as landlord, and Watt-Craig, as tenant, entered into a Ground Lease, dated as of May 12, 1994 (the “**Lease**”), with respect to the Commercial Center Component.

H. Pursuant to Sections 3.2, 3.3 and 3.4 of the Lease, Watt-Craig agreed to make certain payments (referred to in the Lease as “Participation Rent,” “Refinancing Rent” and “Sale Rent,” and collectively referred to herein as the “**Participation Payments**”) in accordance with the terms of provisions of Sections 3.2, 3.3, 3.4, 3.5 and 3.6 of the Lease. Pursuant to the provisions of DDA Amendment No. 2 and the Lease, the final Participation Payment (the “**Final Participation Payment Date**”) was scheduled to take place in the year 2048.

I. Pursuant to the DDA, the Former Agency granted Watt-Craig an option to purchase the Commercial Center Component but Watt-Craig was required to continue to pay the Participation Payments with respect to the Gateway Center Property for a number of years after a purchase under the option.

J. Watt-Craig exercised its option to purchase the Commercial Center Component in 1995, and assigned its rights to purchase the Commercial Center Component to Brea Gateway Center LP, an affiliate entity of Watt-Craig. Brea Gateway Center LP then became the fee title owner to the Commercial Center Component pursuant to the exercised option.

K. Brea Gateway Center LP executed a Subordinated Deed of Trust and Assignment of Rents and Request for Special Notice, dated as of August 4, 1995 and recorded in the Official Records of the County, as Document No. 95-0349470 (recorded on August 14, 1995) (the “**Deed of Trust**”), creating a security interest in the Commercial Center Component to secure the Brea Gateway Center LP’s obligations to make Participation Payments to the Former Agency.

L. The Successor Agency affirms that the construction and improvements required to be completed by the Developer with respect to the Commercial Center Component under the DDA have been completed, and the recordation of this Agreement has the same force and effect as the recordation of a Certificate of Completion with respect to each Parcel that constitutes the Commercial Center Component.

M. Brea Gateway Center LP has made, and the Successor Agency has accepted, a lump sum of \$ [REDACTED], as prepayment and satisfaction in full of all future Participation Payments (the “**Prepayment**”) and effect a termination of the DDA with respect to Commercial Center Component (including the termination of the Successor Agency’s obligation to make payments to Brea Gateway Center LP under Section 201.9 of the DDA, as amended by Section 6 of DDA Amendment No. 2).

N. The City Council of the City of Brea, acting as the governing body of the Successor Agency, adopted its Resolution No. _____, on _____, 2017, authorizing the Successor Agency’s execution and delivery of documents relating to the Prepayment, including this Amendment.

O. The Oversight Board adopted its Resolution No. _____, on _____, 2017 (the “**Oversight Board Resolution**”) approving the Successor Agency’s execution and delivery of documents relating to the Prepayment, including this Amendment. The California State Department of Finance issued its letter, dated _____, 2017, approving the Oversight Board Resolution.

NOW, THEREFORE, THE PARTIES HERETO, FOR AND IN CONSIDERATION OF THE MUTUAL PROMISES AND AGREEMENTS HEREIN, CONTAINED DO AGREE AS FOLLOWS:

Section 1. As of the dated date of this Agreement, and with regard to the Commercial Center Component, the DDA shall be deemed completed and terminated. The parties hereto shall execute such other and further documents as may be reasonably necessary to reflect such termination.

Section 2. The parties hereby agree and confirm that this Agreement shall have no effect on the provisions of the DDA pertaining to any property other than the Commercial Center Component (the “**Other Properties**”).

Section 3. This Agreement shall be governed by, interpreted under, construed and enforced, in accordance with the laws of the State of California.

* This dollar amount will be inserted prior to signing of the agreement, as it will change depending how soon the DOF will issue its approval and the parties will be able to open the escrow thereafter.. It will be equal to \$8,050,000 minus (i) the monthly Participation Payments that Brea Gateway Center paid to the Agency between 2/15/2017 and the escrow open date, and (ii) \$134,467.37, representing the estimated payments that the Successor Agency would have to pay Brea Gateway Center pursuant to Section 201.9 of the DDA, as amended by Section 6 of DDA Amendment No. 2 between 2017 and 2021.

Section 4. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts shall together constitute but one and the same.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers.

**SUCCESSOR AGENCY TO THE
BREA REDEVELOPMENT AGENCY**

By _____
Cecilia Hupp
Mayor of the City of Brea

ATTEST:

Lillian Harris-Neal
City Clerk of the City of Brea

BREA GATEWAY CENTER, L.P.,
an Illinois limited partnership

By: _____

Print Name: _____

Title: _____

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____,
(insert name and title of the officer)

Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_____ (Seal)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____,
(insert name and title of the officer)

Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A

(Agreement to Terminate Disposition and Development Agreement as to Commercial Center Component)

LEGAL DESCRIPTION OF PROPERTY

Parcels 1 to 11, inclusive, of Parcel Map No. 91-217 in the City of Brea, County of Orange, State of California, as per Map filed in Book 280, Page(s) 44 to 48 inclusive, of Parcel Maps, in the office of the County Recorder of said County.

EXCEPTING THEREFROM all coal, oil, petroleum, natural gas and other hydrocarbons upon, in or under said land, but without the right of surface entry, as reserved by Ontario Investment Company in deed recorded November 28, 1910 in Book 194, Page 243 of Deeds, records of Orange County, and other deeds of record.

ATTACHMENT B

Form of
Substitution of Trustee and Full Reconveyance
(attached)

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

Brea Gateway Center, L.P.

Attention: _____

[SPACE ABOVE FOR RECORDER'S USE ONLY]

SUBSTITUTION OF TRUSTEE AND FULL RECONVEYANCE

The undersigned, being the present beneficiary under that certain Subordinated Deed of Trust, made on August 4, 1995, by Brea Gateway Center, L.P., as trustor, to Continental Lawyers Title Company, as trustee, and recorded on August 14, 1995, as Document No. 95-0349470, Official Records of the County of Orange, State of California (the "Deed of Trust"), **HEREBY APPOINTS AND SUBSTITUTES THE SUCCESSOR AGENCY TO THE BREA REDEVELOPMENT AGENCY (the "Successor Agency")** as the new trustee thereunder.

As such duly appointed and substituted trustee thereunder, the Successor Agency **DOES HEREBY RECONVEY** to the person or persons legally entitled thereto, without warranty, all the estate, title and interest of the trustee under said Deed of Trust.

The Successor Agency became the successor entity to the former Brea Redevelopment Agency (*i.e.*, the named beneficiary under the Deed of Trust) as of February 1, 2012, by operation of law, particularly Health and Safety Code Section 34173.

SUCCESSOR AGENCY TO THE BREA REDEVELOPMENT AGENCY

By _____
Cecilia Hupp
Mayor of the City of Brea

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Orange)

On _____, before me, _____,
(insert name and title of the officer)

Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A

(Substitution of Trustee and Full Reconveyance)

LEGAL DESCRIPTION OF PROPERTY

Parcels 1 to 11, inclusive, of Parcel Map No. 91-217 in the City of Brea, County of Orange, State of California, as per Map filed in Book 280, Page(s) 44 to 48 inclusive, of Parcel Maps, in the office of the County Recorder of said County.

EXCEPTING THEREFROM all coal, oil, petroleum, natural gas and other hydrocarbons upon, in or under said land, but without the right of surface entry, as reserved by Ontario Investment Company in deed recorded November 28, 1910 in Book 194, Page 243 of Deeds, records of Orange County, and other deeds of record.



KEYSER MARSTON ASSOCIATES™
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

ADVISORS IN:

Real Estate
Redevelopment
Affordable Housing
Economic Development

SAN FRANCISCO

A. Jerry Keyser
Timothy C. Kelly
Kate Earle Funk
Debbie M. Kern
Reed T. Kawahara
David Doezeema

LOS ANGELES

Kathleen H. Head
James A. Rabe
Gregory D. Soo-Hoo
Kevin E. Engstrom
Julie L. Romey

SAN DIEGO

Paul C. Marra

To: David Crabtree, Community Development Director
City of Brea

From: Julie Romey

Date: February 24, 2017

Subject: Proposed Brea Gateway Center Payoff Agreement

The City of Brea (City) staff has requested that Keyser Marston Associates, Inc. (KMA) review the proposed payoff agreement for the Successor Agency's interest in the Brea Gateway Center (Property) that has been proposed by Brea Gateway Center LP (Owner). KMA reviewed the correspondence between the City and Owner as well as discussed methodology with the Owner's representative and the City's Legal Counsel. The following summarizes the KMA findings and conclusions.

BACKGROUND STATEMENT

In 1991, the Brea Redevelopment Agency (Agency) entered into a Disposition and Development Agreement (Agreement) with Brea Center Associates, the original developer. Since then, there have been three amendments to the Agreement. The Agency ground leased the Property to Brea Center Associates until 1994 when Brea Gateway Center LP acquire fee ownership of the Property through an option. Watt-Craig was the majority stakeholder of the ownership entity at the time the Property was acquired. Watt-Craig has since sold its majority stake in the ownership entity to AFL-CIO Building Investment Trust (AFL-CIO BIT), for which PNC Realty Investors, Inc. serves as the trustee. Watt-Craig, however, has continued to retain a small portion of the partnership interest.

The Property was sold by the Agency with the condition that participation payments payable pursuant to the terms of the Agreement would continue to be paid to the Agency until 2048; and that the participation payments would be secured by a deed of trust. The following summarizes the Agency's continued interest in the Property since 1994:

Payment Type	Definition	Termination
Participation Rent	25% of Net Spendable Income; however, if Property is sold, the Participation Rent is lowered to 10% of net Spendable Income	Continues through 2048 regardless of a sale or refinancing.
Refinancing Rent	25% of Net Refinancing Proceeds	Continues through 2048; however, if the Property is sold during that period, the Refinancing Rent requirement is removed.
Sale Rent	25% of Net Sale Proceeds	Continues through 2048 and is in effect for each sale.

Since 2012 and the dissolution of the Agency, the Successor Agency has received average monthly participation payments of \$29,531, or \$354,371 per year. All revenue from these rent payments are used to fulfill enforceable obligations.

In 2016, PNC approached the City with a proposal to buy-out the Successor Agency's remaining interest in the Property. Therefore, the Successor Agency would receive a one-time payment versus annual payments through 2048. It should be noted that 15% of the one-time payment would be distributed to the City and the remaining amount distributed to other taxing agencies.

SUMMARY OF HISTORIC PAYMENTS

The following summarizes the historic payments to the Agency, and then Successor Agency since 2006.¹

¹ The Successor Agency does not have records of the payments from 1996 through 2005.

Year	Average Monthly Payment	Annual Payments	Annual Change
2006	\$25,652	\$153,912	N/A
2007	42,686	512,230	66.4%
2008	40,614	487,367	(4.9%)
2009	38,535	462,418	(5.1%)
2010	25,202	302,429	(34.6%)
2011	34,700	716,400	37.7%
2012	14,024	168,285	(59.6%)
2013	2,804	33,654	(80.0%)
2014	20,834	250,002	642.9%
2015	42,257	507,085	102.8%
2016	37,532	450,390	(11.2%)
Averages	\$29,531	\$354,371	

OWNER'S PROPOSAL

The Owner is proposing the buyout of the Successor Agency's interest for \$8.05 million. As will be discussed in more detail later, the net present value of the future Participation Rent is estimated at approximately \$5.65 million for payments projected through 2048. However, the removal of the Successor Agency's interest in the Property has an intrinsic value to the Owner and future buyers through a reduction in capitalization rate and increased flexibility in attracting capital and buyer. Therefore, the Owner's proposal also takes into account that they will have a more viable Property to sell without the Agreement, and are willing to pay more than the anticipated Participation Rent payments through 2048.

KMA'S VALUATION OF SUCCESSOR AGENCY'S INTEREST

The Agreement entitles the Successor Agency to annual Participation Rent payments as well as payments when the Property is refinanced or sold. For purposes of estimating the value of the Successor Agency's position, KMA has utilized the following methodology:

Participation Rent Scenario

KMA estimated the value of the future Participation Rent Payments to the Successor Agency through 2048 assuming a 9% discount rate and projecting the average monthly

payments based on the total \$450,390 payment for 2016 and historical increases and decreases in the payments.² The analysis concluded that the net present value of the remaining Participation Rent payments is estimated at approximately \$5.18 million.

Refinancing Rent Scenario

Currently, there does not appear to be any debt on the Property and there is no way to predict when or if the Owner will refinance the Property. Per the Agreement, if the Property is refinanced, a 25% of the Net Refinancing Proceeds payment would be made to the Successor Agency. However, the future Net Spendable Income would decrease once the debt service payments are deducted. Therefore, based on forecasted future terms for commercial loans assuming that the Property is refinanced in 2018, KMA assumed a 55% loan to value ratio, a 6.00% interest rate and a 30-year term. The net present value of the Successor Agency's interest is estimated to be \$4.07 million. This estimate is lower than the Participation Rent net present value of \$5.18 million.

Sale Rent Scenario

Watt-Craig has previously sold 99% of its interest in Brea Gateway Center, LP to AFL-CIO BIT. However, it was determined by the Successor Agency that this transaction did not result in a 'sale' of the Property which would have triggered the Sale Rent provision. Presumably if AFL-CIO BIT were to decide to sell their majority interest in the ownership entity, the Sale Rent provisions would not be triggered either. Therefore, the only possibility of the Sale Rent payment being triggered is if both Watt-Craig and AFL-CIO BIT decide to sell the Property to a third party.

Therefore, it is unlikely that the Owner will sell the Property with the Agreement still in effect due to the difference in net proceeds between the buyout and non-buyout scenarios. While from the Successor Agency's perspective, there could be value from the Sale Rent provision, the Successor Agency cannot force a sale and thus it is concluded that this provision would not be triggered through 2048.

² The Successor Agency's discount rate is 100 basis points below the Owner's discount rate due to the Successor Agency being a tax-exempt entity.

It should be noted that the removal of the Successor Agency's interest in the Property has an intrinsic value to the Owner in that the Property will be easier to sell and refinancing in the future.

CONCLUSION

From a buyer's and future lender's perspectives, the Rent provisions are senior to any loan and any new buyer must stay in partnership with Watt-Craig. Also, Watt-Craig cannot extricate itself from the partnership. All of these things help explain why the Owner's buyout proposal of \$8.05 million is higher than the estimated net present value of the Participation Rent payments through 2048. To the extent that eliminating the Rent provision also makes it easier to reposition and/or redevelop the Property, then this has additional value to the Owner. In that context, the \$8.05 million offer is a reasonable offer.

GROUND LEASE

By and Between

**Brea Redevelopment Agency,
City of Brea, California**

and

**Watt-Craig Associates, Ltd.,
a California Limited Partnership**

assuming exercise of all remaining options, to implement the provisions of Section 12.20 of this Lease. The procedure, including timelines, specified in this Section 3.1 shall apply to the Leasehold Interest appraisals.

3.2 Participation Rent. In addition to the Minimum Annual Rent provided for in paragraph 3.1 above, Tenant shall pay to Landlord participation rent (the "Participation Rent") equal to 25% of Tenant's net spendable income for each calendar year or partial calendar year during that portion of the Initial Term during which Tenant is obligated to pay Minimum Annual Rent to the Landlord. Said Participation Rent shall be due and payable from Tenant to Landlord simultaneously with each and every distribution of net spendable income engaged in by Tenant and on or before the March 1 next succeeding the end of the calendar year during which the rent accrues, to the extent not yet paid to Landlord. Such Participation Rent shall be payable at the offices of the Executive Director, Brea Redevelopment Agency, Number One Civic Center Circle, Brea, California, 92621. Participation Rent shall be paid without withhold, abatement, setoff or deduction, except as specifically provided for in this Lease.

For the purposes of this Lease, the phrase "net spendable income" shall be determined through the application of the following defined phrases:

(a) "Net Spendable Income" means Gross Income (as defined in (b) below) less Allowable Expenses (as defined in (c) below).

(b) "Gross Income" shall equal the total of any and all normal and customary amounts, payments, fees, rentals, percentage rentals, reimbursements including all reimbursements by subtenants, sublessees, licensees and occupants of the Premises or by insurance or other reimbursement, (to the extent not required to be used to repair or reconstruct improvements or paid to a lender) but excepting contributions by or reimbursements from subtenants and sublessees paid to Tenant for tenant improvements. Excluded from Gross Income are Net Sale Proceeds, Net Financing Proceeds, Tenant's share of condemnation proceeds or proceeds from any insurance carried by Tenant used to repair or reconstruct improvements or paid to a bank. Gross income shall also include, but not be limited to: (i) deposits forfeited by tenants (but shall not include deposits which have not been forfeited); (ii) parking income; (iii) income, earnings or interest on deposit accounts for maintenance reserves maintained with respect to the Premises and/or improvements; (iv) payments under licenses, concessions or other agreements for vending machines, advertising signs, radios and television services antennas and discs, but not including revenues from pay phones owned by Tenant or a Tenant Affiliate; (v) cancellation fees and late charges net of any third party collection costs not included as an allowable expense; (vi) price index increases and

other rental adjustments to leases; (vii) rental or other consideration in the nature of rental for, or the computed fair market value of imputed rent (Rental Value) of a portion of the property and/or improvements used or occupied by Tenant or any employee or Affiliate of Tenant or by any person or entity in which Tenant has an interest, directly or indirectly, excluding therefrom the Rental Value of any space occupied by Tenant and its employees used solely in connection with the management, leasing, subleasing, and maintenance of the Premises; (viii) net proceeds from the sale of any subleasehold interest in the property; and (ix) net proceeds of Rental Abatement Insurance received and retained by Tenant. All rentals, sums or the considerations which are to be included in Gross Income shall be computed on a cash accounting basis and shall include for each calendar month all amounts actually received in such calendar month whether or not such amounts are attributable to a charge arising in such calendar month or in prior or subsequent calendar months.

(c) "Allowable Expenses" means the sum of the following expenses: (i) all taxes and assessments imposed upon the property and/or improvements to the extent that such taxes and assessments are required to be paid by Tenant, but only when such taxes and assessments are actually paid or set aside in a reserve by Tenant during the applicable period; (ii) all amounts paid by Tenant in the applicable period on account of insurance premiums for insurance carried by Tenant in connection with the

property and/or improvements, provided that if such insurance is maintained as part of a blanket policy covering other properties as well, the insurance premium included in this definition shall be the premium fairly allocable to the property and/or improvements; (iii) normal and reasonable operating expenses (excluding amounts paid from retained reserves) incurred by Tenant during the applicable period and not otherwise reimbursed through the reserve account for the management, operation, cleaning, subleasing, tenant evictions and other court processes, marketing, remodeling, maintenance and repair of the property and/or improvements, according to accounting practice applied consistently throughout the term of this Lease and any applicable provisions hereof, including, but not limited to, wages and payroll costs, utility and heating charges, material costs, maintenance costs, costs of services, water and sewer charges, legal and accounting expenses directly related to the operation of the Premises, and license fees and business taxes; provided that management fees paid to Tenant or any Affiliate or Partner of Tenant may not exceed the average rate charged by the three leading property management companies in North Orange County who manage like commercial centers and leasing fees paid to Tenant or any Affiliate or Partner of Tenant shall not exceed the average commission rate charged by the three leading retail brokers of retail space in North Orange County for leasing to new tenants or renewal of lease as the case may be to the extent such fees are not included in project development costs; (iv) a reasonable

reserve preliminarily estimated to be \$0.05 per square foot of gross building area to be held by Tenant in a reserve account and disbursed for such expenses as Tenant deems desirable utilizing reasonable discretion (the "Reserve"); (v) Minimum Annual Rent; (vi) debt service; and (vii) all other customary and reasonable expenditures made by Tenant in operating the Premises not expressly excluded in this subparagraph 3.2(c). "Allowable Expenses" shall not include any expenditure funded out of debt proceeds of any kind and/or reserves, shall not include any allocation or allowances for depreciation, shall not include financing costs paid from proceeds of any Financing and shall not include any interest penalties which may be due Landlord by Tenant pursuant to Sections 3.5 and 3.6 hereunder. Debt service shall mean the amount paid for allowed loans related only to the Premises and a cumulative return on (but not of) Tenant equity and advances, such return equal to Bank of America's prevailing prime rate + 2% until Tenant transfers its Leasehold Interest. Thereafter, debt service shall include a return on Tenant equity and advances equal to the greater of ten percent (10%) per annum or the coupon interest rate on the first trust deed applicable to the Premises.

In the event that Tenant transfers its interest in this Lease prior to the expiration of the Initial Term to a third party other than to a Tenant Affiliate, and said third party makes the security deposit provided in Section 12.21 hereof, the Participation Rent payable for the period subsequent to close of

such sale shall be equal to 10% of Tenant's net spendable income. "Tenant Affiliate" as utilized in this Lease shall mean (i) any person or party who is a partner of Tenant or a shareholder of a partner of Tenant or (ii) a person or entity as to whom Tenant or any partner of Tenant holds any financial interest whatsoever. A sale to a Tenant Affiliate, other than a financial institution which purchase the leasehold interest pursuant to a preexisting contractual right, shall not so reduce the amount of Participation Rent due and owing to Landlord. Further, during any Option Period hereof, the participation rent payable shall be equal to 10% of Tenant's net spendable income.

3.3 Refinancing Rent. In addition to the minimum annual rent provided for in paragraph 3.1 above and the participation rent provided for in paragraph 3.2 above, Tenant shall pay to Landlord rent equal to 25% of Tenant's "Net Financing Proceeds" derived each time that Tenant refinances its Leasehold Interest by replacing the permanent loan encumbering the Premises with a substitute permanent loan which yields proceeds in excess of all amounts needed to pay off the holders of all existing indebtedness including Tenant's equity and advances. During any Option Period hereof, the refinancing rent payable shall be equal to 10% of Tenant's "Net Refinancing Proceeds." Said refinancing rent shall be due and payable from Tenant to Landlord from the escrow through which any such refinancing is implemented at the office of the Executive Director, Brea Redevelopment Agency, at Number One Civic Center

Circle, City of Brea, California, 92621. Such refinancing rent shall be paid without withhold, abatement, setoff or deduction, except as hereinafter specifically provided.

For the purposes of this Lease, the phrase "Net Financing Proceeds" shall be defined as follows:

"Net Financing Proceeds" means the principal amount of any Financing disbursed to or on behalf of Tenant prior to Disposition of the property less (i) the outstanding principal balance of any allowed Mortgage, (ii) actual out-of-pocket third party closing costs, including but not limited to loan commitment fees, finance fees, brokerage fees, charges, discounts, points, commissions or rebates, (iii) all proceeds of the Financing that will be used to repay any prior Financing made in accordance with this Lease, (iv) all proceeds of the Financing that will be used to make improvements so long as such improvements conform with the provisions of the DDA, and (v) any outstanding Tenant equity and advances together with any accrued interest thereon not previously paid from Financing proceeds. Tenant advances means all unreimbursed cash expenditures made by Tenant related to initial development equity contributions and subsequent equity contributions made to, among other reasons, offset negative operating cash flows or as additional capital expenditures. Tenant's obligation to pay to Landlord refinancing rent shall terminate upon Tenant's sale of its Leasehold Interest to a party other than a Tenant Affiliate, or a Tenant Affiliate which is a

financial institution which purchases the leasehold interest pursuant to a preexisting contractual right..

3.4 Sale Rent. In addition to the minimum annual rent provided for in paragraph 3.1 above, the participation rent provided in paragraph 3.2 above, and the refinancing rent provided for in paragraph 3.3 above, Tenant shall make a one time payment to Landlord equal to 25% of Tenant's "Net Sale Proceeds" derived when Tenant sells the entirety of its Leasehold Interest hereunder to a party other than a Tenant Affiliate or a Tenant Affiliate which is a financial institution which purchases the leasehold interest pursuant to a preexisting contractual right. Said sale rent shall be due and payable from Tenant to Landlord from the escrow through which such sale is consummated, or within 60 days of receipt to the extent received subsequent to close of escrow, at the office of the Executive Director, Brea Redevelopment Agency, at Number One Civic Center Drive, City of Brea, California, 92621. Such sale rent shall be paid without withhold, abatement, setoff or deduction, except as hereinafter specifically provided.

For the purposes of this Lease, the phrase "Net Sale Proceeds" shall be defined as follows:

"Net Sale Proceeds" means the gross amount of consideration received or to be received by Tenant for or on account of any Disposition of the entirety of Tenant's leasehold interest under this Agreement, less (i) the unpaid principal balance of any Financing attributable to the Premises; (ii)

brokerage commissions and customary closing costs provided that the maximum aggregate amount for closing costs and brokerage commissions shall not exceed the actual out-of-pocket costs to Tenant; and (iii) Tenant's equity and advances together with any accrued interest thereon not previously paid from previous financings or project cash flow.

Consideration shall include without limitation, all cash including, but not limited to, retained reserves and security deposits, and the fair market value equivalent in cash of any non-monetary consideration. Absent the agreement of Agency and Tenant, the valuation of any non-monetary consideration shall be made by an independent appraisal, except to the extent that such valuation has been objectively determined upon an arms-length basis between independent parties neither of which is an Affiliate of Developer.

3.5 Accounting for The Purpose of Calculating Rent.

(a) Maintenance of Financial Records. Tenant shall maintain accurate and complete records, in customary form, such that Landlord can determine, upon inspection, the manner, means and supporting data by which Tenant calculates "net spendable income," "net financing proceeds" and "net sale proceeds" hereunder. In that regard, Tenant shall also maintain, and provide to Landlord upon request, accurate records of actual revenues and operating expenses, including but not limited to any outstanding equity capital accounts, together with copies of

RECORDING REQUESTED BY
CONTINENTAL LAWYERS TITLE CO.

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

City of Brea, California
Number One Civic Center Circle
Brea, California 92621
Attn: Elaine Capps, City Clerk

DOC # 94-0158683
04-MAR-1994 03:59 PM

Recorded in Official Records
of Orange County, California
Lee A. Branch, County Recorder
Page 1 of 38 Fees: \$ 0.00
Tax: \$ 0.00

(Space above for Recorder's use)

FREE RECORDING REQUESTED PER CA GOV'T CODE SECTION NO. 6103

AMENDMENT NO. 1 TO
DISPOSITION AND DEVELOPMENT AGREEMENT

By and Between

THE BREA REDEVELOPMENT AGENCY
CITY OF BREA, CALIFORNIA (RECORD OWNER)

and

WATT-CRAIG ASSOCIATES LIMITED PARTNERSHIP,
a California Limited Partnership
and
BAYWOOD HOMES - VICTORIA,
a California general partnership
as the successors to BREA CENTER ASSOCIATES

M 33870-12

3B
R
E

d. Participation Payments.

Developer shall pay to AGENCY after the purchase of the Commercial Center Component payments equivalent to Participation Rent, Refinancing Rent and Sale Rent specified in Sections 3.2, 3.3 and 3.4 of the Agency Lease accruing from and after the closing of such purchase, which sums are to be calculated and paid to AGENCY in accordance with the terms and provisions of Sections 3.2, 3.3, 3.4, 3.5 and 3.6 of the Agency Lease during a period not to exceed the expiration date of the initial term of the Agency Lease. Further in that regard, if and as applied to said participation payments, references to the transfer of Tenant's interest in the Agency Lease in the last subparagraph of Section 3.2 of the Agency Lease, to Tenant's refinancing of its Leasehold Interest in Section 3.3 of the Agency Lease and to Tenant's sale of the entirety of its Leasehold Interest in Section 3.4 of the Agency Lease for purposes of this option such terms shall be deemed to mean DEVELOPER'S transfer of its fee title interest, DEVELOPER'S refinancing of its fee title interest and DEVELOPER'S sale of the entirety of its fee title interest, respectively.

Escrow Effecting Purchase of the Fee Title to the Commercial Center Component.

(i) Within thirty days subsequent to DEVELOPER'S timely and validly exercising the option provided for herein, DEVELOPER and AGENCY shall enter into an escrow with a mutually agreeable escrow company to consummate the sale of fee

RECORDING REQUESTED BY
CONTINENTAL LAWYERS TITLE CO.

RECORDING REQUESTED BY)
AND WHEN RECORDED RETURN TO:)

City of Brea, California)
Number One Civic Center Circle)
Brea, California 92621)
Attn: Elaine Capps, City Clerk)

DOC # 94-0158684
04-MAR-1994 03:59 PM

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AMENDMENT NO. 2 TO
DISPOSITION AND DEVELOPMENT AGREEMENT

By and Between

THE BREA REDEVELOPMENT AGENCY
CITY OF BREA, CALIFORNIA (RECORD OWNER)

and

WATT-CRAIG ASSOCIATES, LTD,
a California Limited Partnership
and
BAYWOOD HOMES - VICTORIA,
a California general partnership
as the successors to BREA CENTER ASSOCIATES

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No. 2A consisting of approximately 18 acres bounded on the south by Imperial Highway, on the east by Brea Boulevard, on the north by Birch Street and on the west by a flood control channel."

2. Purchase Option Price of the Commercial Center Component.

Section 3(c) of the Amendment is hereby revised and replaced with the following:

"The amount to be paid by DEVELOPER to acquire from AGENCY fee title in and to the Commercial Center Component (the 'Fee Purchase') pursuant to the Purchase Option shall be Four Million Five Hundred Fifty Thousand Dollars (\$4,550,000) (the 'Purchase Consideration') payable through the escrow provided for in Section 3(e) of the Amendment."

3. Extension of Participation Rent Payments.

The first sentence of Section 3(d) of the Amendment shall be revised and replaced with the following:

"From and after the closing of the Fee Purchase, DEVELOPER shall pay to AGENCY payments equivalent in amount to the Participation Rent, Refinancing Rent and Sale Rent specified in Sections 3.2, 3.3

and 3.4 of the Agency Lease accruing from and after the closing of such purchase, which sums are to be calculated and paid to AGENCY in accordance with the terms and provisions of Section 3.2, 3.3, 3.4, 3.5 and 3.6 of the Agency Lease during a period (the 'Initial Participation Rent Term') which shall expire on that date fifty-six (56) years after the earlier of (a) that date eighteen (18) months subsequent to the date of the close of the Agency Lease escrow provided for in the DDA or (b) AGENCY's issuance of the final unconditional certificates of completion and the City of Brea's issuance of final unconditional certificates of occupancy for all structures and uses referred to in the Revised Site Map (Attachment No. 2A) and the Scope of Development (Attachment No. 3) except those structures and uses referred to in the Development Agreement as Pads D and E. For a period of five (5) years from and after the expiration of the Initial Participation Rent Term, DEVELOPER shall pay to AGENCY annually payments equivalent to Participation Rent in an amount equal to five percent (5%) of Tenant's net spendable income (as defined in the Agency Lease)."