Ratings: Standard & Poor's: "AA"
Fitch: "AA-"
(See "OTHER MATTERS — Ratings")

New Issue—Book Entry Only

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2011 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2011 Bonds is exempt from State of California personal income taxes. The difference between the issue price of a 2011 Bond (the first price at which a substantial amount of the 2011 Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the 2011 Bond constitutes original issue discount. See "OTHER MATTERS — Tax Matters" herein.

$41,050,000
REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA
Earthquake Recovery Redevelopment Project
2011 Tax Allocation Bonds

Dated: Date of Delivery

Due: July 1, as shown on inside cover

The Redevelopment Agency of the City of Santa Monica (the "Agency") is issuing the bonds captioned above (the "2011 Bonds") pursuant to a Second Supplement to Indenture of Trust dated as of June 1. 2011, supplementing an Indenture of Trust and First Supplement to Indenture of Trust, respectively, each dated as of April 1, 2006, and each by and between the Agency and Union Bank, N.A., as trustee (collectively, the "Indenture"). See "THE 2011 BONDS — Authority for Issuance"

Proceeds of the 2011 Bonds will be used to (i) fund certain costs of the Agency's Santa Monica Earthquake Recovery Redevelopment Project (the "Project Area"), (ii) provide for a debt service reserve for the 2011 Bonds, and (iii) pay the costs of issuing the 2011 Bonds. See "PLAN OF FINANCE."

The 2011 Bonds will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners"), under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of certificates representing their ownership interest in the 2011 Bonds. The principal of, premium if any, and semiannual interest on the 2011 Bonds will be payable by the Trustee to DTC for subsequent disbursement to DTC Participants, so long as DTC or its nominee remains the registered owner of the 2011 Bonds. See APPENDIX F—"Book Entry-Only System."

Interest on the 2011 Bonds is due January 1 and July 1 of each year, commencing July 1, 2011. The 2011 Bonds will be issued in denominations of $5,000 or any integral multiple of $5,000. See "THE 2011 BONDS — Description."

The 2011 Bonds are subject to redemption prior to maturity as described herein. See "THE 2011 BONDS — Redemption."

The 2011 Bonds are secured by and payable from "Tax Revenues" from the Project Area and amounts on deposit in certain funds and accounts established pursuant to the Indenture on a parity with the Agency's 2006A Bonds and 2006B Bonds currently outstanding in the respective principal amounts of $49,945,000 and $4,005,000. Tax Revenues generally consist of tax increment revenues to be derived from the Agency's Project Area, less unsubordinated pass-through obligations to other taxing entities and certain amounts treated as Housing Set-Aside, except to the limited extent described herein. See "SECURITY FOR THE 2011 BONDS." The receipt of Tax Revenues is subject to certain risks and limitations. See "RISK FACTORS" and "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS."

The Indenture authorizes the Agency to incur additional debt secured by Tax Revenues on a parity with the 2006A Bonds, the 2006B Bonds and the 2011 Bonds. See "SECURITY FOR THE 2011 BONDS — Parity Debt."

THE 2011 BONDS ARE NOT A DEBT OF THE CITY OF SANTA MONICA (THE "CITY"), THE STATE OF CALIFORNIA, OR ANY OF THEIR POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY, AND NEITHER THE CITY, THE STATE NOR ANY OF THEIR POLITICAL SUBDIVISIONS, OTHER THAN THE AGENCY, IS LIABLE THEREFOR. THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE 2011 BONDS ARE PAYABLE SOLELY FROM TAX REVENUES ALLOCATED TO THE AGENCY FROM THE PROJECT AREA AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. NEITHER THE OFFICERS OF THE AGENCY OR THE CITY, NOR ANY PERSONS EXECUTING THE 2011 BONDS, ARE LIABLE PERSONALLY ON THE 2011 BONDS BY REASON OF THEIR ISSUANCE.

An investment in the 2011 Bonds involves risk. Potential investors in the Bonds should review the entire Official Statement to evaluate an investment in the Bonds. See "RISK FACTORS" for a discussion of factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds.

This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the 2011 Bonds.

MATURITY SCHEDULE
(See inside front cover)

The 2011 Bonds are offered when, as and if issued and accepted by the Underwriters, subject to approval as to legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and subject to certain other conditions. Stradling Yocca Carlson & Rauth is also serving as Disclosure Counsel for the Agency. Certain legal matters will be passed on for the Agency by Kane, Ballmer & Berkman, Los Angeles, California, and for the Underwriters by Jones Hall, A Professional Law Corporation, San Francisco, California. It is anticipated that the 2011 Bonds, in book-entry form, will be available for delivery to DTC in New York, New York on or about June 7, 2011.

Dated: June 3, 2011

DE LA ROSA & CO.
INVESTMENT BANKERS

WELLS FARGO SECURITIES

$41,050,000
REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA
Earthquake Recovery Redevelopment Project
2011 Tax Allocation Bonds

MATURITY SCHEDULE

$7,105,000 5.000% Term 2011 Bonds due July 1, 2032, Yield 5.05% CUSIP† No. 802447 FB3
$11,390,000 5.875% Term 2011 Bonds due July 1, 2036, Yield 5.31%(C) CUSIP† No. 802447 FC1
$12,600,000 5.875% Term 2011 Bonds due July 1, 2042, Yield 5.36%(C) CUSIP† No. 802447 FD9
$9,955,000 5.000% Term 2011 Bonds due July 1, 2042, Yield 5.36% CUSIP† No. 802447 FE7

(C) Yield to optional redemption date of July 1, 2021.

† Copyright 2011, American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. Neither the Agency or the Underwriters takes any responsibility for the accuracy of such numbers. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2011 Bonds as a result of various subsequent actions, including but not limited to a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2011 Bonds.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA

AGENCY/CITY COUNCIL MEMBERS

Richard Bloom, *Agency Chair, Mayor*
Gleam Davis, *Agency Vice Chair, Mayor Pro-Tempore*
Robert Holbrook, *Agency Member, Council Member*
Kevin McKeown, *Agency Member, Council Member*
Pam O'Connor, *Agency Member, Council Member*
Terry O'Day, *Agency Member, Council Member*
Bobby Shriver, *Agency Member, Council Member*

ADMINISTRATIVE OFFICIALS

Rod Gould, *Agency Executive Director/City Manager*
Carol Swindell, *Agency Treasurer/Director of Finance*
Andy Agle, *Director of Housing and Economic Development*
Marsha Jones Moutrie, *Agency General Counsel/City Attorney*

SPECIAL SERVICES

Agency Counsel
Kane, Ballmer & Berkman
Los Angeles, California

Financial Advisor
Public Resources Advisory Group
Los Angeles, California

Bond Counsel and Disclosure Counsel
Stradling Yocca Carlson & Rauth
a Professional Corporation
Newport Beach, California

Fiscal Consultant
HdL Coren & Cone
Diamond Bar, California

Trustee
Union Bank, N.A.
(formerly known as Union Bank of California, N.A.)
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the Agency to give any information or to make any representations with respect to the 2011 Bonds other than as contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been given or authorized by the Agency or the Underwriters.

This Official Statement is submitted in connection with the sale of the 2011 Bonds described herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement does not constitute a contract between any 2011 Bond owner and the Agency or the Underwriters.

The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2011 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Agency, the other parties described in this Official Statement, since the date of this Official Statement.

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

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

All summaries of the Indenture or other documents contained in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all such provisions. All references in this Official Statement to the Indenture and such other documents are qualified in their entirety by reference to such documents, which are on file with the Agency.

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

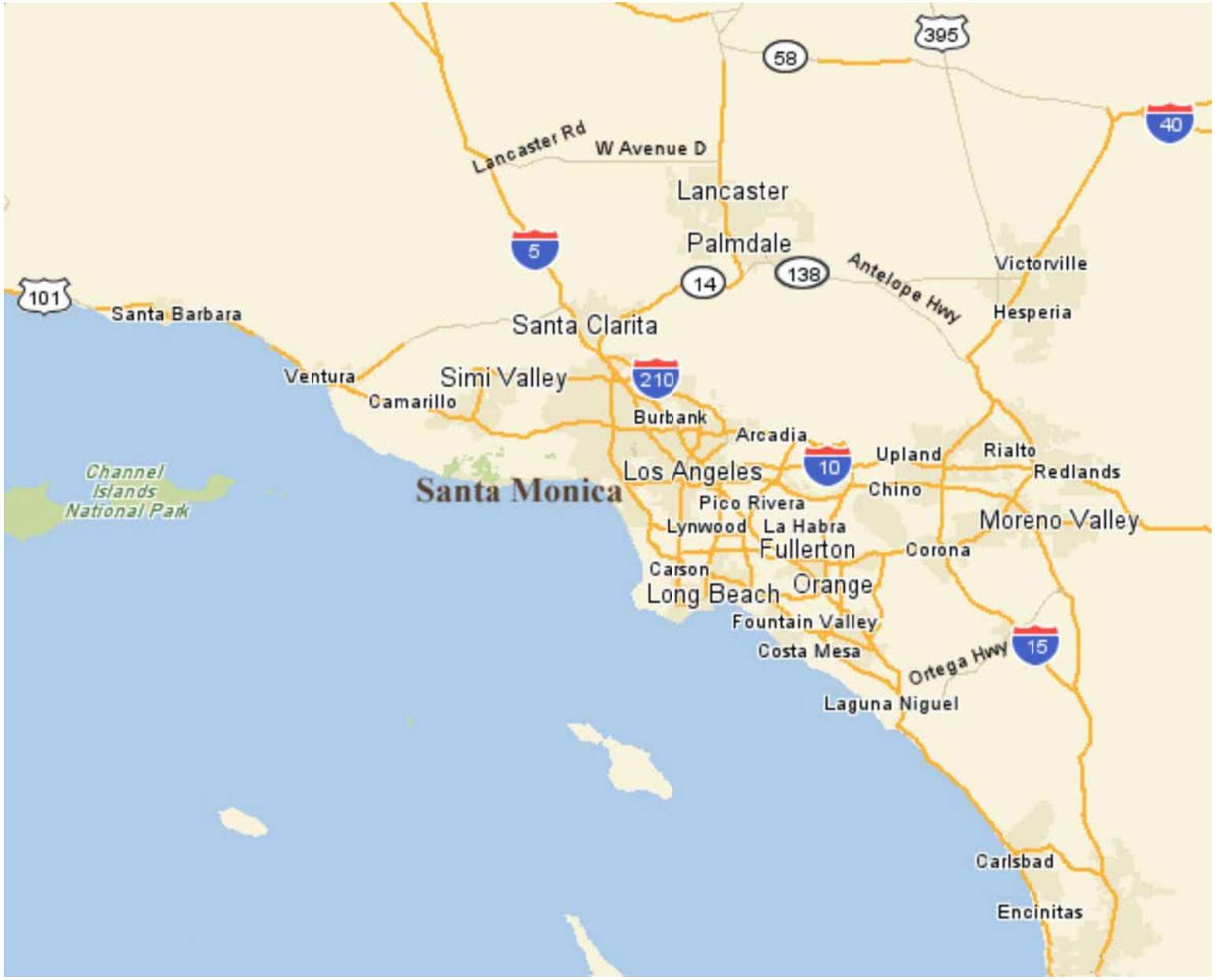
The issuance and sale of the 2011 Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

The Underwriters may offer and sell the 2011 Bonds to certain dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and the Underwriters may change those public offering prices from time to time.

The Agency and the City maintain a website. However, the information presented therein is not a part of this Official Statement and must not be relied upon in making an investment decision with respect to the 2011 Bonds.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR AFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2011 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

City of Santa Monica



Source: Mapquest.

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$41,050,000
REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA
Earthquake Recovery Redevelopment Project
2011 Tax Allocation Bonds

INTRODUCTION

This Official Statement, including the cover page, inside cover page, and appendices, is provided to furnish information in connection with the sale by the Redevelopment Agency of the City of Santa Monica (the "Agency") of the bonds captioned above (the "2011 Bonds"). This Introduction contains a brief summary of certain information contained in this Official Statement. It is not intended to be complete and is qualified by the more detailed information contained elsewhere in this Official Statement. Definitions of certain terms used in this Official Statement are set forth in APPENDIX A — "Summary of Certain Provisions of the Indenture."

The City

The City of Santa Monica, California (the "City"), is located in the western portion of Los Angeles County (the "County"), bordered by the City of Los Angeles on three sides and by the Pacific Ocean to the west. The City encompasses an area slightly greater than eight square miles and has an estimated population of 92,703 persons as of January 1, 2010. The City was incorporated as a general law city in 1886 and became a charter city in 1945. For certain information regarding the City, see APPENDIX B — "Santa Monica General Information."

The Agency

The Agency is a redevelopment agency existing under the Community Redevelopment Law of the State of California (the "State"), constituting Part 1 of Division 24 (commencing with Section 33000) of the California Health and Safety Code, as amended (the "Redevelopment Law"). The Agency was activated on August 13, 1957 by an ordinance of the City Council, at which time the City Council declared itself to be the governing board of the Agency. See "THE AGENCY."

The Project Area

The Santa Monica Earthquake Recovery Redevelopment Project (the "Project Area") encompasses approximately 2.89 square miles or 34.8% of the City's total land area. The Project Area is almost entirely developed, with use (based on fiscal year 2010-11 assessed value inclusive of unsecured values) primarily characterized as commercial (48.47%), residential (39.61%) and industrial (2.64%).

The Project Area was formed after the 1994 Northridge Earthquake to assist in the maintenance, repair, restoration, demolition or replacement of property in the City as a result of the earthquake pursuant to the Redevelopment Law, as then constituted, the Community Redevelopment Financial Assistance and Disaster Project Law, as then constituted (Health & Safety Code Sections 34000 *et seq.*, the "Disaster Project Law"), the California Constitution, and all applicable local codes and ordinances.

See "THE EARTHQUAKE RECOVERY REDEVELOPMENT PROJECT" for additional information on land use and property ownership within the Project Area.

Authority for Issuance

The 2011 Bonds are being issued under the Redevelopment Law and pursuant to an Indenture of Trust as supplemented by a First Supplement to Indenture of Trust, each dated as of April 1, 2006, and a Second Supplement to Indenture of Trust dated as of June 1. 2011 (collectively and as further amended or

supplemented from time to time, the "Indenture"), each by and between the Agency and Union Bank, N.A., (formerly known as Union Bank of California, N.A.) Los Angeles, California, as trustee (the "Trustee").

See "THE 2011 BONDS — Authority for Issuance."

Financing Purpose

Proceeds of the 2011 Bonds will be used for the following purposes: (i) to pay Agency costs of redevelopment activities in or of benefit to the Agency's Earthquake Recovery Redevelopment Project; (ii) to provide for a debt service reserve for the 2011 Bonds; and (iii) to pay the costs of issuing the 2011 Bonds. See "PLAN OF FINANCE."

Pledge of Tax Revenues

The 2011 Bonds are payable from and secured by Tax Revenues (as defined below), generally consisting of a portion of the tax increment eligible for allocation to the Agency pursuant to the Redevelopment Law from the Project Area. The pledge of Tax Revenues securing the 2011 Bonds is on a parity with the pledge of Tax Revenues securing the 2006 Bonds (defined below).

Tax increment that the Agency is obligated to deposit into its Low and Moderate Income Housing Fund (the "Housing Set-Aside") is included in the definition of Tax Revenues for the purpose of paying a portion of the debt service on the 2006 Bonds (see "THE EARTHQUAKE RECOVERY REDEVELOPMENT PROJECT — Low and Moderate Income Housing") and a portion of the debt service on any Parity Debt to the extent proceeds of the 2006 Bonds and Parity Debt are applied for eligible Housing Set-Aside purposes. The Agency has used the Housing Set-Aside portion of Tax Revenues to pay 20% of the debt service on the 2006 Bonds.

Tax Revenues do not include amounts that the Agency is obligated to pay to other taxing agencies pursuant to statutory pass-through obligations established by the Redevelopment Law. See "THE EARTHQUAKE RECOVERY REDEVELOPMENT PROJECT — Statutory Pass Through Requirements".

Outstanding Parity Debt

The 2011 Bonds are issued on a parity with the Agency's Earthquake Recovery Redevelopment Project, 2006 Tax Allocation Refunding Bonds, Series A (the "2006A Bonds") originally issued in the principal amount of $49,945,000 and the Agency's Earthquake Redevelopment Project, 2006 Taxable Tax Allocation Refunding Bonds, Series B (the "2006B Bonds" and collectively with the 2006A Bonds, the "2006 Bonds") originally issued in the aggregate principal amount of $14,775,000. The 2006 Series A Bonds are currently outstanding in the principal amount of $49,945,000 and the 2006 Series B Bonds, as of the date of issuance of the 2011 Bonds will be currently outstanding in the principal amount of $4,005,000.

Additional Parity Debt

The Indenture permits the Agency to issue additional bonds payable from Tax Revenues on a parity basis to the 2006 Bonds and the 2011 Bonds. See "SECURITY FOR THE 2011 BONDS — Parity Debt." The 2006 Bonds, the 2011 Bonds and future "Parity Debt" (defined below) issued under the terms of the Indenture are collectively referred to in this Official Statement as the "Bonds."

Fiscal Consultant's Report

HdL Coren & Cone, Diamond Bar, California (the "Fiscal Consultant") has been retained to prepare a report dated May 25, 2011 (the "Fiscal Consultant's Report") for the Bonds. See APPENDIX G—"Fiscal Consultant's Report."

Possible Risk Factors

Any future decrease in the taxable valuation in the Project Area or in the applicable tax rates could reduce the Tax Revenues allocated to the Agency and correspondingly could have an adverse impact on the ability of the Agency to pay debt service on the 2011 Bonds. Currently pending legislation related to the Governor's proposed 2011-12 budget would eliminate redevelopment agencies and alter the mechanism by which Tax Revenues would be made available to pay debt service on the 2011 Bonds. See "RISK FACTORS—Governor's Proposal to Eliminate Redevelopment."

Changes Since Preliminary Official Statement

This Official Statement contains certain changes since the date of the Preliminary Official Statement to the form of the Agency's Continuing Disclosure Certificate to make it consistent with the Agency's existing obligations under its continuing disclosure undertaking with respect to the 2006 Bonds. See caption "OTHER MATTERS—Continuing Disclosure" and APPENDIX E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

PLAN OF FINANCE

The 2011 Bonds are being issued primarily to pay the cost of redevelopment activities of the Agency in or of benefit to the Project Area. Proceeds of the 2011 Bonds will also be used to provide for a debt service reserve account for the 2011 Bonds and pay the costs of issuing the 2011 Bonds.

Plan of Finance

Proceeds from the sale of the 2011 Bonds are required under the Indenture to be used by the Agency in the manner provided by the Redevelopment Law solely for the purpose of aiding in the financing of the Redevelopment Project. The Agency expects to finance redevelopment activities within or benefiting the Project Area. Priority projects which may be funded include projects identified in the Agency's Master Cooperation Agreement dated as of September 1, 2010 and related Implementation Agreements each by and between the Agency and the City. See "THE AGENCY—Outstanding Agency Debt—*City Obligation*" herein. The Agency (or the City, pursuant to the Master Cooperation Agreement and the Implementation Agreements) expects to apply 2011 Bond proceeds to fund projects which include the following priority projects, among others: affordable housing, civic center public improvement planning and design, Colorado Esplanade, Expo Green Streets and Pathways, Expo Light Rail Station improvements, Parking Structure improvements, Palisades Garden Walk, Santa Monica Pier infrastructure improvements, civic center joint use project funding including funding with the Santa Monica-Malibu Unified School District, fire station improvements and traffic signal master plan projects.

Estimated Sources and Uses of Funds

The anticipated sources and uses of funds relating to the 2011 Bonds are as follows:

SOURCES OF FUNDS	
Principal Amount	$ 41,050,000.00
Plus: Net Original Issue Premium	409,673.80
Less: Underwriters' Discount	(221,131.50)
Total Sources of Funds	$ 41,238,542.30
USES OF FUNDS	
Costs of Issuance Fund [1]	$ 250,000.00
Redevelopment Fund [2]	38,726,129.80
2011 Reserve Account	2,262,412.50
Total Uses of Funds	$ 41,238,542.30

(1) Represents the costs of issuing the 2011 Bonds, Trustee fees, Bond Counsel and Disclosure Counsel fees and expenses, Agency Counsel fees, Financial Advisor fees and expenses, fiscal consultant fees and expenses, printing costs, rating agency fees and other related costs.

(2) To be transferred to the Agency for deposit in the Redevelopment Fund.

THE 2011 BONDS

Authority for Issuance

The 2011 Bonds are being issued pursuant to the Redevelopment Law, the Indenture, a resolution of the Agency adopted on May 24, 2011, and a resolution of the City adopted on May 24, 2011. The 2011 Bonds will initially be sold to the Santa Monica Public Financing Authority, which will immediately sell the 2011 Bonds to the Underwriters.

Description

The 2011 Bonds will be dated their date of delivery (the "Closing Date"), will be issued as fully registered bonds in denominations of $5,000 or any integral multiple of $5,000, and will mature in the amounts and on the dates as set forth on the inside cover of this Official Statement.

Interest on the 2011 Bonds will be payable semiannually on January 1 and July 1 of each year (each, an "Interest Payment Date"), commencing July 1, 2011.

Interest due on the 2011 Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months at the respective rates per annum, as set forth on the inside cover page of this Official Statement. Interest on the 2011 Bonds will be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a 2011 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 shall bear interest from such Interest Payment Date, (ii) a 2011 Bond is authenticated on or before the first Record Date, in which event interest thereon shall be payable from the Closing Date, or (iii) interest on any 2011 Bond is in default as of the date of authentication thereof, in which event interest thereon shall be payable from the date to which interest has been paid in full, payable on each Interest Payment Date. A "Record Date" means, with respect to any Interest Payment Date, the 15th calendar day of the month immediately preceding such Interest Payment Date, whether or not such day is a Business Day.

Payment of interest on the 2011 Bonds is payable in lawful money of the United States of America on each appropriate Interest Payment Date to the registered owner thereof according to the registration books of the Trustee (the "Owner") as of the close of business on the Record Date.

DTC will act as securities depository for the 2011 Bonds. The 2011 Bonds will be executed and delivered as fully-registered securities registered initially in the name of Cede & Co. (DTC's partnership nominee). So long as Cede & Co. is the registered owner of the 2011 Bonds, as nominee of DTC, references in this Official Statement to the "Owners" will mean Cede & Co., and will not mean the Beneficial Owners of the 2011 Bonds. See APPENDIX F—"Book Entry-Only System."

Principal of and, premium, if any, and interest on the 2011 Bonds are payable directly to DTC by the Trustee in lawful money of the United States of America. Upon receipt of payments of principal, premium or interest, DTC is to remit such principal, premium or interest to the "DTC Participants" (as defined in Appendix F) for subsequent disbursement to the Beneficial Owners of the 2011 Bonds. See APPENDIX F — "Book Entry-Only System."

Redemption

Optional Redemption. The 2011 Bonds maturing on or before July 1, 2021, are not subject to optional redemption prior to maturity.

The 2011 Bonds maturing on and after July 1, 2022, are subject to redemption in whole, or in part among maturities on such basis as shall be designated in a Request of the Agency filed with the Trustee, and in any case by lot within a maturity, on any date on or after July 1, 2021, at the option of the Agency from any available source of funds, at a redemption price equal to the principal amount of the 2011 Bonds to be redeemed plus accrued interest thereon to the redemption date, without premium.

Mandatory Sinking Fund Redemption. The 2011 Bonds maturing July 1 in each of the years 2032, 2036, 2042 (bearing interest at 5.875%) and 2042 (bearing interest at 5.000%) shall be subject to mandatory sinking fund redemption in part by lot on July 1, 2030, July 1, 2033, July 1, 2037 and July 1, 2037, respectively, and on July 1 in each year thereafter, from Sinking Account payments made by the Agency, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof shall be purchased by the Agency as described below, in the aggregate respective principal amounts and on the dates as set forth in the following table (provided, however, that if some but not all of such 2011 Bonds have been redeemed, the total amount of all future Sinking Account payments attributable to such 2011 Bonds shall be reduced by the aggregate principal amount of such 2011 Bonds so redeemed, to be allocated among such Sinking Account payments on a pro rata basis, or on such other basis, in integral multiples of $5,000 as determined by the Agency (written notice of which determination shall be given by the Agency to the Trustee)):

Term 2011 Bond Maturing on July 1, 2032

Sinking Account Redemption Date (July 1)	***Principal Amount To Be Redeemed or Purchased***
2030	$2,255,000
2031	2,365,000
2032†	2,485,000

† Maturity.

Term 2011 Bond Maturing on July 1, 2036

Sinking Account Redemption Date (July 1)	*Principal Amount To Be Redeemed or Purchased*
2033	$2,610,000
2034	2,760,000
2035	2,925,000
2036†	3,095,000

† Maturity.

Term 2011 Bond Maturing on July 1, 2042 (bearing interest at 5.875%)

Sinking Account Redemption Date (July 1)	*Principal Amount To Be Redeemed or Purchased*
2037	$1,830,000
2038	1,930,000
2039	2,035,000
2040	2,150,000
2041	2,265,000
2042†	2,390,000

† Maturity.

Term 2011 Bond Maturing on July 1, 2042 (bearing interest at 5.000%)

Sinking Account Redemption Date (July 1)	*Principal Amount To Be Redeemed or Purchased*
2037	$1,445,000
2038	1,525,000
2039	1,610,000
2040	1,695,000
2041	1,790,000
2042†	1,890,000

† Maturity.

In lieu of mandatory sinking fund redemption of any 2011 Bonds, amounts on deposit in the Special Fund may also be used and withdrawn by the Agency at any time for the purchase of such 2011 Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Agency may in its discretion determine. The par amount of any of the 2011 Bonds so purchased by the Agency in any twelve-month period ending on January 1 in any year shall be credited towards and shall reduce the par amount of such 2011 Bonds required to be redeemed on July 1 in such year.

Notice of Redemption. The Trustee on behalf and at the expense of the Agency will mail (by first class mail) notice of any redemption to the respective Owners of any 2011 Bonds designated for redemption at their respective addresses appearing on the Registration Books, 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 2011 Bonds or the cessation of the accrual of interest thereon. Such notice will state the date of the notice, the redemption date, the redemption place and the redemption price and will designate the CUSIP numbers, the individual number of each 2011 Bond to be redeemed or state that all 2011 Bonds between two stated numbers (both inclusive)

have been called unless all 2011 Bonds within a maturity have been called, or will state that all of the 2011 Bonds Outstanding of one or more maturities and Series are to be redeemed, and will require that such 2011 Bonds be then surrendered at the office of the Trustee for redemption at the redemption price, giving notice also that further interest on such 2011 Bonds will not accrue from and after the redemption date.

Rescission of Notice of Redemption. The Agency has the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. A notice of optional redemption will be canceled and annulled if for any reason funds will not be or are not available on the proposed redemption date, and a cancellation will not constitute an Event of Default under the Indenture. The Agency and the Trustee will have no liability to the Owners or any other party related to or arising from a rescission of redemption. The Trustee will mail notice of a rescission of redemption in the same manner as the original notice of redemption was sent.

Selection of 2011 Bonds for Redemption. Whenever any 2011 Bonds or portions thereof are to be selected for redemption by lot, the Trustee will make such selection, in such manner as the Trustee shall deem fair and appropriate. For purposes of such selection, all 2011 Bonds shall be deemed to be comprised of separate $5,000 denominations and such separate denominations shall be treated as separate 2011 Bonds which may be separately redeemed.

Transfer and Exchange

The 2011 Bonds will be initially delivered only in book-entry form. So long as the book-entry system is in effect with respect to the 2011 Bonds, transfer and exchange of 2011 Bonds will be made in accordance with book-entry procedures. See APPENDIX F — "Book Entry-Only System" below.

The Trustee shall maintain at its principal corporate trust office books for the registration, exchange and transfer of the 2011 Bonds. In the event of discontinuance of the Book-Entry System, any 2011 Bond may, in accordance with its terms, be transferred, upon said registration books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such 2011 Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed and meeting the other requirements of the Indenture.

Debt Service Schedule

Scheduled debt service on the 2011 Bonds and the 2006 Bonds, without regard to any optional redemption, is shown in the following table:

TABLE 1
Debt Service Schedules
(000's omitted)

Year Ending July 1	*2006 Bonds Principal*[1]	*2006 Bonds Interest*[1]	*2006 Bonds Total*[1]	*2011 Bonds Principal*	*2011 Bonds Interest*	*2011 Bonds Total*	*Bonds Aggregate Total*
2011	$ 1,900	$ 2,552	$4,452	$ -	$ 151	$ 151	$ 4,603
2012	2,005	2,448	4,453	-	2,262	2,262	6,715
2013	2,115	2,337	4,452	-	2,262	2,262	6,715
2014	2,225	2,223	4,448	-	2,262	2,262	6,710
2015	2,320	2,134	4,454	-	2,262	2,262	6,716
2016	2,415	2,035	4,450	-	2,262	2,262	6,713
2017	2,520	1,932	4,452	-	2,262	2,262	6,715
2018	2,625	1,827	4,452	-	2,262	2,262	6,714
2019	2,730	1,715	4,445	-	2,262	2,262	6,707
2020	2,855	1,598	4,453	-	2,262	2,262	6,715
2021	2,975	1,473	4,448	-	2,262	2,262	6,710
2022	3,110	1,342	4,452	-	2,262	2,262	6,714
2023	3,245	1,202	4,447	-	2,262	2,262	6,709
2024	3,390	1,056	4,446	-	2,262	2,262	6,708
2025	3,545	903	4,448	-	2,262	2,262	6,711
2026	3,705	744	4,449	-	2,262	2,262	6,711
2027	3,870	577	4,447	-	2,262	2,262	6,709
2028	4,050	399	4,449	-	2,262	2,262	6,711
2029	4,250	197	4,447	-	2,262	2,262	6,709
2030	-	-	-	2,255	2,262	4,517	4,517
2031	-	-	-	2,365	2,150	4,515	4,515
2032	-	-	-	2,485	2,031	4,516	4,516
2033	-	-	-	2,610	1,907	4,517	4,517
2034	-	-	-	2,760	1,754	4,514	4,514
2035	-	-	-	2,925	1,592	4,517	4,517
2036	-	-	-	3,095	1,420	4,515	4,515
2037	-	-	-	3,275	1,238	4,513	4,513
2038	-	-	-	3,455	1,058	4,513	4,513
2039	-	-	-	3,645	869	4,514	4,514
2040	-	-	-	3,845	669	4,514	4,514
2041	-	-	-	4,055	457	4,512	4,512
2042	-	-	-	4,280	235	4,515	4,515

[1] The Agency has defeased the $1,900,000 principal (and related interest) on the 2006B Bonds maturing on July 1, 2011.

SECURITY FOR THE 2011 BONDS

Tax Allocation Financing

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

See APPENDIX G — "Fiscal Consultant Report" for more information about applicable tax rates in the Project Area.

Tax Revenues

General. As provided in the redevelopment plan for the Project Area (the "Redevelopment Plan"), and pursuant to Article 6 of Chapter 6 of the Redevelopment Law (commencing with Section 33670 of the California Health and Safety Code) and Section 16 of Article XVI of the Constitution of the State of California, taxes levied upon taxable property in a redevelopment project area each year by or for the benefit of the State of California and any city, county, city and county, district or other public corporation (collectively referred to as "taxing agencies") for each fiscal year beginning after the effective dates of the ordinance approving the original redevelopment plan for the redevelopment project area, are divided as follows:

1. To other taxing agencies: That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the redevelopment project area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to the establishment of the redevelopment project area (the "Base Year Amount") will be allocated to and when collected will be paid into the funds of the respective taxing agencies in the same manner as taxes by or for the taxing agencies on all other property are paid; and

2. To the Agency: Except for taxes which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues to repay bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989, which will be allocated to and when collected will be paid to the respective taxing agency that portion of the levied taxes each year in excess of the Base Year Amount will be paid into a special fund of the Agency to pay the principal of and interest on bonds, loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed, or otherwise) incurred by the Agency to finance or refinance, in whole or in part, the redevelopment project area.

When all bonds, loans, advances, and indebtedness, if any, and interest thereon, have been paid, all moneys thereafter received from taxes upon the taxable property in the redevelopment project area is paid into the funds of the respective taxing agencies as taxes on all other property are paid.

Definition. The term "Tax Revenues" is defined in the Indenture to mean all taxes annually allocated to the Agency with respect to the Project Area following the Closing Date, pursuant to 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 and as provided in the Redevelopment Plan, including all other payments, subventions and reimbursements (if any) to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations (but excluding payments to the Agency with respect to personal property within the Project Area pursuant to Section 16110, *et seq.*, of the Government Code of the State of California); provided, however, that Tax Revenues shall not include (a) all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year pursuant to Section 33334.3 of the Redevelopment Law, except to the extent permitted under the Redevelopment Law to be applied to the payment of the principal of and interest and premium (if any) on the 2006 Bonds, the 2011 Bonds or any Parity Debt and (b) amounts payable by the Agency pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law, to the extent not subordinated to the payment of principal of and interest and prepayment premium (if any) on the 2011 Bonds or any Parity Debt. See "THE EARTHQUAKE RECOVERY REDEVELOPMENT PROJECT — Low and Moderate Income Housing" herein:

The Agency is subject to a number of statutory pass-through obligations that are payable from tax increment revenue prior to the calculation of Tax Revenues and are accordingly paid from tax increment prior

to the payment of debt service on the Bonds. See "THE EARTHQUAKE RECOVERY REDEVELOPMENT PROJECT — Statutory Pass-Through Requirements".

The Agency's ability to collect tax increment and pay debt service is constrained by limitations set forth in the Redevelopment Plan. See "THE EARTHQUAKE RECOVERY REDEVELOPMENT PROJECT — Redevelopment Plan Limitations."

See "RISK FACTORS" and "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS" below for information about various factors that could impact the availability of Tax Revenues.

Pledge of Tax Revenues

The 2011 Bonds and any additional obligations payable from Tax Revenues on a parity with the 2011 Bonds, including the 2006 Bonds ("Parity Debt") are secured by a first pledge of, security interest in and lien on the Tax Revenues. A special fund known as the "Special Fund," which is held by the Agency, was previously established for the Bonds under the Indenture. The Agency will deposit all of the Tax Revenues from the Project Area received in any Bond Year in the Special Fund promptly upon receipt by the Agency. Amounts in the Special Fund will be used to first pay the amounts due with respect to the 2006 Bonds, the 2011 Bonds and any additional Parity Debt. Amounts in the Special Fund are also to be used to replenish the Reserve Account (described below).

Tax Revenues received during a Bond Year in excess of the amounts required to be paid for such purposes are released from the pledge and lien of the Indenture and may be used for any lawful purpose of the Agency.

Reserve Account

A special account known as the "Reserve Account", which is held in trust by the Trustee, was previously established for the Bonds together with subaccounts for each series of 2006 Bonds, and separate subaccounts are established under the Indenture for the 2011 Bonds and any Parity Debt. The amounts on deposit in subaccounts of the Reserve Account related to the 2006 Bonds secure only the 2006 Bonds and do not secure any other Bonds. The amounts on deposit in the subaccount established for the 2011 Bonds will secure only the 2011 Bonds and not any other Bonds. The amount on deposit in the Reserve Account shall be maintained at the Reserve Requirement in accordance with the terms of the Indenture. The term "Reserve Requirement" is defined in the Indenture to mean, as of the date of any calculation, the lesser of (a) Maximum Annual Debt Service or (b) the maximum amount permitted to be deposited in the Reserve Account under the Internal Revenue Code of 1986, as certified to the Trustee by the Agency provided, for purposes of the issuance of Parity Debt under the Indenture (including the 2011 Bonds), during such time as the 2006 Reserve Fund Policy is in effect and no default exists thereunder, it shall be sufficient for purposes of compliance with the Parity Debt provisions of the Indenture that a Reserve Account shall be funded in an amount equal to the Reserve Requirement, treating for this purpose the portion of the Reserve Requirement allocable to the 2006A Bonds and 2006B Bonds (and represented by and available to be claimed under the 2006 Reserve Fund Policy described below) as fully allocable to the Reserve Requirement without regard to whether the Parity Debt is scheduled to be Outstanding for a term beyond the term of the 2006 Bonds and the 2006 Reserve Fund Policy, subject to the provisions of the Reserve Account provisions of the Indenture requiring the Agency to take certain actions upon the expiration or default with respect to any Qualified Reserve Account Credit Instrument.. The term "Maximum Annual Debt Service" is defined in the Indenture to mean, as of the date of calculation, the largest aggregate amount of scheduled debt service for the current or any future Bond Year payable on the 2006 Bonds, the 2011 Bonds and any additional Parity Debt in such Bond Year. For purposes of such calculation, there are excluded (i) interest on any Parity Debt which is to be paid from amounts constituting capitalized interest and (ii) payments with respect to any Parity Debt to the extent that the proceeds of such Parity Debt are deposited in an escrow fund from which amounts may not be released to the

Agency unless the Tax Revenues for the current Fiscal Year (as evidenced in the written records of the County) are at least equal to one hundred twenty five percent (125%) of the amount of Maximum Annual Debt Service. Currently, the 2006 Bonds are secured by a Municipal Bond Debt Service Reserve Fund Policy (the "2006 Reserve Fund Policy") issued by Financial Guaranty Insurance Corporation ("FGIC" or the "2006 Insurer") in the maximum amount of $4,453,693.76. At closing, $2,262,412.50 will be deposited into the 2011 Subaccount of the Reserve Account for the 2011 Bonds, which, together with the 2006 Reserve Policy, will equal the Reserve Requirement. See APPENDIX A—"Summary of Certain Provisions of the Indenture—Definitions—Reserve Requirement." Upon the final maturity of the 2006 Bonds in 2029, and the expiration of the 2006 Reserve Fund Policy, the amount required to maintain the 2011 Bonds Reserve Account at the Reserve Requirement will increase from the initially funded amount to $4,105,000. Pursuant to the Indenture the Agency will be obligated at that time to deposit or cause to be deposited an amount of funds equal to the Reserve Requirement, to be derived from the first available Tax Revenues.

The Agency has the right at any time to direct the Trustee to release funds from the Reserve Account, in whole or in part, by tendering a Qualified Reserve Account Credit Instrument to the Trustee. See APPENDIX A — "Summary of Certain Provisions of the Indenture." The 2006 Reserve Fund Policy has been reinsured by National Public Finance Guarantee Corp., formerly MBIA Insurance Corp. of Illinois ("NPFGC"). According to a posting on the FGIC website dated August 4, 2010, FGIC Corporation, the parent company of FGIC, has filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. Such posting also states that none of its subsidiaries or affiliates, including FGIC, is part of the Chapter 11 filing. According to a posting on the FGIC website dated December 2, 2010, investors holding securities guaranteed by FGIC have formed a policyholder group to negotiate a proposed restructuring plan with FGIC. Information set forth on either of such websites is not incorporated herein by reference. In the event that the 2006 Reserve Fund Policy were to be terminated or discharged in a bankruptcy proceeding, the Agency would be required to deposit available Tax Revenues to the 2006 Bonds subaccount of the Reserve Account in an amount that would bring the funds on deposit in the Reserve Account up to the Reserve Requirement.

Parity Debt

The 2011 Bonds have been issued as Parity Debt under the Indenture. The Indenture provides that, in addition to the 2006 Bonds and the 2011 Bonds, the Agency may issue or incur additional Parity Debt in such principal amount as determined by the Agency. The Agency may issue or incur such Parity Debt subject to specific conditions precedent, including the following:

(a) The Tax Revenues estimated to be received for the then current Bond Year, based on the assessed value of property within the Project Area as set forth in the written records of the County, plus (at the option of the Agency) the Additional Revenues, shall be at least equal to 125% of Maximum Annual Debt Service on all Bonds which will be Outstanding immediately following the issuance of such Parity Debt. For purposes of computing the amount of Tax Revenues, the following requirements will be observed:

(i) Tax Revenues will be calculated on the basis of a tax rate of $1.00 per $100 of assessed value and will not include the amounts of any State tax subventions;

(ii) the amount of Tax Revenues will be the amount received in the most recent Fiscal Year (which may be the then-current Fiscal Year) for which records are available from the County establishing the assessed valuations of property in the Project Area;

(iii) The Indenture defines "Additional Revenues" to mean, as of the date of calculation, the amount of Tax Revenues which, as shown in the Report of an Independent Fiscal Consultant, are estimated to be receivable by the Agency within the Fiscal Year following the Fiscal Year in which such calculation is made as a result of increases in the assessed valuation of taxable property in the Project Area due to the completion of construction which is not then reflected on the tax rolls, or due

to transfer of ownership or any other interest in real property which has been recorded but which is not then reflected on the tax rolls.

(b) The Parity Debt Instrument providing for the issuance of such Parity Debt will provide for the deposit into the Reserve Account of an amount required to cause the balance therein to equal the full amount of the Reserve Requirement as determined for the purposes of Parity Debt, which deposit will be made concurrently with the issuance of such Parity Debt and may be in whole or in part in the form of a Qualified Reserve Account Credit Instrument. See "SECURITY FOR THE 2011 BONDS—Reserve Account" above.

(c) The proceeds of such Parity Debt may be deposited into an escrow fund from which amounts may not be released to the Agency unless and until the Tax Revenues (as evidenced in the written records of the County) at least equal 125% of the amount of Maximum Annual Debt Service. See APPENDIX A — "Summary of Certain Provisions of the Indenture."

The Project Area currently has a limit on bonded indebtedness that can be Outstanding at any one time of $95,000,000 principal amount. As of the date of issuance of the 2011 Bonds, $95,000,000 in Bonds will be Outstanding. See "THE EARTHQUAKE RECOVERY REDEVELOPMENT PROJECT — Redevelopment Plan Limitations" herein.

THE AGENCY

Agency Existence and Personnel

The Agency was established by the Santa Monica City Council on August 13, 1957 pursuant to the Redevelopment Law. With the approval of the Council, the Mayor appointed the original five members of the Agency simultaneously with its creation. Appointive members continued to serve until May 1972 when the Council, pursuant to Section 33200 of the Redevelopment Law, declared itself to be the Agency and assumed all the rights, powers, duties, privileges and immunities vested in the Agency. The purpose of the Agency is to eliminate blight and to promote economic revitalization within designated project areas of the City.

The Agency has three project areas other than the Project Area: the Downtown Redevelopment Project Area, Ocean Park Redevelopment Project Area 1A and Ocean Park Redevelopment Project Area 1B.

The members of the City Council of the City serve as the governing body of the Agency and exercise all rights, powers, duties and privileges of the Agency.

Members of the Agency and their terms of office are shown below:

Member	***Term Expires***
Richard Bloom, *Agency Chair*	November 2012
Gleam Davis, *Agency Vice Chair*	November 2012
Robert Holbrook, *Member*	November 2014
Kevin McKeown, *Member*	November 2014
Pam O'Connor, *Member*	November 2014
Terry O'Day, *Member*	November 2012
Bobby Shriver, *Member*	November 2012

The Agency has entered into various agreements with the City for financial assistance and services, facilities and personnel support. The Agency reimburses the City for all such services performed on its behalf in amounts equal to the gross salary and employee fringe benefits for all City employees used by the Agency, plus an allocation of overhead costs.

Agency Powers and Duties

Redevelopment in the State of California is carried out pursuant to the Redevelopment Law. Section 33020 of the Redevelopment Law defines redevelopment as the planning, development, replanning, redesign, clearance, reconstruction or rehabilitation, or any combination of these, of all or part of a survey area and the provision of such residential, commercial, industrial, public or other structures or spaces as may be appropriate or necessary in the interest of the general welfare, including recreational and other facilities incidental or appurtenant to them.

All powers of the Agency are vested in its seven members. The Agency exercises governmental functions in carrying out projects and has authority to acquire, develop, administer and sell or lease property, including the right to acquire property, to issue bonds and expend their proceeds.

The Agency is authorized to clear buildings and other improvements, develop as a building site any real property owned or acquired, and in connection with such development, cause streets, highways, and sidewalks to be constructed or reconstructed and public utilities to be installed.

The Agency may, out of the funds available to it for such purposes, pay for all or part of the value of the land and the cost of buildings, facilities, structures or other improvements to be publicly owned and operated to the extent that such improvements are of benefit to the project area and no other reasonable means of financing is available and subject to certain other conditions. The Agency must sell or lease remaining property within a project for redevelopment by others in strict conformity with the redevelopment plan, and may specify a period within which such redevelopment must begin and be completed.

Agency Financial Statements

The Redevelopment Law requires redevelopment agencies to have an independent financial audit conducted each year. The financial audit is also required to include an opinion of the Agency's compliance with laws, regulations and administrative requirements governing activities of the Agency. The firm of Mayer Hoffman McCann P.C., independent accountants, prepared a financial statement for the Agency for the fiscal year ended June 30, 2010. The firm's examination was made in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Audit Standards, issued by the Comptroller General of the United States. The Agency follows fund accounting principles reflecting the modified accrual basis of accounting in which revenues are recognized when they become measurable and available and expenditures are generally recognized when incurred except for principal and interest on general long-term debt, which is recognized when due.

The audited financial statements of the Agency, including Mayer Hoffman McCann P.C.'s auditor's report and report on compliance and on internal control over financial reporting, are attached as APPENDIX C — "Audited Financial Statements of the Agency for Fiscal Year Ended June 30, 2010." *Mayer Hoffman McCann P.C. has not performed any post-audit review of the financial condition or operations of the Agency.*

Outstanding Agency Debt

Other than the 2006 Bonds, the Agency has no outstanding indebtedness secured by a pledge of Tax Revenues on a parity with the 2011 Bonds. The Agency does, however, have various indebtedness and obligations payable from tax increment revenues generated in the Project Area. See APPENDIX C — "Audited Financial Statements of the Agency for Fiscal Year Ended June 30, 2010."

The Agency has entered into a number of obligations which are either secured by a pledge of all or a portion of Tax Revenues on a basis that is subordinate to the pledge and lien on Tax Revenues for repayment of the 2006 Bonds and the 2011 Bonds under the Indenture or which are not secured by a pledge of any part of

Tax Revenues. Principal Agency obligations secured by a pledge of Tax Revenues on a basis subordinate to the Bonds are set forth below.

City Obligation. On September 1, 2010 the Agency entered into a Master Cooperation Agreement and thereafter, two separate implementing agreements ("Implementation Agreements") with the City of Santa Monica to commit $5.7 billion to the construction of various projects in support of the Agency's Five Year Implementation Plan goals of affordable housing, disaster prevention and mitigation, community revitalization and other purposes, all in accordance with Section 33445 of the Law. The Agency's obligations to the City under the Master Cooperation Agreement and Implementation Agreements are secured by a pledge of tax increment revenues on a basis subordinate to the pledge of Tax Revenues to the Bonds.

Bank Loans. On May 1, 2008, the Agency entered into a Line of Credit Agreement with Bank of America, N.A. (the "Bank of America Loan Agreement"). The Agreement calls for an initial line of credit of up to $50 million which may be increased at the Bank's option to $75 million at the request of the Agency. The term of the line of credit may be extended until 2016 at the Agency's option subject to certain conditions. The line is secured by future property tax increment revenues of the Agency for the Project Area attributable to the Housing Set-Aside. The Agency has drawn all of the initial $50 million available to be drawn under the line of credit. The Agency's obligation under the Bank of America Loan Agreement is payable only from Housing Set-Aside and is subordinate to the Bonds. The Agency makes annual payments at a variable interest rate and the amounts drawn may be repaid over a 15 year term from the expiration date, at the Agency's option and subject to the conditions set forth in the Bank of America Loan Agreement.

On March 11, 2011, the Agency entered into a Loan Agreement with Wells Fargo Bank, National Association (the "Wells Fargo Bank Loan Agreement" and, together with the Bank of America Loan Agreement, the "Bank Loans"). Pursuant to the Wells Fargo Loan Agreement, the Agency has borrowed $60 million to fund projects identified in the Agency's Five Year Implementation Plan and further identified in the Wells Fargo Loan Agreement, the Master Cooperation Agreement and the Implementation Agreements. The Agency's obligations under the Wells Fargo Bank Loan Agreement are secured by a pledge of Tax Revenues of the Agency, exclusive of Housing Set-Aside, on a basis subordinate to the Agency's pledge of Tax Revenues under the Indenture for the 2006 Bonds and the 2011 Bonds. The Bank Loans were entered into pursuant to the Agency's authority to receive bank loans (other than through the issuance of bonds) and do not constitute bonded indebtedness of the Agency for purposes of the Agency's bonded indebtedness limit. The Agency pays debt service and certain other Agency obligations on the loan commencing January 1, 2012 through March 11, 2018 at a variable interest rate with semiannual principal installments of $4,285,174.

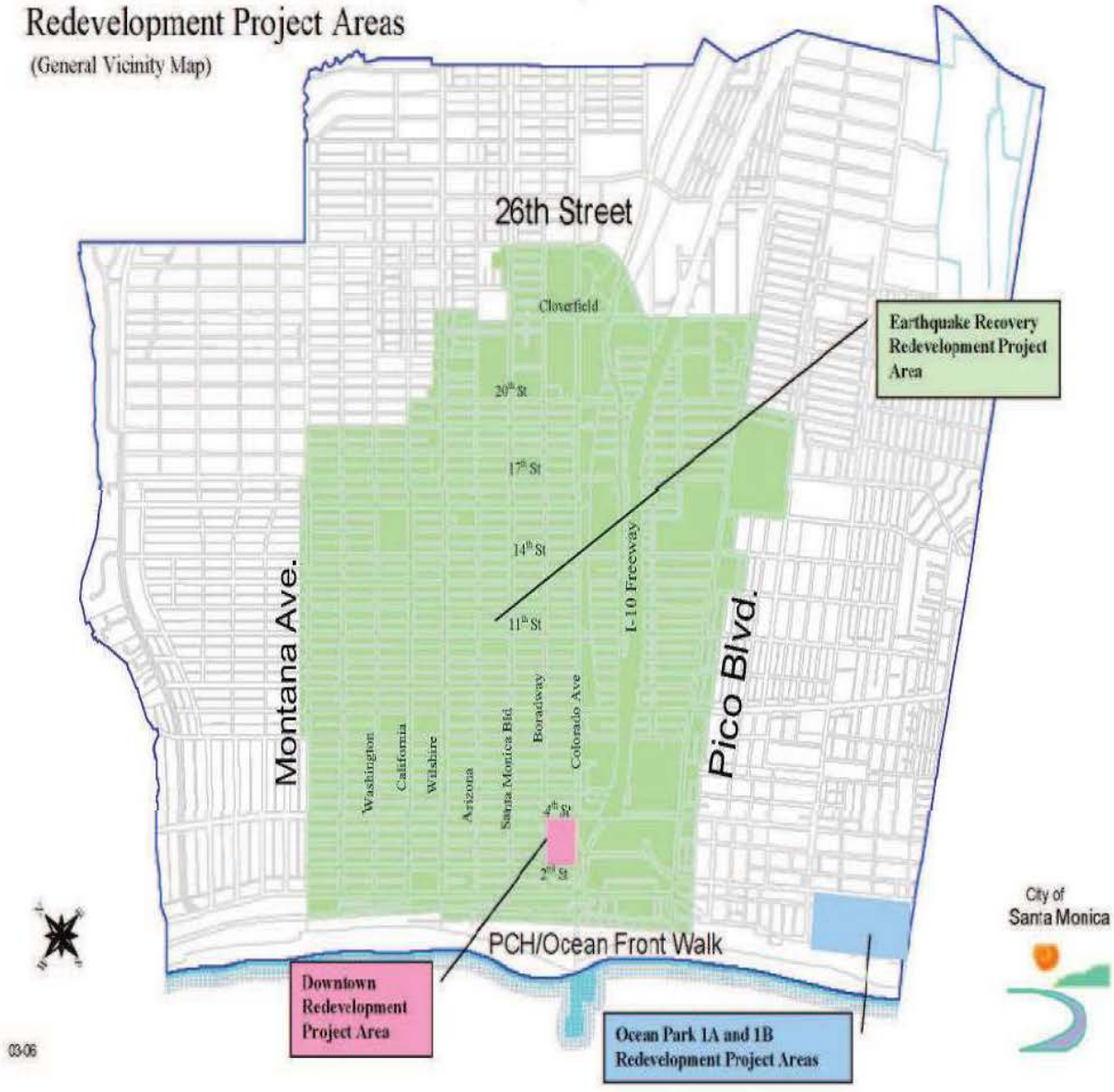
None of the proceeds of the Bank Loans are pledged or available to pay debt service on the 2011 Bonds.

Other Subordinate Obligations. The Agency enters into other agreements from time to time which may be material to the Agency's finances and which are permitted under the Indenture as Subordinate Debt. See APPENDIX A — "Summary of Certain Provisions of the Indenture—Issuance of Subordinate Debt." Among others, the Agency is indebted to the City's Parking Authority pursuant to a certain Purchase/Sales Agreement for the purchase/sale of six downtown parking structures with related land for an initial principal amount of $60 million. The related promissory notes, secured by a deed of trust, have been assigned to the City and call for annual principal payments on a fully amortizing basis for a total term of 30 years. The Agency's payment obligation is not secured by a pledge of gross tax increment of the Agency and is expressly subordinate to the Bonds, as confirmed by resolution of the City adopted May 24, 2011.

City of Santa Monica

Redevelopment Project Areas

(General Vicinity Map)



THE EARTHQUAKE RECOVERY REDEVELOPMENT PROJECT

General

On January 17, 1994, the Northridge Earthquake occurred with serious consequences in the City. The President declared the earthquake to be a major disaster under federal law.

On June 21, 1994, pursuant to the Redevelopment Law, the Disaster Project Law, the California Constitution, and all applicable local codes and ordinances, the City adopted the Redevelopment Plan for the Project and established the Project Area. Redevelopment of the Project Area pursuant to the Redevelopment Plan is expected to attain the purposes of the Redevelopment Law and the Disaster Project Law by: (1) planning, design and/or redevelopment of areas which are in need of maintenance, repair, restoration, demolition or replacement as a result of the Northridge Earthquake; (2) protecting and promoting sound development and redevelopment of earthquake-stricken areas and injurious conditions through the employment of appropriate means; (3) installation of new or repairing or replacing existing public improvements, facilities and utilities in areas which are currently inadequately served with regard to such improvements, facilities and utilities; and (4) other means as determined appropriate by the Agency.

The Project Area encompasses approximately 2.89 square miles or 34.8% of the City's total land area of 8.3 square miles. As set forth on the map of the Project Area above, the Project Area is generally bounded by Pico Boulevard on the south, 26th Street on the east, Montana Avenue on the north and Pacific Coast Highway/Ocean Front Walk to the west. Slightly less than one-half of the City's population of 92,703 (as of January 1, 2010) resides in the Project Area. Selection of the Project Area boundaries was guided by inclusion of the most severely damaged properties in need of public assistance for repair and recovery; approximately 90% of all red-tagged and approximately 80% of all yellow-tagged buildings in the City at the time of formation were included in the Project Area.

Land Use

The table below summarizes Project Area land uses and assessed values in the Project Area.

TABLE 2
Earthquake Recovery Redevelopment Project
Summary of Land Uses

Category	*No. of Parcels*	*2010-11 Value*[1]	*Percent of Total Assessed Value*
Residential	6,340	$ 4,131,177,046	39.61%
Commercial	1,037	5,055,785,610	48.47
Industrial	180	275,720,622	2.64
Institutional	102	128,958,666	1.24
Dry Farm	1	703,142	0.01
Recreational	17	25,150,467	0.24
Vacant Land	77	64,819,474	0.62
Government/Exempt	195	0	0.00
Total Parcels:	**7,949**	**$ 9,682,315,027**	**92.83**
Possessory Interest		$ 217,893,457	2.09
Unsecured		530,191,136	5.08
Total Value:		**$ 10,430,399,620**	**100.00%**

Source: HdL Coren & Cone.

Redevelopment Plan Limitations

The Agency has covenanted in the Indenture to undertake financing of redevelopment of the Project Area in conformance with the Redevelopment Plan and the Redevelopment Law. The Redevelopment Plan was adopted by the City Council on June 21, 1994 pursuant to Ordinance No. 1747.

Pursuant to Senate Bill 1045 ("SB 1045") in connection with adoption of statutes requiring an ERAF shift for fiscal year 2003-04, and pursuant to Senate Bill 1096 ("SB 1096") in connection with the adoption of statutes requiring an ERAF shift for fiscal years 2004-05 and 2005-06, the State Legislature authorized amendments of redevelopment plans to extend by one year the time limit of the effectiveness of the plan and the time limit to repay indebtedness and receive tax increment.

Accordingly, the City Council has extended the time limits of the Project Area as permitted by SB 1045 pursuant to Ordinance No. 2108 (CCS) adopted on January 13, 2004. The Agency further extended the time limits as permitted by SB 1096 pursuant to Ordinance No. 2197 (CCS) adopted on July 11, 2006.

The following table summarizes the various limitations established by the Redevelopment Plan with respect to tax increment and bonded indebtedness.

Description	***Limitation***
Plan Life:	June 21, 2027
Final Date to Incur Debt [(1)]:	June 21, 2014
Final Date to Collect Tax Increment and Repay Debt:	June 21, 2042[(2)]
Limit on Tax Increment allocated to the Agency:	None
Limit on Outstanding Bonded Indebtedness [(3)]:	$95,000,000
Outstanding Bonded Indebtedness[(4)]:	$95,000,000

(1) This limit does not prevent the Agency from incurring certain debt to be paid from the Agency's Low and Moderate Income Housing Fund or establishing more debt in order to fulfill the Agency's housing obligations under Section 33413 of the Redevelopment Law. Housing Set-Aside is applied to payment of 20% of the debt service on the 2006 Bonds.

(2) The Agency has covenanted in the Indenture to pay the debt service due on the 2011 Bonds maturing on July 1, 2042 on or prior to June 21, 2042.

(3) This limitation does not limit non-bonded indebtedness, including loans, advances or reimbursement agreements. Limit is on principal amount of Bonds Outstanding at any one time.

(4) Includes the 2011 Bonds, $49,445,000 principal amount of 2006A Bonds and $4,005,000 principal amount of 2006B Bonds excluding 2006B Bonds maturing July 1, 2011 which have been defeased.

Source: The Agency.

Major Taxable Property Owners

Major Owners List. The following table identifies the top 10 property owners, describes their land use within the Project Area, and identifies each owner's share of the 2010-11 Project Area assessed value.

TABLE 3
Earthquake Recovery Redevelopment Project
Top Ten Taxable Property Owners
Fiscal Year 2010-11 [1]

	Owner	*Description*	*Assessed Value*	*% of Total Assessed Value*	*% of Total Incremental Value*
1	California Colorado Center LLC [1]	Commercial/Office	$ 469,587,234	4.50%	7.14%
2	Water Garden Realty Holding LLC	Commercial/Office	456,965,588	4.38%	6.95%
3	Ocean Avenue LLC [1]	Hotel	146,613,466	1.41%	2.23%
4	New Santa Monica Beach Hotel [1]	Hotel	136,423,289	1.31%	2.07%
5	RAND Corporation	Commercial/Office	131,690,037	1.26%	2.00%
6	Douglas Emmett Realty Fund 1998[1]	Commercial/Office	118,217,078	1.13%	1.80%
7	Sisters of Charity Leavenworth Health [1]	Hospital/Medical Office	114,185,821	1.09%	1.74%
8	CLPF-Arboretum	Commercial/Office	104,863,751	1.01%	1.59%
9	1299 Ocean LLC [1]	Commercial/Office	96,600,000	0.93%	1.47%
10	Equity Office Properties [1]	Commercial/Office	75,990,000	0.73%	1.16%
	Totals	Commercial/Office	**$ 1,851,136,264**	**17.75%**	**28.15%**
	Total and Incremental Values	Commercial/Office Commercial/Office Commercial/Office		**$10,430,399,620**	**$6,575,102,284**

[1] Property owners with pending assessment appeals. See "TAX REVENUES — Appeals of Assessed Values."
Source: HdL Coren & Cone

Recent Transfers

The projection of Tax Revenues (see "TAX REVENUES — Projected Tax Revenues") identifies 289 transfers of ownership that occurred after the January 1, 2010 lien date for fiscal year 2010-11. These transfers are expected to add $86,271,428 in new value to the fiscal year 2011-12 County tax roll (for transfers from January 1, 2010 through December 31, 2010) and $7,779,962 in new value to the fiscal year 2012-13 tax roll (for transfers from January 1, 2011 through February 28, 2011) for the Project Area. See APPENDIX G — "Fiscal Consultant Report."

The projections also identify potential reduction in value from parcels in foreclosure of $10,016,000 for fiscal year 2012-13.

Statutory Pass-Through Requirements

General. Under the Redevelopment Law (Health & Safety Code Section 33607.5), "statutory pass-through" payments are made to all jurisdictions receiving a portion of the basic one percent levy. The pass-through payments are made as follows during three statutorily-defined periods (except for the City which receives its portion only as to the first allocation below):

First year the Agency receives tax increment (Fiscal Year 1995-96) through the life of the Project Area: The Agency must pay 25 percent of gross tax increment revenue (net of Housing Set-Aside).

Year 11 (Fiscal Year 2005-06) after the Agency first receives tax increment through the life of the Project Area: The Agency must pay 21 percent of the tax increment revenue (net of Housing Set-Aside) derived from growth in assessed value in excess of the assessed value of the Project Area in Year 10.

Year 31 (Fiscal Year 2025-26) after the Agency first receives tax increment through the life of the Project Area: The Agency must pay 14 percent of the tax increment revenue (net of Housing Set-Aside) derived from growth in assessed value in excess of the assessed value of the Project Area in the 30th year.

The Agency pays statutory pass-through payments to various County- and school-related entities.

Santa Monica Community College District Cooperation Agreement. The Agency is a party to a Cooperation Agreement (Contract No. 8216 (RAS)) (the "SMCCD Cooperation Agreement") with the Santa Monica Community College District ("SMCCD") dated July 15, 2005 pursuant to which the Agency agreed to reimburse SMCCD for up to $10,206,823 of the costs of building a new liberal arts building. The Agency made its first reimbursement payment in Fiscal Year 2005-06. The SMCCD Cooperation Agreement provides that, pursuant to Section 33607.5(a)(2) of the Redevelopment Law, the portion of the Agency's statutory pass-through payments to SMCCD that would be available to SMCCD for use for educational facilities (52.5%) will be reduced as a result of its payments under the SMCCD Cooperation Agreement by the amount paid to SMCCD under the SMCCD Cooperation Agreement. As a result, the statutory pass-through payment to SMCCD is reduced until this amount is paid in full, which is projected to occur in Fiscal Year 2027-28.

Santa Monica-Malibu Unified School District Memorandum of Understanding. The Agency is considering entering into an agreement with the Santa Monica-Malibu Unified School District (the "School District") to advance an approximately $57 million portion of the capital component of the statutory pass-through requirements in order to assist in financing the Civic Center Joint Use Project. If made, the advance would function similarly to the SMCCD Cooperation Agreement and would reduce future statutory pass-throughs. The Agency makes no assurance as to if or when such an agreement might be entered into or if and when such an advance will be made.

Section 33676. For redevelopment project areas established prior to January 1, 1994, Section 33676 of the Redevelopment Law allows taxing entities to receive additional property taxes in a redevelopment project area above the base year revenue amount. Such payments are based on annual increases in the real property portion of the base year value up to the inflation limit of 2 percent. Because the Project Area was established after January 1, 1994, there are no entities receiving Section 33676 payments in the Project Area.

Priority of Pass-Through Obligation. Under the Redevelopment Law, the Agency may subordinate the payment of statutory pass-through payments to the repayment of indebtedness. However, the Agency has not sought approval of subordination from the pass-through entities and, accordingly, the Tax Revenues projection set forth in this Official Statement assumes that the amount of Tax Revenues available to pay debt service on the 2011 Bonds reflects the prior payment of the pass-through payments from tax increment generated in the Project Area.

Tax Sharing Agreements

The Agency has not entered into any Owner Participation Agreements or any other obligations that constitute a pledge of Tax Revenues or that would in any way have a lien on Tax Revenues that would be superior to the lien established for payment of debt service on the Bonds.

Low and Moderate Income Housing

Chapter 1337, Statutes of 1976, added Sections 33334.2 and 33334.3 to the Redevelopment Law requiring redevelopment agencies to set aside 20% of all tax increment revenues allocated to redevelopment agencies from project areas adopted after December 31, 1976, in a low- and moderate-income housing fund to be expended for authorized low- and moderate-income housing purposes ("Housing Set-Aside"). Amounts on deposit in the low-and moderate-income housing fund may also be applied to pay debt service on bonds, loans or advances of redevelopment agencies to provide financing for such low- and moderate-income housing purposes.

Housing Set-Aside segregated by the Agency pursuant to this requirement is included in the definition of Tax Revenues for the purpose of paying a portion of debt service on the 2006 Bonds and a portion of the debt service on any Parity Debt to the extent proceeds of the 2006 Bonds and such Parity Debt are applied for eligible Housing Set-Aside purposes. The Agency has used the Housing Set-Aside portion of Tax Revenues to pay 20% of the debt service on the 2006 Bonds. Housing Set-Aside is not available to pay debt service on the 2011 Bonds.

TAX REVENUES

Historical Assessed Value and Tax Revenues

Historical Assessed Value. Between fiscal years 2001-02 and 2010-11, the taxable value within the Project Area increased by $4,492,969,020 (75%). Annual growth during this period ranged from a low of (-0.87%) in 2010-11 to a high of 26.48% in 2002-03. Secured value has risen in each fiscal year except 2010-11; however, unsecured values experienced minor reductions for 2002-03 (-5.37%), 2004-05 (-9.75%), 2009-10 (-3.06%) and 2010-11 (-5.89%). This fluctuation is not uncommon for unsecured values. The Project Area's taxable assessed values for fiscal year 2010-11 exceed the base year value by $6,597,598,116.

Set forth in the table below is a summary of the historical assessed values and Tax Revenues (as defined in the Indenture) in the Project Area for fiscal years 2006-07 through 2010-11.

Table 4
Earthquake Recovery Redevelopment Project
Historical Project Area Assessed Values (000s)

	Revised Base Year 1993-1994[2]	*2006-07*	*2007-08*	*2008-09*	*2009-10*	*2010-11*
Secured [1]						
Land	$1,785,030,900	$ 4,245,949,423	$4,586,382,701	$5,053,499,402	$ 5,213,744,866	$ 5,206,882,615
Improvements	2,060,082,620	4,405,316,658	4,655,434,825	5,265,379,497	5,403,136,820	5,427,019,971
Personal Prop	43,156,789	38,649,772	37,534,501	37,221,821	43,146,023	38,606,136
Exemptions	(249,410,203)	(469,250,061)	(502,642,292)	(531,811,795)	(735,193,640)[3]	(749,804,406)
TOTAL SECURED	3,638,860,106	8,220,665,792	8,776,709,735	9,824,288,925	9,924,834,069	9,922,704,316
Unsecured						
Land	0	0	0	0	0	0
Improvements	90,742,357	198,439,841	221,583,565	234,680,010	235,862,530	242,838,016
Personal Prop	394,721,559	471,811,501	514,679,581	520,354,844	583,112,050	543,971,121
Exemptions	(269,026,686)	(161,636,328)	(172,923,820)	(173,885,200)	(255,630,300)	(256,618,001)
TOTAL UNSECURED	216,437,230	508,615,014	563,339,326	581,149,654	563,344,280	530,191,136
GRAND TOTAL[4]	**$3,855,297,336**	**$ 8,729,280,806**	**$9,340,049,061**	**$10,405,438,579**	**$10,488,178,349**	**$10,452,895,452**

(1) Secured values include state assessed non-unitary utility property.
(2) Base Year Value reflects an adjustment for the transfer of railroad properties values to the Unitary Roll.
(3) Increase in exemptions reflects completion of substantial improvements to Sisters of Charity Hospital, Base Year Value was decreased most recently in 2009-10.
(4) Fiscal Years 2007-08 and 2009-10 have been subsequently adjusted to reflect successful appeals and exemption adjustments. See APPENDIX G — "Fiscal Consultant Report."
Source: County of Los Angeles Lien Date Rolls. Compiled by HdL Coren & Cone.

Historical Tax Collection. The County has not elected to follow the procedures of Sections 4701 *et seq.* of the California Revenue and Taxation Code, known as the "Teeter Plan" as to general taxes entered and collected on the secured tax roll. Therefore, property tax revenues in the Project Area reflect actual collections.

The following table shows, for each of the most recent five fiscal years: (i) total tax levy, (ii) receipts of tax increment and (iii) collection rates.

TABLE 5
Earthquake Recovery Redevelopment Project
Historical Tax Receipts

Fiscal Year	*Tax Levy*	*Current Year Collections Percentage*	*Prior Year Collections*[1]	*Total Collections Apportioned*	*Total Collections Percentage*
2005-06	$44,828,269	98.91%	$6,269,325	$50,607,576	112.89%
2006-07	50,986,726	97.67%	4,194,394	53,995,445	105.90%
2007-08	56,700,771	97.90%	4,758,374	60,267,687	106.29%
2008-09	65,702,562	96.73%	2,699,474	66,251,106	100.83%
2009-10	68,845,280	97.11%	1,414,210	68,268,572	99.16%

(1) Prior Year Collections include Supplemental Revenue, reductions for taxpayer refunds and revenue from prior years.
Source: Los Angeles County Auditor/Controller Office; Disbursement Tax Division "CRA Remittance Advice."

Based on the table above, the average rate of collections for fiscal years 2005-06 through 2009-10 was approximately 97.66% and when redemptions for prior years' delinquencies (including acceptable penalties) are included, the average rate of collections was approximately 105.02%. A collection rate of over 100% reflects the fact that roll changes occurred after the lien date that increased assessed values and resulted in a greater amount of revenue. This greater amount of revenue, when compared to the lien date tax roll, produces a collection rate of greater than 100%. For purposes of the projection of future Tax Revenues, the Agency has assumed a 100% collection rate.

Historical Supplemental Assessments. The following table shows the tax revenue from Supplemental Assessments for previous years within the Project Area received by the Agency for Fiscal Years 2005-06 through 2009-10. These amounts are exclusive of refunds and other deductions withheld by the County. The projection of Tax Revenues assumes no revenue from Supplemental Assessments.

TABLE 6
Supplemental Revenue
Fiscal Year 2005-06 through 2009-10

Fiscal Year	*Amount*
2005-06	$5,955,107
2006-07	3,527,499
2007-08	4,964,632
2008-09	2,072,035
2009-10	1,298,933

Source: Los Angeles County Auditor/Controller Office; compiled by HdL Coren & Cone

Appeals of Assessed Values

General. Pursuant to California law, property owners may apply for a reduction of their property tax assessment by filing a written appeal. After the applicant and the assessor have presented their arguments, the applicable local appeals board makes a final decision on the proper assessed value. The appeals board may rule in the assessor's favor, rule in the applicant's favor, or set its own opinion of the proper assessed value, which may be more or less than either the assessor's opinion or the applicant's opinion.

Any reduction in the assessment ultimately granted applies to the year for which the application is made and may also affect the values in subsequent years. Refunds for taxpayer overpayment of property taxes may include refunds for overpayment of taxes in years after that which was appealed. Current year values may also be adjusted as a result of a successful appeal of prior year values. Any taxpayer payment of property taxes that is based on a value that is subsequently adjusted downward will require a refund for overpayment.

Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date. A base year assessment appeal has significant future revenue impacts because a reduced base year assessment will then reduce the compounded value of the property prospectively. Except for the 2% inflation factor, the value of the property cannot be increased until a change of ownership occurs or additional improvements are added.

Section 51 of the Revenue and Taxation Code permits a reduction in the assessed value if the full cash value of the property has been reduced by damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Reductions made under this code section may be initiated by the County Assessor or requested by the property owner.

After a roll reduction is granted under this section, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and it may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIIIA of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS — Property Tax Limitations-Article XIIIA" below.

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

Historical Appeals. Since fiscal year 2005-06, 911 assessment appeals have been filed on properties within the Project Area. Many of the appeals filed in the Project Area are based on Section 51 of the Revenue and Taxation Code (described above). Of the 911 appeals filed, 188 have been allowed by the County with a reduction in value and 100 were denied or withdrawn. There are 623 appeals currently pending on 439 properties within the Project Area. For purposes of projecting future Tax Revenues, the Fiscal Consultant report estimates, based on the historical averages, that 287 of the currently pending appeals will be allowed and that these successful appeals will result in a reduction of the fiscal year 2011-12 assessed value of $246,407,427. The projection does not reflect any reductions in tax increment revenue for refunds resulting from successful appeals.

The following table summarizes the estimated potential losses that are incorporated into the projections. Actual appeals, reductions and refunds may vary from historical averages and from the Fiscal Consultant's projections.

Total No. of Appeals	*No. of Resolved Appeals*	*No. of Successful Appeals*	*Average AV Reduction*	*No. of Appeals Pending*[(1)]	*Value of Appeals Pending*	*Estimated No. of Appeals Allowed*	*Estimated Reduction of FY 2010-11 AV for Pending Appeals Allowed*	*FY 2010-11 AV Reduction for Resolved Appeals*
911	288	188	12.02%	439	$3,141,431,924	287	$246,407,427	$22,495,832

(1) Number of pending appeals do not include 184 appeals that are pending on the same parcels for multiple years.

(2) The pending appeals included in the projection of value loss do not include appeals on the same parcel in multiple years. Reduction in value in such cases is not cumulative.

The following table shows the top ten property taxpayers with pending appeals. There are appeals on the same parcels for multiple years. Reduction in value in such cases is not cumulative.

TABLE 7
Earthquake Recovery Redevelopment Project
Largest Taxpayers
With Pending Appeals

Owner	*Fiscal Year*	*No. Of Parcels*	*Value Under Appeal*	*Owner's Opinion of Value*	*Max. Potential Value Loss*
California Colorado Center LLC	2010-11	2	$ 469,310,104	$ 330,000,000	$ 139,310,104
Ocean Avenue LLC	2006-07	3	128,470,000	85,587,314	42,882,686
	2008-09	1	9,126,369	3,000,000	6,126,369
	2009-10	3	145,571,407	39,988,000	105,583,407
	2010-11	3	146,613,466	39,360,000	107,253,466
New Santa Monica Beach Hotel	2010-11	1	131,505,096	60,000,000	71,505,096
Rand Corporation	2008-09	1	116,799,652	86,799,652	30,000,000
Douglas Emmett Realty Fund 1998	2010-11	2	118,212,311	0	118,212,311
Sisters of Charity Leavenworth Health	2010-11	1	2,511,801	1,255,901	1,255,900
1299 Ocean LLC	2007-08	1	62,000,000	0	62,000,000
	2008-09	2	107,100,000	68,000,000	39,100,000
	2010-11	2	96,600,000	90,000,000	6,600,000
Equity Office Properties Trust	2009-10	1	84,000,000	66,000,000	18,000,000
	2010-11	1	75,990,000	40,000,000	35,990,000

Source: Los Angeles County Clerk of the Board as compiled by HdL Coren & Cone.

Projected Tax Revenues

The tax increment revenue projections for the Project Area, as prepared by HdL Coren & Cone, are summarized in the table below. These projections are based upon the following assumptions. The Agency believes these assumptions to be reasonable, but to the extent that assessed valuations, the tax rates or the percentage of taxes collected are less than the Agency's assumptions, the Tax Revenues available to pay debt service on the 2011 Bonds could be less than those projected. *No assurance can be given that the level of projected Tax Revenues will be achieved.* See APPENDIX G—"Fiscal Consultant's Report" for the entire Fiscal Consultant Report.

Tax Rate: The Project Area contains two Tax Rate Areas ("TRAs"). Within the two Project Area TRAs there is one tax rate. The debt service override rates for indebtedness approved by the voters after January 1, 1989 is not included in the tax rate for purposes of calculating Tax Revenues and the projection reflects the fact that certain existing override rates will terminate in the next few fiscal years. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS".

The projection uses a tax rate of $1.0037 per $100 of secured assessed value through Fiscal Year 2034-35 and $1.00 per $100 of secured assessed value thereafter.

Inflation Rate: In California, real property values (land and improvements) are subject to an annual inflationary increase, as allowed under Proposition 13. The projection table assumes, with respect to secured and unsecured property, a 0.753% inflation factor in fiscal year 2011-12 and 2.0% thereafter. See "RISK FACTORS — Reduction in Inflationary Rate."

Supplemental Assessments: The projections assume no revenues will be realized from supplemental assessments. See "Historical Assessed Value and Tax Revenues" above for historic supplemental revenues.

Transfers and Foreclosures: The projection assumes recent transfers of ownership will add $86,271,428 in new value to the fiscal year 2011-12 tax roll (transfers occurring from January 1, 2010 through December 31, 2010) and $7,779,692 in new value to the 2012-13 tax roll for the Project Area (transfers occurring from January 1, 2011 through February 28, 2011) offset, however, by an assumed reduction in assessed value of $10,016,600 as a result of foreclosures. The projections assume no additional Tax Revenues from identified transfers or reductions from foreclosures after Fiscal Year 2012-13.

Collections: The projections assume 100% of the amount levied will be collected on an annual basis. See "Historical Assessed Value and Tax Revenues" above for historic collection rates.

Appeals: The projections assume assessed values are reduced in fiscal year 2011-12 as a result of the resolution of pending appeals. The projections do not, however, reflect a reduction in revenues for refunds associated with pending appeals. See "Appeals of Assessed Values" above.

County Collection Charges: For fiscal year 2010-11, the County charged the Agency a collection fee of $1,063,124 (1.60% of estimated fiscal year 2010-11 gross tax increment revenue). The projection assumes the County will continue to charge the Agency for property tax administration at a rate equal to 1.60% of gross tax increment.

Unitary Taxes: For fiscal year 2010-11, the Agency expects to receive $70,340 in unitary revenue for the Project Area. The projection assumes the same amount of utility tax revenue will be remitted to the Agency in future years. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS — Unitary Property" below.

Housing Set-Aside: The projection of Tax Revenues assumes Housing Set-Aside will be available to pay 20% of debt service on the 2006 Bonds, but no portion of the debt service on the 2011 Bonds.

Statutory Pass-Through Obligations: The projection of Tax Revenues assumes none of the Agency's statutory pass-through obligations will be subordinated to debt service on the 2011 Bonds. However, statutory pass-through obligations are net of Housing Set-Aside, which is assumed to be available to pay 20% of debt service on the 2006 Bonds.

SMCCD Agreement. The projection assumes repayment by SMCCD of the Agency advance through fiscal year 2027-28, at which point the statutory pass-through obligation to SMCCD will increase to its full amount. See "THE EARTHQUAKE RECOVERY REDEVELOPMENT PROJECT -Statutory Pass-Through Requirements."

TABLE 8
Earthquake Recovery Redevelopment Project
Projection of Tax Revenues
($000's Omitted)

Taxable Values [1]	*2010-11*	*2011-12*	*2012-13*	*2013-14*	*2014-15*	*2015-16*	*2016-17*	*2017-18*	*2018-19*	*2019-20*
Real Property [2]	$ 10,104,440	$ 9,586,054	$ 9,775,538	$ 9,971,049	$ 10,170,470	$10,373,879	$ 10,581,357	$ 10,792,984	$ 11,008,843	$ 11,229,020
Personal Property [3]	325,959	325,959	325,959	325,959	325,959	325,959	325,959	325,959	325,959	325,959
Total Projected Value	10,430,400	9,912,013	10,101,497	10,297,008	10,496,429	10,699,838	10,907,316	11,118,943	11,334,803	11,554,980
Taxable Value over Base	**6,575,102**	**6,056,716**	**6,246,200**	**6,441,711**	**6,641,132**	**6,844,541**	**7,052,019**	**7,263,646**	**7,479,505**	**7,699,682**
Gross Tax Increment Revenue [4]	66,006	60,791	62,693	64,655	66,657	68,699	70,781	72,905	75,072	77,282
Unitary Tax Revenue	70	70	70	70	70	70	70	70	70	70
Gross Revenues	**66,076**	**60,862**	**62,763**	**64,726**	**66,727**	**68,769**	**70,851**	**72,976**	**75,142**	**77,352**
LESS:										
SB 2557 Admin Fee [5]	(1,063)	(976)	(1,006)	(1,038)	(1,070)	(1,103)	(1,136)	(1,170)	(1,205)	(1,240)
Pass Throughs										
AB 1290 Tax Sharing Tier 1 [6]	(13,215)	(12,172)	(12,553)	(12,945)	(13,345)	(13,754)	(14,170)	(14,595)	(15,028)	(15,470)
AB 1290 Tax Sharing Tier 2 [6]	(4,014)	(3,139)	(3,458)	(3,788)	(4,124)	(4,467)	(4,817)	(5,174)	(5,538)	(5,909)
AB 1290 Tax Sharing Tier 3 [6]	0	0	0	0	0	0	0	0	0	0
Santa Monica CCD Repayment	403	395	413	432	450	469	489	509	529	550
Tax Revenues [7]	**48,187**	**47,643**	**48,886**	**50,168**	**51,475**	**52,809**	**54,169**	**55,556**	**56,971**	**58,415**
Housing Set-Aside Tax Revenue [8]	13,215	13,040	13,438	13,848	14,267	14,694	15,129	15,573	16,026	16,488
Non-Housing Set-Aside Tax Revenues	34,972	34,603	35,448	36,320	37,209	38,115	39,040	39,983	40,946	41,927

(1) Taxable values as reported by Los Angeles County, as adjusted.

(2) Real property consists of land and improvements. Values are increased for transfer sales (see Table 4) and increase by 0.753% for inflation in 2011-12. Thereafter, values are assumed to increase based on 2% annual growth. Assessed valuations for 2010-11 were reduced by $22,495,832 for 38 successful appeals not reflected on the 2010-11 roll. Projected value loss from pending appeals is $246,407,427 in 2011-12.

(3) Personal Property is held constant at 2010-11 level.

(4) Projected Gross Tax Increment is based upon incremental taxable values factored against an assumed Project tax rate and adjusted for indebtedness approved by voters after 1988. The assumed future tax rates will decline to $1.0037 per $100 of taxable value through 2034-35 and $1.00 per $100 of taxable value thereafter.

(5) Los Angeles County Administrative charges are actual for 2010-11 and estimated at 1.60% of Gross Revenue thereafter.

(6) All Taxing Entities receive their shares of 25% of total tax increment revenue net of housing set aside. In addition, after year 10 Fiscal Year 2005-06, Taxing Entities receive 21% of tax revenue of incremental value above the year 10 value net of housing set aside. After year 30 Fiscal Year 2025-26, Taxing Entities receive 14% of tax revenue of incremental value above the year 30 value net of housing set aside.

(7) Pursuant to the SMCCD Agreement, the Agency receives payment on the advance from the Santa Monica Community College District equal to 52.5% of its share (4.24%) of the AB 1290 Tax Sharing Payment, up to the cumulative amount of $10,206,823.

(8) Housing Set Aside Tax Revenue calculated at 20% of Gross Revenue.

Source: HdL Coren & Cone

Estimated Debt Service Coverage

The two succeeding tables show the following:

Table 9A: projected debt service coverage ratios based on (i) estimated non-Housing Set-Aside Tax Revenues available to pay debt service on the 2011 Bonds and (ii) 80% of debt service on the 2006 Series A Bonds.

Table 9B: projected debt service coverage ratios based on (i) estimated Housing Set-Aside available to pay debt service on 20% of the debt service on the 2006 Bonds.

TABLE 9A
Earthquake Recovery Redevelopment Project
Estimated Debt Service Coverage Provided by Non-Housing Tax Revenues
($000s)

Year [1]	*Non-Housing Set-Aside Tax Revenues* [2]	*80% of 2006 Bonds Debt Service* [3]	*2011 Bonds Debt Service*	*Total Non-Housing Bond Debt Service*	*Projected Coverage* [4]
2012	$ 34,603	$ 3,562	$ 2,262	$ 5,824	5.94x
2013	35,448	3,562	2,262	5,824	6.09x
2014	36,320	3,558	2,262	5,821	6.24x
2015	37,209	3,563	2,262	5,825	6.39x
2016	38,115	3,560	2,262	5,822	6.55x
2017	39,040	3,562	2,262	5,824	6.70x
2018	39,983	3,561	2,262	5,824	6.87x
2019	40,946	3,556	2,262	5,818	7.04x
2020	41,927	3,562	2,262	5,825	7.20x
2021	42,928	3,558	2,262	5,821	7.38x
2022	43,949	3,561	2,262	5,824	7.55x
2023	44,991	3,558	2,262	5,820	7.73x
2024	46,053	3,557	2,262	5,819	7.91x
2025	47,137	3,559	2,262	5,821	8.10x
2026	48,242	3,559	2,262	5,821	8.29x
2027	48,749	3,558	2,262	5,820	8.38x
2028	49,188	3,559	2,262	5,822	8.45x
2029	50,027	3,557	2,262	5,820	8.60x
2030	50,883	-	4,517	4,517	11.26x
2031	51,755	-	4,515	4,515	11.46x
2032	52,646	-	4,516	4,516	11.66x
2033	53,554	-	4,517	4,517	11.86x
2034	54,480	-	4,514	4,514	12.07x
2035	55,425	-	4,517	4,517	12.27x
2036	56,189	-	4,515	4,515	12.45x
2037	57,161	-	4,513	4,513	12.67x
2038	58,160	-	4,513	4,513	12.89x
2039	59,179	-	4,514	4,514	13.11x
2040	60,218	-	4,514	4,514	13.34x
2041	61,278	-	4,512	4,512	13.58x
2042	62,360	-	4,515	4,515	13.81x

(1) Tax Revenues are shown on a fiscal year basis (July 1 through June 30) and debt service is shown on a Bond Year basis (July 2 through July 1).

(2) See table entitled "Projection of Tax Revenues".

(3) Fiscal year 2011-12 debt service includes the July 1, 2011 debt service payment on the 2011 Bonds.

(4) In the event Housing Set-Aside was unavailable to pay 20% of debt service on the 2006 Bonds but non-Housing Set-Aside Tax Revenues were available for that purpose, the Agency would be obligated to use the non-Housing Set-Aside Tax Revenues to pay the debt service on the 2006 Bonds otherwise payable from Housing Set-Aside (the converse is not true; if non-Housing Set-Aside Tax Revenues were unavailable, Housing Set-Aside could still only be used to pay the portion of debt service related to proper use of 2006 Bond proceeds for Housing Set-Aside). Because Housing Set-Aside is 20% of total tax increment generated in the Project Area, the Agency believes it is unlikely that non-Housing Set-Aside Tax Revenues would be available but Housing Set-Aside would not.

Source: Redevelopment Agency of the City of Santa Monica.

TABLE 9B
Earthquake Recovery Redevelopment Project
Estimated Debt Service Coverage Provided by Housing Set-Aside
($000s)

Year [1]	*Housing Set-Aside* [2]	*20% of Total 2006 Bonds Debt Service*	*Projected Coverage*
2012	$ 13,040	$ 891	14.64x
2013	13,438	890	15.09x
2014	13,848	890	15.57x
2015	14,267	891	16.02x
2016	14,694	890	16.51x
2017	15,129	890	16.99x
2018	15,573	890	17.49x
2019	16,026	889	18.03x
2020	16,488	891	18.51x
2021	16,959	890	19.06x
2022	17,439	890	19.59x
2023	17,930	889	20.16x
2024	18,430	889	20.73x
2025	18,940	890	21.29x
2026	19,460	890	21.87x
2027	19,990	889	22.48x
2028	20,532	890	23.07x
2029	21,084	889	23.71x
2030	21,647	-	-
2031	22,221	-	-
2032	22,807	-	-
2033	23,404	-	-
2034	24,014	-	-
2035	24,636	-	-
2036	25,180	-	-
2037	25,821	-	-
2038	26,478	-	-
2039	27,149	-	-
2040	27,833	-	-
2041	28,530	-	-
2042	29,242	-	-

(1) Tax Revenues are shown on a fiscal year basis (July 1 through June 30) and debt service is shown on a Bond Year basis (July 2 through July 1).
(2) See table entitled "Projection of Tax Revenues."
Source: Redevelopment Agency of the City of Santa Monica.

RISK FACTORS

The following information should be considered by prospective investors in evaluating the 2011 Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the 2011 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Reduction in Taxable Value and Tax Revenues

Tax Revenues allocated to the Agency are determined by the amount of incremental taxable value in the Project Area allocable to the Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property caused by economic factors beyond the Agency's control, such as a relocation out of the Project Area by one or more major property owners, or the transfer, pursuant to California Revenue and Taxation Code Section 68, of a lower assessed valuation to property within the Project Area by a person displaced by eminent domain or similar proceedings, or the discovery of hazardous substances on a property within the Project Area (see "Hazardous Substances" below) or the complete or partial destruction of such property caused by, among other eventualities, an earthquake (see "Seismic Factors" below), flood or other natural disaster, could cause a reduction in the Tax Revenues securing the 2011 Bonds. Property owners may also appeal to the County Assessor for a reduction of their assessed valuations or the County Assessor could order a blanket reduction in assessed valuations based on then current economic conditions. See "TAX REVENUES — Appeals of Assessed Values."

Any reduction of assessed valuations and the resulting decline in Tax Revenues or the resulting property tax refunds could have an adverse effect on the Agency's ability to make timely payments of principal of and interest on the 2011 Bonds.

Concentration of Tax Base

In the Project Area, a significant portion of the assessed value and resulting Tax Revenues is attributable to relatively few assessees. For Fiscal Year 2010-11 the top ten taxable property owners account for 17.75% of the total Project Area assessed value and 28.15% of the total Project Area incremental value. The failure or financial difficulty of one or more of these properties could have significant detrimental impact on the assessed values of such properties and consequently on the amount of Tax Revenues available for payment of the 2011 Bonds. See "THE EARTHQUAKE RECOVERY REDEVELOPMENT PROJECT — Major Taxable Property Owners."

Estimates of Tax Revenues

In estimating the total Tax Revenues to be received by the Agency and available to pay debt service on the 2011 Bonds, the Agency has relied on actual historical Tax Revenues and made certain assumptions with regard to future assessed valuation in the Project Area, future tax rates and the percentage of taxes collected. See "TAX REVENUES — Estimated Debt Service Coverage." The Agency believes these assumptions to be reasonable, but there is no assurance these assumptions will be realized and to the extent that the assessed valuation and/or the tax rates are less than expected, the total Tax Revenues available to pay debt service on the 2011 Bonds will be reduced. Such reduced Tax Revenues may be insufficient to provide for the payment of debt service on the 2011 Bonds.

Reduction in Inflationary Rate

As described in greater detail below, Article XIIIA of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis.

Because Article XIIIA limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2 percent, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%.

Since Article XIIIA was approved, the annual adjustment for inflation has fallen below the 2% limitation six times: in fiscal year 1983-84, 1%; in fiscal year 1995-96, 1.19%; in fiscal year 1996-97, 1.11%; in fiscal year 1999-00, 1.85%; in fiscal year 2004-05, 1.867% and in fiscal year 2009-10, 0.99763%.

The State mandated a 0.99763% inflation adjustment for fiscal year 2010-11, and the projections of Tax Revenues assume a 0.753% inflation factor will be applied in fiscal year 2011-12 and a 2% inflation factor will be applied in fiscal years commencing with fiscal year 2011-12. The Agency is unable to predict if any adjustments to the full cash value base of real property within the Project Area, whether an increase or a reduction, will be realized in the future.

Levy and Collection

The Agency does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues, and accordingly, could have an adverse impact on the ability of the Agency to repay the 2011 Bonds. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the Agency's ability to make timely debt service payments. Because the County has not adopted the Teeter Plan, the Agency's tax increment revenues reflect actual collections rather than the amount levied. See "TAX REVENUES — Historical Assessed Value and Tax Revenues." Further, collection and property taxes by the County, and the ability of the County to timely reduce the lien and delinquent unpaid property taxes, may be limited or delayed by bankruptcy, insolvency or other laws affecting creditors' rights, or by state laws relating to judicial foreclosure.

Risks Associated With Parity Debt; 2006 Insurer

As described in "SECURITY FOR THE 2011 BONDS — Parity Debt," the Agency may issue or incur obligations payable from Tax Revenues on a parity with its pledge of Tax Revenues to payment of debt service on the 2011 Bonds. The potential for such additional obligations increases the risks associated with the Agency's payment of debt service on the 2011 Bonds in the event of a decrease in the Agency's collection of Tax Revenues.

In addition, certain features of the 2006 Bonds may affect the owners of the 2011 Bonds. For example in the event of default under the Indenture, or in the case of amendments to the Indenture or other actions by or on behalf of Bondholders, approval of a certain percentage of the owners of all the Outstanding Bonds may be required (without regard to series). Under the Indenture the 2006 Insurer is entitled to act on behalf the owners of the 2006 Bonds for all purposes of consents, remedies and defaults under the Indenture. At times, depending on the principal amount of Bonds Outstanding, this may entitle the 2006 Insurer, or owners or representatives of Bonds and Parity Debt other than the 2011 Bonds, to approve such proceedings. In the absence of additional Parity Debt or early redemptions, the 2006 Bonds will comprise a majority of the Bonds until July, 2017. See APPENDIX A—"Summary of Certain Provisions of the Indenture." Also, any default under the 2006 Reserve Policy would trigger an Agency obligation to fund the 2006 subaccounts of the Reserve Account from the first available Tax Revenues in accordance with the Indenture. See "SECURITY FOR THE 2011 BONDS—Reserve Account."

Bankruptcy Risks

The enforceability of the rights and remedies of the owners of the 2011 Bonds and the obligations of the Agency may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors'

rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies: the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the 2011 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

State Budget and SERAF

In connection with its approval of the budget for the 1992-93, 1993-94, 1994-95, 2002-03, 2003- 04, reallocated funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment, net of amounts due to other taxing agencies, to school districts for such fiscal years for deposit in the Education Revenue Augmentation Fund ("ERAF"). The amount required to be paid by a redevelopment agency under such legislation was apportioned among all of its redevelopment project areas on a collective basis, and was not allocated separately to individual redevelopment project areas.

In 2008, the State Legislature adopted, and the Governor of the State signed, legislation, Chapter 751, Statutes 2008 (AB 1389) ("AB 1389"), that among other things required redevelopment agencies to pay into ERAF in Fiscal Year 2008-09 prior to May 10, 2009, an aggregate amount of $350 million, of which the Agency was to pay approximately $4.3 million. Such payment obligations were to be subordinate to payments on bonds secured by tax increment revenues. However, on April 30, 2009, a California superior court in *California Redevelopment Association v. Genest* (County of Sacramento) (Case No. 34-2008-00028334) held that such required payment into ERAF violated the California Constitution and invalidated and enjoined the operation of the section in AB 1389 requiring such payment. On September 23, 2009, the State filed an Abandonment of Appeal, abandoning its appeal of the decision of the superior court.

In connection with various legislation related to the State's Fiscal Year 2009-10 budget, in late July 2009, the State legislature adopted, and the Governor of the State signed, Chapter 21, Statutes of 2009-10 Fourth Extraordinary Session (AB 26). Such legislation was subsequently amended in November 2009 by Chapter 652, Statutes of 2009 (SB 68) (as amended, the "2009 SERAF Legislation").

The 2009 SERAF Legislation mandates that redevelopment agencies in the State make deposits to the Supplemental Educational Revenue Augmentation Fund ("SERAF") that is established in each county treasury throughout the State in the aggregate amount of $1.7 billion for Fiscal Year 2009-10, which were due prior to May 10, 2010, and $350 million for Fiscal Year 2010-11, which were due prior to May 10, 2011.

On May 10, 2010, the Agency deposited into SERAF the amount of $20,883,384 as its SERAF payment for Fiscal Year 2009-10 (the "Agency 2009-10 SERAF Amount"). On May 10, 2011, the Agency deposited into SERAF the amount of $4,299,520 as its SERAF payment for Fiscal Year 2010-11 (the "Agency 2010-11 SERAF Amount").

Pursuant to the 2009 SERAF Legislation, redevelopment agencies may use any funds that are legally available and not legally obligated for other uses, including reserve funds, proceeds of land sales, proceeds of bonds or other indebtedness, lease revenues, interest and other earned income. Such legislation also provides that redevelopment agencies may borrow from the amounts required to be allocated to their Low and Moderate Income Housing Funds and that to make payments of their required Fiscal Year 2009-10 SERAF payments only (not 2010-11 SERAF payments), redevelopment agencies also may borrow from their Low and Moderate Income Housing Funds.

The Agency paid the Agency 2009-10 SERAF Amount and the 2010-11 SERAF Amount from available funds without borrowing funds from the Agency's Low and Moderate Income Housing Fund.

On May 4, 2010, a State superior court, in *California Redevelopment Association v. Michael C. Genest* (County of Sacramento) (Case No. 34-2009-80000359), a class action case filed on behalf of all California redevelopment agencies, upheld the 2009 SERAF Legislation to constitutional challenge (the "2009 SERAF Litigation"). The challengers to the 2009 SERAF Legislation have appealed the superior court's decision. The Agency cannot predict the outcome of the 2009 SERAF Litigation.

The 2009 SERAF Legislation also added a provision to the Redevelopment Law to provide that when a redevelopment agency is required pursuant to the 2009 SERAF Legislation to make a payment to the county auditor for deposit in the county SERAF and such agency has allocated the full amount of the payment, the legislative body may amend a redevelopment plan to extend by one year the time limits on the effectiveness of the plan and the repayment of indebtedness (the "SERAF Extension"). Under the Redevelopment Law, the SERAF Extension also has the effect of extending by one year the time limit to receive property taxes.

On November 2, 2010, the voters of the State approved a ballot initiative known as Proposition 22, pursuant to which the State is prohibited from shifting, taking, borrowing or restricting the use of tax revenues dedicated by law to, among other things, funding redevelopment agencies and other local government services. Although the passage of Proposition 22 will have no impact upon the Agency's obligation to pay the Agency 2011 SERAF Amount, the State Legislative Analyst's Office (the "LAO") has stated that the measure prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies. No assurance can be provided that Proposition 22 will be implemented as contemplated by the LAO. In addition, Proposition 22 is subject to interpretation by the courts and there can be no assurance that the measure will not be challenged by the State or other parties or repealed by the voters of the State in the future.

Governor's Proposal to Eliminate Redevelopment

On December 6, 2010, Governor Schwarzenegger called an emergency session of the Legislature to address the $6.1 billion projected deficit for fiscal year 2010-11. During budget briefings held in December 2010, then Governor elect Jerry Brown announced that the deficit between now and June 30, 2012 had likely grown from the $25.1 billion reported in the Fiscal Outlook Report to approximately $28 billion. On January 3, 2011, Jerry Brown was sworn in as Governor.

On January 10, 2011, the Governor released his proposed budget for fiscal year 2011-12 ("Proposed Budget"). The Proposed Budget is designed to address an estimated budget shortfall of $25.4 billion in the fiscal year 2011-12 California State Budget. The Proposed Budget estimated a budget shortfall consisting of an $8.2 billion projected deficit for fiscal year 2010-11 and a $17.2 billion gap between projected revenues and spending in fiscal year 2011-12. The Proposed Budget included approximately $12.5 billion in budget cuts, $12 billion in tax extensions and changes, and $1.9 billion in other solutions. The Proposed Budget called for a statewide special election in June to extend for five more years tax measures currently set to expire.

The Proposed Budget proposed elimination of the current funding mechanism for redevelopment agencies (the "RDA Provisions"), which is described in more detail below.

On May 16, 2011, the Governor released his May revision to the Proposed Budget for fiscal year 2011-12 (the "May Revision"). The following information is drawn from the California Department of Finance's summary of the May Revision (the "May Revision Summary").

Since the release of the Proposed Budget, the May Revision estimates that the projected budget deficit grew from $25.4 billion to $26.6 billion. Legislation signed into law by the Governor prior to the release of the May Revision (including SB 70 and SB 82) reduced this deficit by approximately $11 billion. The May Revision also assumes an additional $2.4 billion in savings from pending budget legislation. Factoring in higher-than anticipated tax revenues totaling $6.6 billion, the May Revision projects a revised budget deficit of $9.6 billion.

To address this budget gap, the May Revision proposes measures totaling $10.8 billion for both fiscal years 2010-11 and 2011-12. These measures are in addition to, or modify, those set out by the Proposed Budget and subsequent budget legislation. Assuming the implementation of these measures, the May Revision projects, for fiscal year 2010-11, year-end revenues of $88.8 billion and expenditures of $91.6 billion. The May Revision projects that the State will end the 2010-11 fiscal year with a deficit of $2.8 billion. For fiscal year 2011 12, the May Revision projects total revenues of $90.8 billion and expenditures of $88.8 billion, and projects the State will end the 2011-12 fiscal year with a surplus of $1.2 billion.

The May Revision retains several key features included in the Governor's Proposed Budget, including the Governor's proposal to eliminate redevelopment agencies embodied in the RDA Provisions. For fiscal year 2011-12 only, the May Revision authorizes $1.7 billion of tax increment revenue to fund Medi-Cal and trial court services, after the payment of redevelopment agency bond and certain other debt service. In subsequent fiscal years, all property tax increment, net of such debt service, would flow to cities, counties, special district and school districts.

RDA Provisions. The RDA Provisions, if adopted, would prohibit existing agencies from creating new contracts or obligations effective upon enactment of urgency legislation. By July 1, existing agencies would be disestablished and successor local agencies would be required to use the tax increment revenues that redevelopment agencies would otherwise have received to retire redevelopment agency debts and certain contractual obligations "in accordance with existing payment schedules." The RDA Provisions would divert an estimated $1.7 billion in fiscal year 2011-12 to offset State General Fund costs for Medi-Cal and trial courts. An additional estimated $210 million would be distributed on a one-time basis to cities, counties, and special districts proportionate to their current share of the countywide property tax.

The RDA Provisions propose that, after fiscal year 2011-12, the money available after payment of the redevelopment agency debt and contractual obligations would be distributed to schools, counties, cities, and non-enterprise special districts for general uses.

As to Low and Moderate Income Housing Fund balances, the Proposed Budget provides that amounts in the redevelopment agency's balances reserved for low-moderate income housing would be shifted to local housing authorities for low and moderate income housing.

In lieu of redevelopment, the Proposed Budget proposes a new financing mechanism for economic development. Specifically, the Proposed Budget proposes that the Constitution be amended to provide for 55% voter approval for limited tax increases and bonding against local revenues for development projects such as are currently done by redevelopment agencies. Voters in each affected jurisdiction would be required to approve use of their tax revenues for these purposes. In a statement accompanying release of the Proposed Budget, State Finance Director Ana Matosantos indicated that the new financing mechanism may be included in a proposal following approval of the Proposed Budget, possibly in 2012.

Implementation of the Proposed Budget, including the RDA Provisions, will require implementing legislation by the Legislature and perhaps voter approval as to certain material elements and may include terms which are not yet proposed which are material to the Agency and the 2011 Bonds. The Agency cannot predict the ultimate form of such legislation, if any is adopted. Elements of the RDA Provisions, including the economic development program authorization, contemplate voter approval through the initiative process. It is possible that Proposition 22, which amended the State Constitution to prohibit state diversion of redevelopment agency revenues generally, will affect the State's ability to implement the RDA Provisions. It is possible that the Governor and the Legislature may seek voter approval of changes to the terms of Proposition 22 that are in conflict with the Proposed Budget, including the RDA Provisions. The Agency cannot predict the timing, terms or ultimate implementation of any such final legislation or voter initiative measures, or the impact on the Agency or the 2011 Bonds of any proposed, interim or final legislative and constitutional changes which may be adopted arising out of the Proposed Budget.

The LAO released its Overview of the Governor's Budget ("LAO Overview") on January 12, 2011. As it relates to the RDA Provisions, the LAO Overview suggests the proposal has merit "but faces considerable implementation issues." The LAO Overview notes that "the administration's plan will require considerable work by the Legislature to sort through many legal, financial and policy issues. Several voter-approved constitutional measures, for example, constrain the State's authority to redirect redevelopment funds, use property tax revenues to pay for State programs, or impose increased costs on local agencies. In addition, the administration's plan does not address many related issues, such as clarifying the future financial responsibility for low- and moderate- income housing (currently, a redevelopment program)." The LAO suggests that the Proposed Budget may understate the debt of redevelopment agencies and therefore the availability of additional revenues to assist with the State budget issues. Finally, the LAO Overview recommends that the Legislature pass urgency legislation as soon as possible prohibiting redevelopment agencies, during the period of legislative review, from taking actions that increase their debt in light of the considerable work that will be required of the Legislature to develop the statutory measures to implement the RDA Provisions.

Draft legislation implementing this proposal was released by the Department of Finance of the State on February 23, 2011 (the "Proposed Legislation"). On March 3, 2011, after making certain revisions to the Proposed Budget, the Joint Budget Committee of the California Legislature voted six to four in favor of the Proposed Budget (as revised), which includes the Proposed Legislation. The Proposed Legislation has been introduced and is currently embodied in Assembly Bill 101 and Senate Bill 77, as amended on March 15, 2011. The Agency expects it may be taken up by the Legislature soon. No assurance can be given whether or not the Proposed Legislation will be enacted in its present form, or at all.

The Proposed Legislation is styled as a bill providing for appropriations related to the budget bill, and states that it would become effective immediately upon passage and signature of the Governor. It is possible that, if the Proposed Legislation is a part of a budget package passed by the Legislature, it could be passed with majority vote approval in each house of the State Legislature rather than with two-thirds approval and become effective immediately. The Proposed Legislation makes it clear that it would not be effective until the date of enactment and would not be retroactive.

The Proposed Legislation, if enacted in its present form, would prohibit redevelopment agencies from, among other things:

- incurring new or expanding existing monetary or legal obligations unless specifically provided for in the Proposed Legislation. These prohibitions include the issuance of bonds and other obligations, and refinancing or restructuring existing indebtedness (except in limited circumstances);
- entering into new contracts for redevelopment activities;
- modifying terms and conditions of existing agreements, obligations or commitments; and
- disposing of assets.

The Proposed Legislation would establish successor agencies (in the case of the Commission, the successor agency would be the City under the current form of the Proposed Legislation) to administer each redevelopment agency's existing "enforceable obligations" and would establish a series of special funds to effectuate the payments of such obligations and administer the transfer of property taxes to other local entities and the disposition of an agency's other assets such as real property and cash. As defined in the Proposed Legislation, "enforceable obligations" include bonds, debt service on bonds, reserve set-asides and other payments required under the indenture governing the issuance of the bonds. Under the Proposed Legislation, the county or city that authorized the creation of a redevelopment agency may elect to retain the housing assets and functions previously performed by the redevelopment agency or may designate its local housing authority to perform such functions. If a county or city elects to retain the responsibility for performing housing

functions previously performed by a redevelopment agency, all rights, powers, assets, liabilities, duties, and obligations associated with the housing activities of the agency, along with any amounts in the Low and Moderate Income Housing Fund shall be transferred to such city, or county, or city and county. Under the Proposed Legislation, future functions of the Agency or the successor agency with respect to the affairs of the Agency are subject to oversight by an oversight committee (described below).

The Proposed Legislation changes the mechanism by which property tax revenue from a redevelopment project area is allocated and accounted for, putting the responsibility for paying debt service on obligations, including the Bonds, in the hands of the county auditor-controller rather than the redevelopment agency or a successor agency. The Proposed Legislation does protect the rights of the owners of bonds to the pledged tax increment revenues, stating that it is the intent of the Proposed Legislation to not affect either the pledge, the legal existence of the pledge, or "the stream of equivalent revenues available to make good on that pledge;" however, the county auditor-controller, and the successor agency established to take over the redevelopment agency's powers and obligations, will be the entity responsible for making sure those rights are protected and that lien is honored.

Notwithstanding the foregoing, the Proposed Legislation sets forth a priority and timing for allocation of moneys from a "Redevelopment Property Tax Trust Fund" in Fiscal Year 2011- 12, which provides for a county auditor-controller to allocate moneys in a specified priority, as follows:

First, to each local agency and school entity in an amount equal to what would have been received pursuant to certain specified state law provisions or pass-through agreements that would be in force in 2011-12 but for operation of the Proposed Legislation, if the redevelopment agency were in existence without reference to such payments being made after needs for "enforceable obligations" are taken into account (such payments to be made no later than January 16, 2012, and June 1, 2012;

Second, to the Public Health and Safety Fund in an amount not to exceed one billion, seven hundred million dollars ($1,700,000,000) on a statewide basis specified by the Director of the Department of Finance from the amounts deposited in the Redevelopment Property Tax Trust Fund comprised of the revenues that would otherwise have been allocated to each redevelopment agency, but for the operation of the Proposed Legislation after needs for enforceable obligations and pass through amounts are taken into account (such transfers to occur on January 16, 2012 and June 1, 2012, or any later date specified by Director of Finance); and

Third, on January 16, 2012 and June 1, 2012, to each successor agencies for payments listed in its recognized obligation payment schedule for the six-month fiscal period beginning January 1 or July 1, 2012, in the following priority order: (A) debt service payments scheduled to be made for tax allocation bonds, (B) payments scheduled to be made on revenue bonds, but only to the extent the revenues pledged for them are insufficient to make the payments and only where the agency's tax increment revenues were also pledged for the repayment of such bonds, and (C) payments scheduled for other debts and obligations listed in the recognized obligation payment schedule that are required to be paid from former tax increment revenue;

Fourth, on January 16, 2012 and June 1,2012, to each successor agency for administrative costs set forth in an approved administrative budget for those payments required to be paid from former tax increment revenues; and

Fifth, on January 16, 2012, and June 1, 2012, any moneys remaining in the Redevelopment Tax Trust Fund after the payments and transfers authorized by paragraphs (1) through (4), inclusive, shall be distributed to certain local agencies and school entities. If a successor agency is other than the agency that formed a redevelopment agency, the share that would have been allocated to that agency shall instead be allocated to the agency that is the successor agency. If a local agency other than the county auditor-controller has accepted responsibility for administering the Public Health and Safety Fund in a county, the county share shall be allocated to that local agency.

If the successor agency reports, no later than December 1, 2011 and May 1, 2012, to the county auditor-controller that the total amount available to the successor agency from the Redevelopment Property Tax Trust Fund allocation to that successor agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the each redevelopment agency, and from funds that have or will become available through asset sales and all redevelopment operations are insufficient to fund the payments required in the next six month fiscal period, the county auditor-controller shall notify the State Controller and the Department of Finance no later than December 10, 2011 and May 10, 2012. The county auditor shall verify whether the successor agency will have sufficient funds from which to service debts according to the schedule and shall report the findings to the state Controller. If the State Controller concurs that there are insufficient funds to pay required debt service, the amount of such deficiency shall be deducted first from the amount remaining to be distributed to taxing entities pursuant to *Fifth* above, and if that amount is exhausted, from amounts available for distribution for administrative costs in *Fourth* and *Third* above from amounts available for allocation to the Public Health and Safety Fund. If an agency made pass through payment obligations subordinate to debt service payments required for enforceable obligations, funds for servicing bond debt may be deducted from the amounts for pass-through payments under *First* above, if the amounts remaining to be distributed to taxing entities pursuant to *Fifth* above the amounts available for distribution for administrative costs in *Fourth* above and the amounts available for allocation to the Public Health and Safety Fund have all been exhausted.

The Proposed Legislation provides that the successor agency shall make payments for enforceable obligations using tax increment funds only when no other funding source is available or when payment from current property tax revenues is required by an enforceable obligation.

Successor agencies are required to prepare draft recognized obligation payment schedules for the enforceable obligations of the former redevelopment agency and such recognized obligation payment schedules must be certified by an external auditor, approved by the oversight committee, and submitted to the county auditor-controller, the State Controller's Office and the Department of Finance.

The specific effects of the Proposed Legislation, if enacted in its present form, on the overall administration of the 2011 Bonds and the related documents, including the Indenture and any continuing disclosure certificate, cannot be determined at this time.

The Proposed Legislation also proposes the establishment of a seven member oversight committee to monitor and approve the activities of each successor agency. As currently drafted in the case of the Agency, the oversight committee board may have one member appointed by the City, and the remaining members are to be selected by the applicable county board of supervisors, the county superintendent of education, the community college district, school district and the largest non-enterprise special district in the territory of the former redevelopment agency (or by the Governor if positions are not otherwise filled). The result of this make up of the oversight committee is that its actions may not be in the best interest of, and may be adverse to, the Agency or the City and the owners of the 2011 Bonds.

The Proposed Legislation lengthens the statute of limitations to challenge various actions by the Agency taken after January 1, 2011, including the issuance of the 2011 Bonds, from 90 days to two years and requires audits of each redevelopment agency. Moreover, the Legislature may choose to not include the bonds of redevelopment agencies in the type of obligations that are validated or subject to a short statute of limitations in certain validating acts that are routinely adopted from time to time by the Legislature. The First Validating Act of 2011 proposed by SB 191 and currently pending in the Legislature has been amended to exclude such bonds. While the Agency does not believe there is any defect in the proceedings for the issuance of the 2011 Bonds that could give rise to a successful challenge, and Bond Counsel is providing its opinions with respect to the 2011 Bonds as set forth in APPENDIX D — "Form of Bond Counsel Opinion," due to the heightened scrutiny that may occur with respect to redevelopment agency activities, there could be an increased risk of a legal challenge relating to or affecting the proceedings for the 2011 Bonds and any such challenge could affect the market price of the 2011 Bonds.

Interpretation of the wording and effect of the Proposed Legislation is subject to varying opinions. It appears that if enacted as drafted in its present form and if found to be legal and enforceable by the courts in the event of a court challenge, the legislation will include provisions having the effect of barring redevelopment agencies from entering into certain contracts and, in some circumstances, expending funds after the effective date of the legislation. These provisions, as well as possibly other provisions, may limit the Agency's future ability to spend the proceeds of the 2011 Bonds. The existence and/or extent of such limitations cannot be determined at this time. The Agency has covenanted in the Indenture to comply with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2011 Bonds.

The Proposed Legislation implements its intended purposes through a complex series of provisions, and appears to contain several inconsistencies and drafting problems which will likely require revision, including, but not limited to, the priority of payments from the Redevelopment Property Tax Trust Fund. The Agency cannot predict what changes may be made to the Proposed Legislation or whether the Proposed Legislation in any form will be enacted.

The full text of the Proposed Legislation may be obtained from the State of California Department of Finance at the following web link:

http://www.dof.ca.gov/budgeting/trailer_bill_language/financial_research_and_local_government/documents/502%20RDA%20Legislation%202-23p.pdf

The link to the Proposed Legislation is provided for convenience and is not a part of nor incorporated by reference into this Official Statement.

It is possible that Proposition 22, which amended the State Constitution to prohibit state diversion of redevelopment agency revenues generally, will affect the State's ability to implement the RDA Provisions. It is possible that the Governor and the Legislature may seek voter approval of changes to the terms of Proposition 22 that are in conflict with the Proposed Budget, including the RDA Provisions and/or the Proposed Legislation.

The Agency cannot predict the timing, terms or ultimate implementation of any such final legislation or voter initiative measures, or the impact on the Agency or the 2011 Bonds of any proposed, interim or final legislative and constitutional changes which may be adopted arising out of the Proposed Budget.

There are a variety of ways in which the Proposed Budget, the RDA Provisions and/or the Proposed Legislation, if adopted, could impact the Agency and the 2011 Bonds, although the Agency is not able to predict the full variety or extent of these impacts, and the impacts will vary greatly depending on the final terms of laws adopted to implement the Proposed Budget and the RDA Provisions:

(i) The Proposed Legislation, if adopted, could impact the Agency's activities and programs generally and could reduce or eliminate its fund balances and staffing.

(ii) The Proposed Legislation, if adopted, could affect the Agency's compliance with and performance under existing contracts and obligations.

(iii) Subject to certain "contract clause" protections described below, the Proposed Legislation could affect the Agency's compliance with and performance under the terms of the Indenture, and the 2011 Bonds. These impacts could relate to the amount or availability of property tax revenue, tax increment revenues or Tax Revenues for the 2011 Bonds and other uses, the manner of application of Tax Revenues to debt service, flow of funds, use of Bond proceeds to fund new projects, compliance with Indenture covenants, continuing disclosure and other matters.

(iv) Pending final adoption of laws to implement the RDA Provisions, interim proposals could affect the activities of the Agency and the value of the 2011 Bonds.

(v) The Proposed Legislation if adopted and implemented, most significantly the elimination of redevelopment agencies and the redeployment of tax increment revenues affecting redevelopment agencies, would almost certainly raise legal and practical issues, some of which may be subject to litigation and ultimate resolution in the courts, or subsequent legislative action. These issues could affect the Agency and its compliance with the terms of the Indentures and the 2011 Bonds, and resolution of these issues could involve expense and delay or modification of certain of the rights of Bondholders in ways that the Agency cannot predict.

The Agency believes that constitutional protections against the impairment of contracts will prevent the proposed actions in the RDA Provisions and the Proposed Legislation from adversely affecting the validity of the 2011 Bonds or the Agency's pledge of Tax Revenues to secure the payment of the 2011 Bonds and, in this vein, the RDA Provisions and the Proposed Legislation purport to provide for the payments by successor entities of existing redevelopment agencies' debts and contractual obligations such as the 2011 Bonds.

Article I, section 10 of the United States Constitution provides that "No state shall ... pass any ... law impairing the obligation of contracts." Article I, section 9 of the State Constitution provides that a "law impairing the obligation of contracts may not be passed." Each of these provisions is generally referred to as a "contracts clause." Federal courts have applied a fact-based three-part test to determine whether a state law violates the federal contracts clause. In general, the test compares any impairment against the significant and legitimate public purpose behind the state law; there is no absolute prohibition against impairment.

The Agency cannot predict the applicable scope of "contract clause" protections to the 2011 Bonds and the RDA Provisions as they may ultimately be implemented. Protection of the rights of 2011 Bondholders and enforcement of the terms of the Indenture, if necessary, could involve expense and delay including with respect to the determination of the applicable scope of the "contract clause" provisions.

After execution by the Agency, the Authority and the Underwriters of the bond purchase agreement relating to the 2011 Bonds, the Agency and the Underwriters have the right under the bond purchase agreements to not proceed in issuing or purchasing the 2011 Bonds if the Agency determines that legislation has been introduced or proposals made by the Governor of the State or if legislation is enacted which would impose additional materially adverse limitations or burdens on the Agency or the City by reason of the issuance of the 2011 Bonds or which purport to prohibit the issuance of the Bonds.

The Agency cannot predict what actions will be taken in the future by the voters of the State, the State Legislature and the Governor to deal with changing State revenues and expenditures and the repercussions they may have on the current fiscal year State Budget, the Proposed Budget and future State budgets, or their impact on the Agency. These developments at the State level, whether related to the Proposed Budget or not, may, in turn, affect local governments and agencies, including the Agency. Even if the proposals affecting the Agency in the Proposed Budget are not adopted, the State Legislature may adopt other legislation from time to time requiring redevelopment agencies to make other payments to ERAF or SERAF or to make other payments. The impact that current and future State fiscal shortfalls will have on the Agency is unknown at this time. In prior years, the State has experienced budgetary difficulties and as in the Proposed Budget, balanced its budget by requiring local political subdivisions, such as the County, the City and the Agency, to fund certain costs previously borne by the State.

Information about the State budget and State spending is available at various State-maintained websites. Text of the budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements for its various debt obligations, many of which contain a summary of the current and past State budgets, may be

found at the website of the State Treasurer, www.treasurer.ca.gov. All of such websites are provided for general informational purposes only and the material on such sites is in no way incorporated into this Official Statement.

Seismic Factors

The City, like most regions that border the Pacific Ocean, is an area of significant seismic activity and, therefore, is subject to potentially destructive earthquakes. The San Andreas fault is the major active fault in the State, and is approximately 40 miles from the City. Several active or potentially active faults are located closer to the City, including the Santa Monica, the San Jacinto, the Malibu Coast, and the Newport-Inglewood faults. According to the City of Santa Monica Local Hazard Mitigation Plan (2006), seismologists believe that a 6.0 earthquake on the Newport-Inglewood fault would cause more damage than a larger quake on the San Andreas fault.

On January 17, 1994, a 6.8 magnitude earthquake occurred in Northridge, California which resulted in 450 injuries and 3 fatalities in the City. The City sustained damage to 530 buildings, including 2,300 housing units and the temporary shutdown of St. John's Hospital. The 1994 Northridge Earthquake was the precipitating factor to formation of the Project Area. Over the last two decades, significant earthquake mapping and mitigation measures have been completed and public awareness has improved. City officials implemented measures to expedite recovery efforts, including streamlined permitting and fee waivers, which allowed most damaged buildings to be repaired within five years of the earthquake. Federal funds ($93.4 million) were used to complete necessary repairs and retrofit buildings to reduce effects of future earthquakes. In the Earthquake Recovery Redevelopment Project Area, formed following the Northridge earthquake, the following key improvements have been made: seismic retrofitting was completed on public parking structures 2, 4, 7, and 8; Santa Monica College's Liberal Arts Building was reconstructed with Redevelopment Agency assistance; portions of St. Johns Health Center are being reconstructed in phases to be able to remain operational during high magnitude earthquakes; and the Santa Monica UCLA Hospital Medical Center, which also suffered damage in the earthquake, has undergone improvements.

The City is susceptible to tsunami and seiche hazards. A tsunami is a sea wave generated by a submarine earthquake, landslide or volcanic eruption. According to the Santa Monica Local Hazard Mitigation Plan (2006), Santa Monica's tsunami threat is considered low to moderate. A seiche is another form of earthquake-or landslide-induced wave or oscillation that can be generated in an enclosed body of water such as a lagoon or harbor. Tsunamis and seiches have both caused damage in the Santa Monica area.

The occurrence of severe seismic activity in the City could result in substantial damage to property located in the Project Area, and could lead to successful appeals for reduction of assessed values of such property. Such a reduction of assessed valuations could result in a reduction of the Tax Revenues that secure the 2011 Bonds.

Hazardous Substances

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

Investment Funds

All funds held by the Trustee under the Indenture and all funds held by the Agency under the Indenture including the Special Fund, into which all Tax Revenues are initially deposited, are required to be invested in Permitted Investments as provided in the Indenture. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indenture or the Special Fund could have a material adverse effect on the security for the 2011 Bonds.

Bankruptcy and Foreclosure

The rights of the Owners of the 2011 Bonds and the enforceability of the obligation to make payments on the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights under currently existing law or laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. The opinion of Bond Counsel as to the enforceability of the obligation to make payments on the 2011 Bonds will be qualified as to bankruptcy and such other legal events. See APPENDIX D—"Form of Bond Counsel Opinion."

Further, the payment of the tax increment revenues and the ability of the County to timely foreclose the lien of a delinquent unpaid tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. Any delay in prosecuting superior court foreclosure proceedings would increase the likelihood of a delay or default in payment of the principal of and interest on the 2011 Bonds and the possibility of delinquent tax installments not being paid in full. These risks may be greater where, as in the case of, the Project Area there is a high concentration of major taxpayers.

Interpretation of and Future Changes in the Law

In addition to the other limitations on tax revenues described herein under "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS," the California electorate or Legislature could adopt a constitutional or legislative change that decreases property taxes or the amount thereof allocable to the Agency with the effect of reducing Tax Revenues payable to the Agency. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could reduce such Tax Revenues and adversely affect the security for the 2011 Bonds.

The Redevelopment Law is a complex body of law and its application to the Agency, the Redevelopment Plan, the Redevelopment Project, Housing Set-Aside obligations and other Agency financial obligations may be subject to different interpretations by the Agency, taxing entities, the State and other interested parties.

2011 Bonds Are Limited Obligations

The 2011 Bonds are special, limited obligations of the Agency and are payable solely from and secured by Tax Revenues of the Agency under the Indenture and as such are not debt of the City, the State or any of their political subdivisions other than the Agency, and none of the City, the State or any of their political subdivisions other than the Agency is liable for the payment thereof. The principal of, and premium, if any, and interest on, the 2011 Bonds are payable solely from Tax Revenues allocated to the Agency from the Project Area and certain other funds pledged therefor under the Indenture. The 2011 Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. See "SECURITY FOR THE 2011 BONDS." No Owner of the Bonds may compel exercise of the taxing power of the State, the City or any of their political subdivisions to pay the principal of, or premium, if any, or interest due on, the 2011 Bonds.

Limited Recourse on Default

If the Agency defaults on its obligations to make payments with respect to the 2011 Bonds, the Trustee has the right to accelerate the total unpaid principal amount of the 2011 Bonds. However, in the event of a default and such acceleration, there can be no assurance that the Trustee will have sufficient moneys available for payment of the 2011 Bonds.

Secondary Market

There can be no guarantee that there will be a secondary market for the 2011 Bonds, or, if a secondary market exists, that the 2011 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon the then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Loss of Tax Exemption

As discussed under the caption "OTHER MATTERS — Tax Matters," interest on the 2011 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2011 Bonds were issued as a result of future acts or omissions of the Agency in violation of its covenants contained in the Indenture. Should such an event of taxability occur, the 2011 Bonds are not subject to special redemption or any increase in interest rate and may remain outstanding until maturity.

LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS

Property Tax Limitations - Article XIIIA

California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIIIA to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors. The amendment further limits the amount of any ad valorem tax on real property to 1 percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII was adopted in June 1986 by initiative which exempts any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property from the 1 percent limitation.

In the general election held November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amend Article XIIIA. Proposition 58 amends Article XIIIA to provide that the terms "purchased" and "change of ownership," for purposes of determining full cash value of property under Article XIIIA, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first $1,000,000 of other property between parents and children.

Proposition 60 amends Article XIIIA to permit the Legislature to allow persons over age 55 who sell their residence to buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Pursuant to Proposition 60, the Legislature has enacted legislation permitting counties to implement the provisions of Proposition 60.

Challenges to Article XIIIA

There have been many challenges to Article XIIIA of the California Constitution. The United States Supreme Court heard the appeal in *Nordlinger v. Hahn*, a challenge relating to residential property. Based upon the facts presented in *Nordlinger*, the United States Supreme Court held that the method of property tax assessment under Article XIIIA did not violate the federal Constitution. The Agency cannot predict whether there will be any future challenges to California's present system of property tax assessment and cannot evaluate the ultimate effect on the Agency's receipt of tax increment revenues should a future decision hold unconstitutional the method of assessing property.

Implementing Legislation

Legislation enacted by the California Legislature to implement Article XIIIA (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax, except to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIIIA.

The apportionment of property taxes in fiscal years after 1978/79 has been revised pursuant to Statutes of 1979, Chapter 282 which provides relief funds from State moneys beginning in fiscal year 1978/79 and is designed to provide a permanent system for sharing State taxes and budget surplus funds with local agencies. Under Chapter 282, cities and counties receive about one-third more of the remaining property tax revenues collected under Proposition 13 instead of direct State aid. School districts receive a correspondingly reduced amount of property taxes, but receive compensation directly from the State and are given additional relief.

Future assessed valuation growth allowed under Article XIIIA (new construction, change of ownership, 2% annual value growth) is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs except for certain utility property assessed by the State Board of Equalization which is allocated by a different method discussed herein.

Property Tax Collection Procedures

Classifications. In California, property which is subject to ad valorem taxes is classified as "secured" or "unsecured." Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by the County becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against unsecured property, but may become a lien on certain other property owned by the taxpayer.

Collections. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured property taxes in the absence of timely payment by the taxpayer: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of the personal property, improvements or possessory interests belonging or assessed to the assessee.

The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of property securing the taxes to the State for the amount of taxes which are delinquent.

Penalties. A 10 percent penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is declared

in default on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5 percent per month to the time of redemption and a $15 Redemption Fee. If taxes are unpaid for a period of five years or more, the property is recorded in a "Power to Sell" status and is subject to sale by the county tax collector. A 10 percent penalty also applies to the delinquent taxes on property on the unsecured roll, and further, an additional penalty of 1-1/2 percent per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

Delinquencies. The valuation of property is determined as of January 1 each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due January 1. Unsecured taxes enrolled by July 31, if unpaid, are delinquent August 31 at 5:00 p.m. and are subject to penalty; unsecured taxes added to roll after July 31, if unpaid, are delinquent on the last day of the month succeeding the month of enrollment.

Disbursement to the Agency. The County disburses tax increment revenue to all redevelopment agencies from November through August with approximately 35% of secured revenues apportioned by the end of December and a total of 75% of the secured revenues by the end of the following April. Unsecured revenues are disbursed in November, March and August of each fiscal year. The Agency receives the final distributions of secured revenues in July and August. The November payment consists of an 80% advance on the total unsecured levy.

Supplemental Assessments. A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498), provides for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. The statute provides increased revenue to redevelopment agencies to the extent that supplemental assessments as a result of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the lien date. To the extent such supplemental assessments occur within the Project Area, Tax Revenues may increase. The projection of Tax Revenues assumes no revenue from supplemental assessments in future years. See "TAX REVENUES — Projected Tax Revenues".

Tax Collection Fees. SB 2557 (Chapter 466, Statutes of 1990) permits county auditors to withhold a portion of annual tax revenues for the recovery of county charges related to property tax administration services to cities in an amount equal to their property tax administration costs proportionately attributable to cities. Subsequent legislation specifically includes redevelopment agencies among the entities which are subject to a property tax administration charge. The projection of Tax Revenues assumes the County will continue to charge the Agency an annual collection fee of 1.60% of gross tax increment revenue. See "TAX REVENUES—Projected Tax Revenues".

Unitary Property

AB 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with fiscal year 1988-89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies and herein defined as "Unitary Property") is to be allocated county-wide as follows: (i) each tax rate area will receive the same amount from each assessed utility received in the previous fiscal year unless the applicable county-wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro-rata basis; and (ii) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro-rata share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State-assessed property has been changed to January 1. Railroad property will continue to be assessed and revenues allocated to all tax rate areas where the railroad property is sited.

To administer the allocation of unitary tax revenues to redevelopment agencies, the County no longer includes the taxable value of utilities as part of the reported taxable values of the project area. For fiscal year

2010-11, the County is expected to remit $70,340 unitary revenue to the Agency for the Project Area. The projection of Tax Revenues assumes the County will remit a like amount of utility tax revenue to the Agency in future years. See "TAX REVENUES—Projected Tax Revenues".

Appropriations Limitations - Article XIIIB

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

Effective November 30, 1980, the California Legislature added Section 33678 to the Redevelopment Law which provided that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness will not be deemed the receipt by such agency of proceeds of taxes levied by or on behalf of the agency within the meaning of Article XIIIB, nor will such portion of taxes be deemed receipt of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State, including Section 33678 of the Redevelopment Law.

Statement of Indebtedness

Under the Law, the Agency must file with the County Auditor a statement of indebtedness for the Project Area by October 1 each year. As described below, the statement of indebtedness controls the amount of tax increment revenue that will be paid to the Agency in each fiscal year.

Each statement of indebtedness is filed on a form prescribed by the State Controller and specifies, among other things: (a) the total amount of principal and interest payable on all loans, advances or indebtedness (including the 2011 Bonds and any Parity Debt) (the "Debt"), both over the life of the Debt and for the current fiscal year, and (b) the amount of "available revenue" as of the end of the previous fiscal year. "Available revenue" is calculated by subtracting the total payments on Debt during the previous fiscal year from the total revenues (both tax increment revenue and other revenues) received during the previous fiscal year, plus any carry-forward from the prior fiscal year. Available revenue includes amounts held by the Agency and irrevocably pledged to the payment of Debt, but does not include Housing Set-Aside.

The County Auditor may only pay tax increment revenue to the Agency in any fiscal year to the extent that the total remaining principal and interest on all Debt exceeds the amount of available revenues as shown on the statement of indebtedness.

The statement of indebtedness constitutes prima facie evidence of the debt of the Agency; however, the County Auditor may dispute the statement of indebtedness in certain cases. Section 33675 provides for certain time limits controlling any dispute of the statement of indebtedness, and allows for Superior Court determination of such dispute in the event it cannot be resolved by the Agency and the County Auditor. Any such action may only challenge the amount of the Debt as shown on the statement, and not the validity of any Debt or related contract or the expenditures related thereto. No challenge can be made to payments to a trustee in connection with a bond issue or payments to a public agency in connection with payments by that public agency with respect to a lease or bond issue.

The Agency's October 1, 2010 Statement of Indebtedness included outstanding obligations sufficient to collect all of the tax increment currently generated in the Project Area for Fiscal Year 2010-11. The Agency expects that its future Statement of Indebtedness will also include outstanding obligations sufficient to collect all of the tax increment generated in the Project Area during the applicable fiscal year.

Proposition 218

On November 5, 1996, California voters approved Proposition 218 — Voter Approval for Local Government Taxes — Limitation on Fees, Assessments, and Charges — Initiative Constitutional Amendment. Proposition 218 added Articles XIIIC and XIIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Tax Revenues securing the 2011 Bonds are derived from property taxes which are outside the scope of taxes, assessments and property-related fees and charges which were limited by Proposition 218.

Future Initiatives

Article XIIIA, Article XIIIB and certain other propositions affecting property tax levies were each adopted as measures which qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting Agency revenues or the Agency's ability to expend revenues.

OTHER MATTERS

Litigation

The Agency will represent on the Closing Date that no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, is pending for which the Agency has been served, or, to the best of its knowledge after due inquiry, 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 2011 Bonds, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the 2011 Bonds, or in any way contesting or affecting the validity of the 2011 Bonds or the related legal documents or the consummation of the transactions contemplated thereby or hereby, or contesting the exclusion of the interest on the 2011 Bonds from taxation or contesting the powers of the Agency or its authority to issue the 2011 Bonds;

(iii) which may result in any material adverse change relating to the Agency; 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, and

(v) there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) above.

Ratings

Standard & Poor's has assigned its municipal bond rating of "AA" to the 2011 Bonds. Fitch Ratings Group has assigned its municipal bond rating of "AA-" to the 2011 Bonds. The ratings issued reflect only the view of the applicable rating agency, and any explanation of the significance of such ratings should be obtained from the applicable rating agency. There is no assurance that such ratings will be retained for any given period of time or that they will not be revised downward or withdrawn entirely by the applicable rating

agency if, in the judgment of the applicable rating agency, circumstances so warrant. Any such downward revision or withdrawal of any ratings obtained may have an adverse effect on the market price of the 2011 Bonds.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the 2011 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, Bond Counsel notes that, with respect to corporations, interest (and original issue discount) on the 2011 Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect such corporation's alternative minimum tax liability. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2011 Bonds is exempt from California personal income tax.

In the opinion of Bond Counsel, the difference between the issue price of a 2011 Bond (the first price at which a substantial amount of the 2011 Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity of such 2011 Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a 2011 Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a 2011 Bond Owner will increase the 2011 Bond Owner's basis in the applicable 2011 Bond. The amount of original issue discount that accrues to the Owner of the 2011 Bonds is excluded from the gross income of such Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and is exempt from California personal income tax.

Bond Counsel's opinion, as to the exclusion from gross income of interest (and original issue discount) on the 2011 Bonds, is based upon certain representations made by the Agency and others, and is subject to the condition that the Agency comply with certain covenants and the requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the 2011 Bonds to assure that interest (and original issue discount) on the 2011 Bonds will remain excludable from gross income for federal income tax purposes. Failure to comply with such requirements possibly could cause interest (and original issue discount) on the 2011 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2011 Bonds. The Agency has covenanted to comply with all such requirements.

The amount by which a 2011 Bond Owner's original basis for determining loss on sale or exchange of the applicable 2011 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable 2011 Bond premium, which must be amortized under Section 171 of the Code; such amortizable 2011 Bond premium reduces the 2011 Bond Owner's basis in the applicable 2011 Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of amortization of 2011 Bond premium may result in a 2011 Bond Owner realizing a taxable gain when a 2011 Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2011 Bond to the Owner. Purchasers of the 2011 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable 2011 Bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2011 Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2011 Bonds might be affected as a result of such an audit of the 2011 Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or

interpretation thereof) subsequent to the issuance of the 2011 Bonds to the extent that it adversely affects the exclusion from gross income of interest on the 2011 Bonds or their market value.

It is possible that subsequent to the issuance of the 2011 Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the 2011 Bonds or the market value of the 2011 Bonds. No assurance can be given that subsequent to the issuance of the 2011 Bonds such changes or interpretations will not occur.

Bond Counsel's opinion is based on an analysis of existing statutes, regulations, rulings and judicial decisions. Such opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the 2011 Bonds permit certain actions to be taken or to be omitted if a favorable opinion is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the 2011 Bonds for federal income tax purposes with respect to any 2011 Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the 2011 Bonds is excluded from gross income for federal income tax purposes, as provided above, the ownership of the 2011 Bonds and the accrual or receipt of interest on the 2011 Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, all potential purchasers of the 2011 Bonds should consult their tax advisors before purchasing any of the 2011 Bonds with respect to collateral tax consequences relating to the 2011 Bonds.

Should the interest (and original issue discount) on the 2011 Bonds become includable in gross income for federal income tax purposes, the 2011 Bonds are not subject to early redemption as a result of such occurrence and will remain outstanding until maturity or until otherwise redeemed in accordance with the Resolution.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix D.

General. Owners of the 2011 Bonds should be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2011 Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the 2011 Bonds other than as expressly described above.

Continuing Disclosure

The Agency has undertaken for the benefit of holders and beneficial owners of the 2011 Bonds to provide certain financial information and operating data relating to the Agency by not later than nine months following the end of the Agency's fiscal year (currently by March 1 each year based upon the June 30 end of the Agency's fiscal year), commencing April 1, 2012 with the report for the 2010-11 Fiscal Year (the "Annual Report"), and to provide notices of the occurrence of certain listed events. The Annual Report and notices of certain listed events will be filed by the Agency with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in APPENDIX E — "Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5) (the "Rule").

With the exception of certain notices of periodic ratings downgrades related to the 2006 Bonds associated with the financial condition of the 2006 Insurer, as to which such disclosure has been brought current, the Agency has not failed to comply in any material respects with previous undertakings to provide annual reports and notices of material events under the Rule in the past five years.

Underwriting

The 2011 Bonds were sold to the Santa Monica Public Financing Authority for concurrent resale to E. J. De La Rosa & Co., Inc., as representative of itself and Wells Fargo Bank, National Association (collectively, the "Underwriters"), pursuant to a bond purchase agreement dated June 3, 2011. The Underwriters have agreed to purchase the 2011 Bonds at a purchase price of $41,238,542.30 (being the principal amount of the 2011 Bonds ($41,050,000) plus a net original issue premium of $409,673.80 and less an Underwriters' discount of $221,131.50). Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

The Underwriters may change the initial public offering prices of the 2011 Bonds from time to time. The Underwriters will purchase all of the 2011 Bonds if any are purchased.

Financial Statements

The audited financial statements of the Agency for the Fiscal Year ended June 30, 2010, are included as part of APPENDIX C — "Audited Financial Statements of the Agency for the Year Ended June 30, 2010." Such financial statements have been audited by Mayer Hoffman McCann P.C. (the "Auditor"), independent certified public accountants, whose report also appears in Appendix C. The Auditor was not requested to consent to the inclusion of its report in Appendix C, nor has the Auditor undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report. The Agency has engaged Macias, Gini and O'Connell to conduct the audit of its financial statements for the year ended June 30, 2011.

Financial Advisor

Public Resources Advisory Group served as financial advisor to the Agency in connection with the issuance of the 2011 Bonds. Public Resources Advisory Group will receive compensation contingent upon the sale and delivery of the 2011 Bonds.

Professionals Involved in the Offering

The following professionals are participating in this financing: Stradling Yocca Carlson & Rauth, a Professional Corporation, as Bond Counsel and Disclosure Counsel; Kane, Ballmer & Berkman, as Agency counsel; HdL Coren & Cone, as Fiscal Consultant; Public Resources Advisory Group, as Financial Advisor to the Agency; Union Bank, N.A., (formerly known as Union Bank of California, N.A.) as Trustee; and Jones Hall, A Professional Law Corporation, as counsel to the Underwriters.

The fees of Bond Counsel and Disclosure Counsel, the Underwriters and the Financial Advisor are contingent on the issuance of the 2011 Bonds.

EXECUTION

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

REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA

By: /s/ Rod Gould
Executive Director

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture of Trust, dated as of April 1, 2006, by and between the Agency and Union Bank of California, N.A., as trustee (the "Trustee"), as amended and supplemented by a First Supplement to Indenture of Trust, dated as of April 1, 2006, and a Second Supplement to Indenture of Trust dated as of June 1, 2011 by and between the Agency and the Trustee (as so amended and supplemented, the "Indenture") providing for the issuance of the Redevelopment Agency of the City of Santa Monica Earthquake Recovery Redevelopment Project 2011 Tax Allocation Bonds (the "2011 Bonds"), the Redevelopment Agency of the City of Santa Monica Earthquake Recovery Redevelopment Project 2006 Tax Allocation Refunding Bonds, Series A (the "2006 Series A Bonds")and the Redevelopment Agency of the City of Santa Monica Earthquake Recovery Redevelopment Project 2006 Taxable Tax Allocation Refunding Bonds, Series B (the "2006 Series B Bonds" and together with the 2006 Series A Bonds, the "2006 Bonds"). The 2006 Series A Bonds were issued pursuant to the Indenture of Trust, the 2006 Series B Bonds were issued pursuant to the First Supplement to Indenture of Trust and the 2011 Bonds are being issued pursuant to the Second Supplement to Indenture of Trust. Except as noted herein, the provisions of the Indenture described in this summary apply to both the 2011 Bonds and the 2006 Bonds. Accordingly, references in this summary to "Bonds" is with respect to the 2011 Bonds and/or the 2006 Bonds, as applicable. The principal difference between the application of the provisions of the Indenture results from the fact that interest paid on the 2011 Bonds and the 2006 Series A Bonds is exempt from federal income taxes and the interest paid on the Series B Bonds is intended by the Agency to be subject to federal income taxes. This is a summary of the provisions of the Indenture not otherwise described in the text of this Official Statement. Such summary is not intended to be definitive, and reference is made to the actual document (copies of which may be obtained from the Trustee) for the complete terms thereof.

Definitions

"Additional Revenues" means, as of the date of calculation, the amount of Tax Revenues which, as shown in the Report of an Independent Fiscal Consultant, are estimated to be receivable by the Agency within the Fiscal Year following the Fiscal Year in which such calculation is made, as a result of increases in the assessed valuation of taxable property in the Project Area due to the completion of construction which is not then reflected on the tax rolls, or due to transfer of ownership or any other interest in real property which has been recorded but which is not then reflected on the tax rolls.

"Agency" means the Redevelopment Agency of the City of Santa Monica, a public body corporate and politic duly organized and existing under the Law.

"Bond Counsel" means (a) Stradling Yocca Carlson & Rauth, a Professional Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Agency of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

"Bond Year" means any twelve-month period beginning on July 2 in any year and extending to the next succeeding July 1, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on July 1, 2011.

"Bonds" means, collectively, the 2011 Bonds, the 2006 Bonds and any Parity Debt.

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

"City" means the City of Santa Monica, a municipal corporation and chartered city organized and existing under the Constitution and laws of the State.

"Closing Date" means the date on which the Bonds are delivered by the Agency to the purchaser of the Bonds.

"Continuing Disclosure Certificate" means, collectively, any Continuing Disclosure Certificate executed by the Agency in connection with the issuance of the 2006 Bonds, and that certain Continuing Disclosure Certificate dated as of the Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Agency relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to: printing expenses; rating agency fees; bond insurance and surety bond premiums; filing and recording fees; initial fees, expenses and charges of the Trustee and its counsel, including the Trustee's first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; 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 refunding and defeasance of the 1999 Bonds.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"County" means the County of Los Angeles, a county duly organized and existing under the Constitution and laws of the State.

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

"Defeasance Obligations" means cash, direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS, or defeased municipal bonds rated AM by S&P or Aaa by Moody's (or any combination of the foregoing).

"Event of Default" means any of the events described in the Indenture.

"Fair Market Value" means, with respect to any investment, the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a 10% beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

"Federal Securities" means, with respect to the Bonds, United States treasury notes, bonds, bills or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America

are pledged for the payment of principal and interest (including obligations issued or held in book-entry form and securities which represent an undivided interest in such direct obligations), and also any securities now or later authorized, both the principal of and interest on which is guaranteed directly by the full faith and credit of the United States of America.

"First Supplement" means that certain First Supplement to Indenture of Trust dated as of April 1, 2006 by and between the Agency and the Trustee.

"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 Agency as its official fiscal year period pursuant to a Certificate of the Agency filed with the Trustee.

"Indenture" means collectively, the Indenture of Trust , the First Supplemental Indenture of Trust and the Second Supplemental Indenture of Trust, each by and between the Agency and the Trustee, as amended or supplemented from time to time pursuant to any Supplemental Indenture entered into pursuant to the provisions of such Indenture.

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

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

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

"Interest Payment Date" means July 1, 2011, and each January 1 and July 1 thereafter so long as any of the Bonds remain unpaid.

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

"Low and Moderate Income Housing Fund" means the fund of the Agency by that name established pursuant to Section 33334.3 of the Law.

"Low and Moderate Income Housing Account" means the account by that name established by the Indenture and held by the Trustee.

"Maximum Annual Debt Service" means, as of the date of calculation, the largest aggregate amount of Annual Debt Service on all Outstanding Bonds, including the Bonds and all other Parity Debt, for the current or any future Bond Year. For purposes of such calculation, there shall be excluded (i) interest on any Parity Debt which is to be paid from amounts constituting capitalized interest and (ii) a pro rata portion of each installment of principal of any Parity Debt, together with the interest to accrue thereon, in the event and to the extent that the proceeds of such Parity Debt are deposited in an escrow fund from which amounts may not be released to the Agency unless the Tax Revenues for the current Fiscal Year (as evidenced in the written

records of the County) at least equal to one hundred twenty five percent (125%) of the amount of Maximum Annual Debt Service.

"Moody's" means Moody's Investors Service, Inc., its successors and assigns.

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

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

"Parity Debt" means any loans, bonds, notes, advances or indebtedness payable from Tax Revenues on a parity with the 2006 Bonds and the 2011 Bonds made to finance or refinance the Redevelopment Project and issued or incurred pursuant to and in accordance with the provisions of the Indenture.

"Parity Debt Instrument" means the First Supplement or the Second Supplement, as applicable, and any resolution, indenture of trust, trust agreement or other instrument authorizing the issuance of any Parity Debt and which otherwise complies with all of the terms and conditions of the Indenture.

"Participating Underwriter" has the meaning ascribed thereto in the Continuing Disclosure Certificate.

"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, but only to the extent that the same are acquired at Fair Market Value:

(a) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (b) below);

(b) Federal Securities;

(c) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: (i) Export- Import Bank; (ii) Farmers Home Administration; (iii) General Services Administration; (iv) U.S. Maritime Administration; (v) Small Business Administration; (vi) Government National Mortgage Association (GNMA); (vii) U.S. Department of Housing & Urban Development (DNA's); and (viii) Federal Housing Administration;

(d) senior debt obligations rated "AAA" by S&P and "Aaa" by Moody's issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;

(e) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);

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

(g) investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(h) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(i) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P and Moody's; or

(ii) (A) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (a) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (B) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(i) investment agreements approved in writing by the 2006 Insurer, supported by appropriate opinions of counsel, with notice to S&P;

(j) the Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name; and

(k) other forms of investments approved in writing by the 2006 Insurer with notice to S&P.

"Plan Limitation" means the limitations contained or incorporated in the Redevelopment Plan on the aggregate principal amount of bonded indebtedness payable from Tax Revenues which may be outstanding at any time.

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

"Project Area" means the project area described in the Redevelopment Plan.

"Qualified Reserve Account Credit Instrument" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to the Indenture, provided that all of the following requirements are met by the Agency at the time of delivery thereof to the Trustee: (a) the long-term credit rating of such bank or insurance company is Aa or better from Moody's and AA or better from S&P; (b) such letter of credit or surety bond has a term of at least 12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the Indenture; and (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account, the Principal Account for the Sinking Account or the purpose of making payments required pursuant to the Indenture.

"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 pursuant to the Indenture.

"Redevelopment Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Redevelopment Plan" means the Redevelopment Plan for the project designated as the "Santa Monica Earthquake Recovery Redevelopment Project", approved by Ordinance No. 1747 of the City Council of the City, adopted on June 21, 1994, together with any amendments thereof now or later duly enacted pursuant to the Redevelopment Law.

"Redevelopment Project" means the undertaking of the Agency to redevelop the Project Area in accordance with the Redevelopment Plan.

"Registration Books" means the records maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

"Request of the Agency" means a request in writing signed by the Chairman, Executive Director, Treasurer or Secretary of the Agency, or any other officer of the Agency duly authorized by the Agency for that purpose.

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

"Reserve Requirement" means, as of the date of any calculation, the lesser of (a) Maximum Annual Debt Service or (b) the maximum amount permitted to be deposited in the Reserve Account under the Tax Code, as certified to the Trustee by the Agency; provided, for purposes of the issuance of Parity Debt under the Indenture, during such time as the 2006 Bond Reserve Fund Policy is in effect and no default exists thereunder, it will be sufficient for purposes of compliance with the Parity Debt provisions of the Indenture that a Reserve Account is funded in an amount equal to the Reserve Requirement, treating for such purpose the portion of the Reserve Requirement allocable to the Series 2006A Bonds and 2006 Series B Bonds (and represented by and available to be claimed under the 2006 Bond Reserve Fund Policy) as fully allocable to the Reserve Requirement without regard to whether the Parity Debt is scheduled to be Outstanding for a term beyond the term of the 2006 Bonds and the 2006 Bond Reserve Fund Policy, subject to the provisions of the Reserve Account provisions of the Indenture requiring the Agency to take certain actions upon the expiration or default with respect to any Qualified Reserve Account Credit Instrument.

"S&P" means Standard & Poor's Ratings Services, A Division of the McGraw-Hill Companies, Inc., its successors and assigns.

"Second Supplement" means the Second Supplement to Indenture of Trust dated as of June 1, 2011 by and between the Agency and the Trustee.

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

"Special Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"State" means the State of California.

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

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

"2006 Bond Reserve Fund Policy" means the Municipal Bond Debt Service Reserve Fund Policy issued by the 2006 Insurer with respect to the 2006 Bonds.

"2006 Bond Reserve Fund Policy Agreement" means the Debt Service Reserve Fund Policy Agreement, by and between the Agency and the 2006 Insurer relating to the Bond Reserve Fund Policy.

"2006 Insurance Policy" means the financial guaranty insurance policy issued by the 2006 Insurer insuring the payment when due of principal of and interest on the 2006 Bonds, as provided therein.

"2006 Insurer" means Financial Guaranty Insurance Company, a New York stock insurance company, or any successor thereto, as issuer of the 2006 Insurance Policy.

"2006 Reserve Account Subaccount" means the 2006 Series A Bonds Reserve Account Subaccount or the 2006 Series B Bonds Reserve Account Subaccount, as applicable, by such names established and held by the Trustee pursuant to the Indenture.

"2006 Series A Bonds" means the $49,945,000 original principal amount Earthquake Recovery Redevelopment Project, 2006 Tax Allocation Refunding Bonds, Series A, issued pursuant to the Indenture.

"2006 Series B Bonds" means the $14,775,000 original principal amount Earthquake Recovery Redevelopment Project, 2006 Taxable Tax Allocation Refunding Bonds, Series B, issued pursuant to the Indenture.

"2011 Reserve Account Subaccount" means the 2011 Bonds Reserve Account Subaccount by such name established and held by the Trustee pursuant to the Indenture.

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

"Tax Revenues" means all taxes annually allocated to the Agency with respect to the Project Area following the Closing Date, pursuant to 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 and as provided in the Redevelopment Plan, including all other payments, subventions and reimbursements (if any) to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations (but excluding payments to the Agency with respect to personal property within a Project Area pursuant to Section 16110, *et seq.*, of the Government Code of the State of California; provided, however, that Tax Revenues shall not include (a) all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year pursuant to section 33334.3 of the Redevelopment Law, except to the extent permitted under the Redevelopment Law to be applied to the payment of the principal of and interest and premium (if any) on the Bonds or any Parity Debt and (b) amounts payable by the Agency pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law, to the extent not subordinated to the payment of principal of and interest and prepayment premium (if any) on the Bonds or any Parity Debt.

"Term Bonds" means any maturity of Parity Debt which is subject to mandatory Sinking Account redemption pursuant to the Supplemental Indenture authorizing the issuance thereof.

"Trustee" means Union Bank of California, N.A., as Trustee under the Indenture, or any successor thereto appointed as Trustee under the Indenture in accordance with the provisions of the Indenture.

Costs of Issuance Fund

The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Request of the Agency stating (a) the person to whom payment is to be made, (b) the amount to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior Request of the Agency; in each case together with a statement or invoice for each amount requested thereunder. On the earlier of (i) November 1, 2011, or (ii) the date of receipt by the Trustee of a Request of the Agency therefor, all amounts (if any) remaining in the Costs of Issuance Fund will be withdrawn therefrom by the Trustee and transferred to the Agency for deposit in the Redevelopment Fund.

Redevelopment Fund

The Redevelopment Fund will be established and held by the Agency. The moneys in the Redevelopment Fund will be used in the manner provided by the Law solely for the purpose of aiding in financing redevelopment activities with respect to the Redevelopment Project, including payment of any remaining unpaid Costs of Issuance. The Agency covenants in the Indenture that no funds on deposit in the Redevelopment Fund will be applied for any purpose not authorized by the Law.

There is established a separate account in the Redevelopment Fund to be known as the "2011 Bonds Redevelopment Account", which shall be held by the Agency. The moneys in the 2011 Bonds Redevelopment Account will be used and withdrawn by the Agency from time to time to pay authorized costs upon submission (and retention in the records of the Agency) of a Written Request of the Agency stating (a) the person to whom payment is to be made, (b) the amount to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the 2011 Bonds Redevelopment Account and the Redevelopment Fund, and (e) that such amounts have not been the subject of a prior Written Request of the Agency; in each case together with a statement or invoice for each amount requested thereunder. On the date of the Agency's certification (and retention in the records of the Agency) that it has completed the expenditure of all amounts to be expended from the 2011 Bonds Redevelopment Account, all amounts (if any) remaining in the 2011 Bonds Redevelopment Account will be withdrawn therefrom and transferred to the Trustee for deposit in the Interest Account.

Low and Moderate Income Housing Account

The Low and Moderate Income Housing Account is established and held by the Agency. The Agency will cause to be deposited in the Low and Moderate Income Housing Account the amount of the proceeds of Parity Debt specified in any Supplemental Indenture. The Agency covenants that moneys in the Low and Moderate Income Housing Account will be used in the manner provided by Section 33334.2 of the Redevelopment Law solely for the purpose of aiding in financing low and moderate income housing within or of benefit to the Project Area and the Agency warrants that no funds in the Low and Moderate Income Housing Account will be applied for any purpose not authorized by Section 33334.2 of the Redevelopment Law for the expenditure of moneys in the Low and Moderate Income Housing Fund and the Indenture.

Issuance of Parity Debt

In addition to the 2006 Bonds and the 2011 Bonds, the Agency may issue or incur additional Parity Debt in such principal amount as is determined by the Agency. The Agency may issue or incur such Parity Debt subject to the following specific conditions precedent:

(a) The Agency is in compliance with all covenants set forth in the Indenture and all Parity Debt Instruments.

(b) The Tax Revenues estimated to be received for the then current Bond Year, based on the assessed value of property within the Project Area as set forth in the written records of the County, plus (at the option of the Agency) the Additional Revenues, are at least equal to one hundred twenty-five percent (125%) of Maximum Annual Debt Service on all Bonds which will be Outstanding immediately following the issuance of such Parity Debt. For purposes of computing the amount of Tax Revenues, the following requirements must be observed:

(i) Tax Revenues are calculated on the basis of a tax rate of $1.00 per $100 of assessed value and do not include the amounts of any State tax subventions; and

(ii) the amount of Tax Revenues will be the amount received in the most recent Fiscal Year (which may be the current Fiscal Year) for which records are available from the County establishing the assessed valuations of property in the Project Area.

(c) The Parity Debt Instrument providing for the issuance of such Parity Debt will provide that interest thereon is not payable on any dates other than January 1 and July 1, and principal thereof is payable on July 1 in any year in which principal is payable.

(d) The Parity Debt Instrument providing for the issuance of such Parity Debt will provide for the deposit into the Reserve Account of an amount required to cause the balance therein to equal the full amount of the Reserve Requirement, as defined in the Indenture for such purpose, which deposit will be made concurrent with the issuance of such Parity Debt and may be in whole or in part in the form of a Qualified Reserve Account Credit Instrument.

(e) The proceeds of such Parity Debt may be deposited into an escrow fund from which amounts may not be released to the Agency unless and until the Tax Revenues (as evidenced in the written records of the County) at least equal 125% of the amount of Maximum Annual Debt Service.

(f) The issuance of such Parity Debt does not cause the Agency to exceed the Plan Limitation.

(g) The Trustee will be trustee for such Parity Debt.

(h) The Agency will deliver to the Trustee a Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth in the foregoing provisions have been satisfied.

Issuance of Subordinate Debt

The Agency may from time to time issue or incur Subordinate Debt in such principal amount as is determined by the Agency, provided that the issuance of such Subordinate Debt does not cause the Agency to exceed the Plan Limitation.

Security for the Bonds; Equal Security

The 2011 Bonds, the 2006 Bonds and any other Parity Debt will be secured by a first pledge of, security interest in and lien on all of the Tax Revenues and all of the moneys on deposit in the Special Fund. In addition, the Bonds will be secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account, Reserve Account and the Redemption Account. Such pledge, security interest in and lien will be for the equal

security of the Outstanding Bonds without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Tax Revenues and such moneys, no funds of the 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 shall hold the same from time to time, the Indenture is deemed to be and constitutes a contract between the Agency and the Owners from time to time of the Bonds, and the covenants and agreements set forth in the Indenture to be performed on behalf of the Agency will be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein.

Special Fund; Deposit of Tax Revenues

There has been established pursuant to the Indenture a special fund known as the "Special Fund", which is held by the Agency. The Agency will deposit all of the Tax Revenues received in any Bond Year in the Special Fund promptly upon receipt thereof by the Agency, until such time (if any) during such Bond Year as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred to the Trustee (i) pursuant to the Indenture, and (ii) pursuant to the applicable provisions of any Parity Debt Instrument; and (except as may be otherwise provided in any Parity Debt Instrument) any Tax Revenues received during such Bond Year in excess of such amounts will be released from the pledge and lien of the Indenture and may be used for any lawful purpose of the Agency. Prior to the payment in full of the principal of and interest and prepayment premium (if any) on the Bonds and all Parity Debt and the payment in full of all other amounts payable under the Indenture and under any Parity Debt Instrument, the Agency does not have any beneficial right or interest in the moneys on deposit in the Special Fund, except only as provided in the Indenture and in any Parity Debt Instrument.

Anything to the contrary in the Indenture notwithstanding, in no event shall that portion of tax revenue identified in part (a) of the definition of Tax Revenues be available for the payment of debt service on the 2011 Bonds, without regard to the Agency's application of such proceeds to certain housing purposes, except upon compliance with the terms of that certain Credit Agreement between the Agency and Bank of America, N.A., dated as of May 1, 2008.

Deposit of Amounts by Trustee

The Indenture establishes a special trust fund known as the "Debt Service Fund", which is held by the Trustee. Moneys in the Special Fund will be transferred by the Agency no later than the following times to the Trustee for deposit in the Debt Service Fund, for transfer to the following respective special accounts within the Debt Service Fund, which accounts are established with the Trustee to pay debt service on the Bonds and any Parity Debt not otherwise provided for in a Parity Debt Instrument, in the following order of priority:

(a) Interest Account. On or before the fourth Business Day preceding each date on which interest on the Bonds becomes due and payable, the Agency will withdraw from the Special Fund and 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, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such date. All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

(b) Principal Account. On or before the fourth Business Day preceding each date on which principal of the Bonds becomes due and payable at maturity, the Agency will withdraw from

the Special Fund and 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, will be equal to the amount of principal coming due and payable on such date on the Outstanding Bonds. All moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds upon the maturity thereof.

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

(d) Reserve Account. In addition to the Reserve Account, the Trustee will establish within the Reserve Account the 2006 Series A Bonds Reserve Account Subaccount, the 2006 Series B Reserve Account Subaccount and the 2011 Bonds Reserve Account Subaccount. In the event that the Trustee has actual knowledge that the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement, the Trustee will promptly notify the Agency of such fact. Promptly upon receipt of such notice, the Agency will transfer to the Trustee for deposit in the applicable subaccount to which the deficiency relates (pro rata in the event a deficiency exists in more than one subaccount and Tax Revenues are insufficient to fund the entire deficiency) an amount of available Tax Revenues sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. Amounts in the Reserve Account are used and withdrawn by the Trustee solely for the purpose of making transfers pursuant to any applicable Parity Debt Instrument in the applicable order of priority and to the Interest account, the Principal Account and the Sinking Account, in such order of priority, on any date which the principal of or interest on the Bonds becomes due and payable under the Indenture, in the event of any deficiency at any time in any of the applicable accounts. In the event there are insufficient amounts in the Reserve Account to make all of the transfers required by the original Indenture and any applicable Parity Debt Instrument, then such transfers will be made from the applicable subaccount for the benefit of the Bonds to which the applicable subaccount relates. 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 the fourth (4th) Business Day preceding each Interest Payment Date will be withdrawn from the Reserve Account by the Trustee and deposited in the Interest Account and the Interest Account established by any Parity Debt Instrument, for deposit to the applicable Bonds and/or Parity Debt to which the subaccount relates.

The Agency has the right at any time to direct the Trustee to release funds from the Reserve Account, in whole or in part, by tendering to the Trustee: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds not the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the Bonds to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Trustee, and upon delivery by the Agency to the Trustee of written calculation of the amount permitted to be released from the Reserve Account (upon which calculation the Trustee may conclusively rely), the Trustee will transfer such funds from the Reserve Account and deposit such funds in the Redevelopment Fund to be used solely as provided in the Indenture. The Trustee will comply with all documentation relating to a Qualified Reserve Account Credit Instrument as is reasonably required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as is reasonably required to receive payments thereunder in the event and to the extent required to make any payment when and as required under the Indenture. Upon the expiration or any default with respect to any Qualified Reserve Account Credit Instrument, the Agency is obligated either (i) to replace such Qualified Reserve Account Credit Instrument, or (ii) to deposit or cause to be

deposited with the Trustee an amount of funds equal to the Reserve Requirement, to be derived from the first available Tax Revenues.

The Reserve Account will be maintained in the form of one or more separate subaccounts which are established at the direction of the Agency for the purpose of holding the proceeds of separate issues of the bonds in conformity with applicable provisions of the Tax Code.

The portion of the Reserve Requirement allocable to the 2006 Bonds will be satisfied initially by the credit to the 2006 Series A Bonds Reserve Account Subaccount and the 2006 Series B Reserve Account Subaccount of the 2006 Bond Reserve Fund Policy. As long as the 2006 Bond Reserve Fund Policy is in full force and effect, the Trustee and the Agency, if applicable, agree to comply with the provisions of the Indenture relating to the 2006 Bond Reserve Fund Policy Agreement. Amounts in any subaccount of the Reserve Account are available only for the payment of those Bonds, including any Parity Debt, to which the subaccount relates, except as may be otherwise set forth in any Parity Debt Instrument, as to amounts in the subaccount created thereunder.

(e) Redemption Account. On or before the Business Day preceding any date on which Bonds are subject to redemption, other than mandatory Sinking Account redemption of Term Bonds, the Agency shall withdraw from the Special 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. All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Bonds upon the redemption thereof, on the date set for such redemption, other than mandatory Sinking Account redemption of Term Bonds.

Payments Under the 2006 Insurance Policy

The 2006 Insurer will, to the extent it makes payment of principal of or interest on the 2006 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the 2006 Insurance Policy relating to the 2006 Bonds and, to evidence such subrogation, (A) in the case of subrogation as to claims for past due interest, the Trustee will note the 2006 Insurer's rights as subrogee on the registration books maintained by the Trustee upon receipt from the 2006 Insurer of proof of the payment of interest thereon to the Owners of the 2006 Bonds and (B) in the case of subrogation as to claims for past due principal, the Trustee will note the 2006 Insurer's right as subrogee on the registration books for the 2006 Bonds maintained by the Trustee upon receipt of proof of the payment of principal thereof to the Owners of such 2006 Bonds. Notwithstanding anything in the Indenture or the 2006 Bonds to the contrary, the Trustee will make payment of such past due interest and past due principal directly to the 2006 Insurer to the extent that the 2006 Insurer is a subrogee with respect thereto.

Rights of 2006 Insurer; Consent or Approval of the 2006 Insurer

(a) With respect to the 2006 Insurer and its 2006 Insurance Policy insuring debt service on the 2006 Bonds, the following provisions govern, notwithstanding anything to the contrary set forth in the Indenture. The rights granted to the 2006 Insurer under the Indenture to request, consent to or direct any action are rights granted to the 2006 Insurer in consideration of its issuance of the 2006 Insurance Policy. In this regard, the 2006 Insurer is a third party beneficiary of the Indenture. Any exercise by the 2006 Insurer of such rights is merely an exercise of the 2006 Insurer's contractual rights and is not construed or deemed to be taken for the benefit or on behalf of the Owners of the 2006 Bonds. With respect to Events of Default under the Indenture, the consent of the owners of the 2006 Bonds is not required in addition to consent of the 2006 Insurer where the 2006 Insurer was granted such right of consent.

(b) The 2006 Insurer is deemed the sole owner of the 2006 Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the

owners of the 2006 Bonds insured by it are entitled to take pursuant to the Indenture. Except as otherwise provided in the Indenture, no contract will be entered into or action taken by which the rights of the 2006 Insurer or the security or sources of payment for the 2006 Bonds may be impaired or prejudiced, except upon obtaining the prior written consent of the 2006 Insurer.

(c) The rights of the 2006 Insurer to direct or consent to Agency, Trustee or Bondowner actions under the Indenture are suspended during any period in which the 2006 Insurer is in default in its payment obligations under the 2006 Insurance Policy (except to the extent of amounts previously paid by the 2006 Insurer and due and owing to the 2006 Insurer) and are of no force or effect in the event the 2006 Insurance Policy is no longer in effect or the 2006 Insurer asserts that the 2006 Insurance Policy is not in effect or the 2006 Insurer has provided written notice that it waives such rights.

(d) The 2006 Insurer is deemed to be the Owner of all 2006 Bonds insured under the 2006 Insurance Policy for the following purposes and provided that the 2006 Insurer is not on default under the terms of the 2006 Insurance Policy, during the following times under the Indenture: (a) at all times for the purpose of the execution and delivery of a Supplemental Indenture relating to any amendment, change or modification of the Indenture where the consent of the 2006 Bondowners is required; (b) at all times with respect to the initiation by the 2006 Bondowners of any action to be taken under the Indenture by the Trustee at the request of such 2006 Bondowners, which under the Indenture requires the written approval or consent of or permits initiation by the owners of a specified principal amount of 2006 Bonds then Outstanding; and (c) following the occurrence of an Event of Default for all other purposes.

(e) The Agency will, to the extent permitted by law, pay or reimburse the 2006 Insurer for any and all charges, fees, costs and expenses which the 2006 Insurer may reasonably pay or incur in connection with the pursuit of any remedies under the Indenture or the enforcement of the Indenture or otherwise afforded by law or equity other than resulting from the failure of the 2006 Insurer to honor its obligations under the 2006 Insurance Policy. The 2006 Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture.

(f) Payments required to be made to the 2006 Insurer are payable solely from Tax Revenues and other amounts pledged under the Indenture and will be paid (i) prior to an Event of Default after required deposits to the Revenue Fund and (ii) on and after an Event of Default, with respect to amounts other than principal and interest on the 2006 Bonds, on a priority immediately following payments to the Trustee for expenses.

(g) The 2006 Insurer is deemed to be a party in interest under the Indenture and as a party entitled to (i) notify the Agency, the Trustee or any applicable receiver of the occurrence of an Event of Default and (ii) request the Trustee or receiver to intervene in judicial proceedings that could affect the 2006 Bonds or the security therefor. The Trustee or receiver is required to accept notice of default from the 2006 Insurer.

(h) The 2006 Insurer will be provided with the following information:

(i) Notice of any drawing upon or deficiency due to market fluctuation in the amount, if any, on deposit in the Reserve Account;

(ii) Notice of the redemption, other than pursuant to mandatory sinking fund redemption, of any of the 2006 Bonds, or the advance refunding of the Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(iii) Notice of any material events pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934; and

(iv) Such additional information as the 2006 Insurer may reasonably request from time to time.

(i) With regard to the 2006 Bond Reserve Fund Policy, the portion of the Reserve Requirement allocable to the 2006 Bonds is satisfied initially by the credit to the Reserve Account of the 2006 Bond Reserve Fund Policy. For such purpose there has been established the 2006 Series A Bonds Reserve Account Subaccount and the 2006 Series B Bonds Reserve Account Subaccount of the Reserve Account (the "2006 Reserve Subaccounts") to be held by the Trustee. As long as the 2006 Bond Reserve Fund Policy is in full force and effect, the Trustee and the Agency, if applicable, agree to comply with the following provisions and the Agency agrees to comply with the provisions of the 2006 Bond Reserve Fund Policy Agreement:

(i) Notwithstanding anything in the Indenture to the contrary, in the event that amounts on deposit in the 2006 Reserve Subaccounts are required to be withdrawn to pay the principal of and interest on the 2006 Bonds, if and to the extent that cash is on deposit in the 2006 Reserve Subaccounts, all such cash will be used (or investments purchased with such cash is liquidated and the proceeds applied as required in the Indenture prior to any drawing being made under the 2006 Bond Reserve Fund Policy), and the repayment of Policy Costs (as defined in the 2006 Bond Reserve Fund Policy Agreement) will be made prior to the replenishment of any such cash amounts and will enjoy the same priority as the obligation to maintain and refill the 2006 Reserve Subaccounts. Additionally, if in addition to the 2006 Bond Reserve Fund Policy, any other surety bond, insurance policy or letter of credit (an "Additional Reserve Account Credit Instrument") is provided, drawings under the 2006 Bond Reserve Fund Policy and such Additional Reserve Account Credit Instrument, and repayment of the Policy Costs and reimbursements of amounts due in connection with the Additional Reserve Account Credit Instrument will be made on a pro rata basis (calculated by reference to the maximum amounts available to be drawn thereunder) after applying all available cash and Permitted Investments on deposit in the 2006 Reserve Subaccounts and prior to the replenishment of any such cash draws, respectively.

(ii) To the extent that a drawing is made on the 2006 Bond Reserve Fund Policy, the Agency will repay such draw and related expenses as provided in the 2006 Bond Reserve Fund Policy Agreement. Such draw and related expenses bear interest at a rate equal to the lower of (i) the prime rate of JPMorgan Chase Bank in effect from time to time plus 2% per annum and (ii) the highest rate permitted by law. Repayment of Policy Costs will be in an amount equal to 1/12 of the aggregate of Policy Costs related to a draw on the 2006 Bond Reserve Fund Policy. Repayment of Policy Costs will commence in the month following each draw.

(iii) If the Agency fails to pay any Policy Costs in accordance with the provisions of the 2006 Bond Reserve Fund Policy Agreement, the 2006 Insurer is entitled to exercise any and all remedies available at law or under the Indenture or the 2006 Bond Reserve Fund Policy Agreement other than (i) acceleration of the maturity of the 2006 Bonds or (ii) remedies which would adversely affect the Owners of the 2006 Bonds.

(iv) The Indenture is not deemed discharged until all Policy Costs have been paid in full.

(v) As security for the Agency's repayment obligations with respect to the 2006 Bond Reserve Fund Policy Agreement, the Insurer, as provider of the 2006 Bond Reserve Fund Policy, has been granted a security interest in the Tax Revenues and amounts held by the Trustee under the Indenture, which security interest is subordinate to the security interest granted to the Owners of the Bonds, including any Parity Debt and on a parity with the security interest granted to the provider of an Additional Reserve Account Credit Instrument.

(vi) In determining whether the Agency complies with the conditions for issuance of Parity Debt set forth in the Indenture, there will be taken into account any Policy Costs then due and

payable, provided that there need be only one times coverage with respect thereto. Additionally, in the event that any Policy Costs are past due and owing, no Parity Debt may be issued pursuant to the Indenture without the consent of the 2006 Insurer, as provider of the 2006 Bond Reserve Fund Policy.

(vii) The Trustee will ascertain the necessity for a claim upon the 2006 Bond Reserve Fund Policy and provide notice to the Insurer, as the provider thereof, in accordance with the provisions of the 2006 Bond Reserve Fund Policy, at least 2 days prior to the applicable Interest Payment Date.

Covenants of the Agency

Punctual Payment. The 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 of the Indenture. The Agency will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Supplemental Indentures. Nothing contained in the Indenture will prevent the Agency from making advances of its own moneys howsoever derived to any of the uses or purposes referred to in the Indenture.

Limitation on Additional Indebtedness. The Agency covenants that, so long as the Bonds are Outstanding, the Agency will not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, for which all or any part of the Tax Revenues are pledged as security for payment, excepting only the Bonds, any Parity Debt and any Subordinate Debt. The Agency will not otherwise encumber, pledge or place any charge or lien upon any of the Tax Revenues or other amounts pledged to the Bonds superior to the pledge and lien created in the Indenture for the benefit of the Bonds.

Extension of Payment. The Agency will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest is extended, such Bonds or claims for interest are not entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Outstanding Bonds and of all claims for interest thereon which have not been so extended. Nothing in this paragraph shall be deemed, to limit the right of the Agency to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance is not deemed to constitute an extension of maturity of the Bonds.

Payment of Claims. The 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 Agency or upon the Tax Revenues or any part thereof, or upon any funds held by the Trustee pursuant to the Indenture, or which might impair the security of the Bonds. Nothing contained in the Indenture requires the Agency to make any such payment so long as the Agency in good faith contests the validity of said claims.

Books and Accounts; Financial Statements. The Agency will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Agency and the City, in which complete and correct entries will be made of all transactions relating to the Redevelopment Project, the Tax Revenues and the Special Fund. Such books of record and accounts will at all times during business hours be subject to the inspection of the Owners of not less than ten percent in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

The Agency will cause to be prepared and delivered to the Trustee annually, within 180 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 showing the Tax Revenues, all disbursements from the Special Fund and the financial condition of the Redevelopment Project, including the balances in all funds and accounts relating to

the Redevelopment Project, as of the end of such Fiscal Year. In accordance with the Indenture, the Trustee is not responsible for reviewing such financial statements. The Agency will furnish a copy of such statements to any Owner upon reasonable request and at the expense of such Owner.

Protection of Security and Rights of Owners. The Agency will preserve and protect the security of the Bonds and the rights of the Owners. From and after the date of issuance of any Bonds, such Bonds will be incontestable by the Agency.

Payments of Taxes and Other Charges. The 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 Agency or the properties then owned by the Agency in the Project Area, when the same becomes due. Nothing in the Indenture will require the Agency to make any such payment so long as the Agency in good faith contests the validity of said taxes, assessments or charges. The Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Redevelopment Project or any part thereof.

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

Maintenance of Tax Revenues. The Agency shall comply with all requirements of the Law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and the State. The Agency will not enter into any amendment of any agreement with the County or any other governmental unit, unless the Agency first obtains a written opinion of an Independent Fiscal Consultant that such amendment or agreement will not adversely impair the Agency's ability to pay the 2006 2011 Bonds and all Parity Debt. Nothing in the Indenture is intended or should be construed in any way to prohibit or impose any limitations on the entering into by the Agency of any such amendment or agreement which by its term is subordinate to the payment of the Bonds and all Parity Debt.

Tax Covenants Relating to 2011 Bonds. The following tax covenants relate solely to the 2011 Bonds and the 2006 Series A Bonds. These covenants do not apply to the 2006 Series B Bonds because interest on the Series B Bonds is included in the gross income of the recipient.

(a) Private Activity Bond Limitation. The Agency will assure that the proceeds of the 2011 Bonds are not so used as to cause the 2011 Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The Agency will not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the 2011 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The Agency will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the 2011 Bonds which, if such action

had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the 2011 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Tax Code.

(d) Maintenance of Tax-Exemption. The Agency will take all actions necessary to assure the exclusion of interest on the 2011 Bonds from the gross income of the Owners of the 2011 Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date. This covenant will remain in full force and effect following defeasance of the 2011 Bonds.

(e) Rebate Requirement. The Agency will take any and all actions necessary to assure compliance with Section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the 2011 Bonds.

Continuing Disclosure. The Agency covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Agency to comply with the Continuing Disclosure Certificate is not an Event of Default under the Indenture. However, any Participating Underwriters or any holder 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 Agency to comply with its obligations under the Indenture.

Deposit and Investment of Moneys in Funds

Moneys in the Special Fund, the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account, the Reserve Account, the Redemption Account, the Redevelopment fund, the Low and Moderate Income Housing Account and the Costs of Issuance Fund will be invested by the Trustee in Permitted Investments specified in the Request of the 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 (2) Business Days in advance of the making of such investments In the absence of any such direction from the Agency, the Trustee will invest any such moneys solely in Permitted Investments described in clause (d) of the definition thereof.

Obligations purchased as an investment of moneys in any fund or account will be deemed to be part of such fund or account. Whenever in the Indenture any moneys are required to be transferred by the Agency to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee under the Indenture will be retained in the respective fund or account from which such investment was made, provided that all interest or gain from the investment of amounts in the Reserve Account will be deposited by the Trustee in the Interest Account to the extent not required to cause the balance in the Reserve Account to equal the Reserve Requirement. No Permitted Investment of moneys in the Reserve Account will have a maturity in excess of five years following the date of its acquisition. For purposes of acquiring any investments, the Trustee may commingle funds held by it under the Indenture upon receipt by the Trustee of the Request of the Agency. The Trustee may act as principal or agent in the acquisition or disposition of any investment, may utilize the investment departments of its affiliates to complete each transaction and may impose its customary charges therefor. The Trustee will incur no liability for losses arising from any investments made pursuant to the Indenture. The Agency acknowledges that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory agency grant the Agency the right to receive brokerage confirmations of security transactions as they occur, the Agency specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish to the Agency periodic statements which include detail of all investment transactions made by the Trustee.

Amendment Without Consent of Owners

The Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which will become binding upon adoption, with the consent of the 2006 Insurer (except with respect to an amendment pursuant to Sections (c) or (d) of the Indenture), but without the consent of any Owners, to the extent permitted by law and only for any one or more of the following purposes-

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

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments do not materially adversely affect the interests of the Owners; or

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

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

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

Amendment With Consent of Owners

Except as set forth in the preceding paragraph, the Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of the 2006 Insurer and the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are delivered to the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Agency to pay the principal, interest or redemption premium (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Effect of Supplemental Indenture

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

Events of Default and Acceleration of Maturities

Each of the following events constitutes an Event of Default under the Indenture:

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

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

(c) Failure by the Agency to observe and perform any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such failure has continued for a period of thirty days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Agency by the Trustee or the 2006 Insurer; provided, however, if in the reasonable opinion of the Agency the failure stated in the notice can be corrected, but not within such thirty day period, such failure will not constitute an Event of Default if corrective action is instituted by the Agency within such thirty day period and the Agency thereafter diligently and in good faith cures such failure in a reasonable period of time.

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

If an Event of Default has occurred and is continuing, the Trustee may, and if requested in writing by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee will, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding, and (b) upon receipt of indemnity satisfactory to it from any liability or expense, including payment of the fees and expenses of its counsel and agents, exercise any other remedies available to the Trustee and the Owners in law or at equity.

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

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the Agency will deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law) at the weighted average interest rate then borne by the Outstanding Bonds, and the fees and expenses of the Trustee, including any fees and expenses of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) 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 a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences.

However, no such rescission and annulment extends to or affects any subsequent default, or impairs or exhausts any right or power consequent thereon.

Application of Funds Upon Acceleration

All of the Tax Revenues and all sums in the funds and accounts established and held by the Trustee under the Indenture upon the date of the declaration of acceleration as provided in the Indenture (excluding moneys in the Redevelopment Fund and the Low and Moderate Income Housing Account), and all sums thereafter received by the Trustee under the Indenture, will be applied by the Trustee as follows and in the following order:

(a) 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 the Indenture and the payment of all fees, costs and expenses owing to the Trustee pursuant to the Indenture, together with interest on all such amounts advanced by the Trustee at the maximum rate permitted by law;

(b) To the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal with interest on such overdue amounts at the respective rates of interest borne by the Outstanding Bonds, and in case such moneys 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.

Power of Trustee to Control Proceedings

In the event that the Trustee, upon the happening of an Event of Default, has taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of a majority in 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; provided, however, that the Trustee does 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 opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation accompanied, if requested by the Trustee, by indemnity or confirmation of indemnity as described in the Indenture.

Limitation on Owner's Right to Sue

No Owner of any Bond issued under the Indenture has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner 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 has made written request upon the Trustee to exercise the powers thereinbefore 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 refused or omitted to comply with such request for a period of sixty 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 declared in the Indenture, in every case, to be conditions precedent to the exercise by any Owner of any remedy under the Indenture; it

being understood and intended that no one or more Owners has any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided, and that all proceedings at law or in equity to enforce any provision of the Indenture will be instituted, had and maintained in the manner 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 provided in the Indenture, is not impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of the Indenture or any other provision of the Indenture.

Remedies Not Exclusive

No remedy in the Indenture conferred upon or reserved to the Trustee or Owners is intended to be exclusive of any other remedy. Every such remedy is cumulative and is in addition to every other remedy given in the Indenture or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

Rights of 2006 Insurer

Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuation of an Event of Default, the 2006 Insurer is entitled to control and direct the enforcement of all rights and remedies granted thereunder to the 2006 Bond Owners, or to the Trustee for the benefit of the 2006 Bond Owners, including but not limited to the right to approve all waivers of any Events of Default. The rights granted to the 2006 Insurer under the Indenture are deemed terminated and are not be exercisable by the 2006 Insurer during any period during which the 2006 Insurer is in default under the 2006 Insurance Policy.

Discharge of Indenture

If the Agency pays and discharges the entire indebtedness on all Bonds or any portion thereof in any one or more of the following ways:

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

(ii) by irrevocably depositing with the Trustee or another fiduciary, in trust, at or before maturity, an amount of cash which, together with the available amounts then on deposit in the funds and accounts established pursuant to the Indenture, 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;

(iii) by irrevocably depositing with the Trustee or another fiduciary, in trust, Defeasance Obligations 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 pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premium, if any) at or before maturity; or

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

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption will be duly given or provision satisfactory to the Trustee will be made for the giving of such notice, then, at the election of the Agency, and notwithstanding that any such Bonds have not been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in the Indenture and all other obligations of the Trustee and the Agency under the Indenture with respect to such Bonds will cease and terminate, except only (A) the

obligations of the Agency regarding tax and rebate requirements of the Indenture, (B) the obligation of the Trustee to transfer and exchange Bonds under the Indenture, (C) the obligation of the Agency to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and (D) the obligations of the Agency to compensate and indemnify the Trustee pursuant to the Indenture. Notice of such election should be filed with the Trustee. In the event the Agency, pursuant to the foregoing provisions, pays and discharges any portion or all of the Bonds then Outstanding, the Trustee is authorized to take such actions and execute and deliver to the Agency all such instruments as may be necessary or desirable to evidence such discharge, including without limitation, selection by lot of Bonds of any maturity of the Bonds that the Agency has determined to pay and discharge in part. Any funds thereafter held by the Trustee, which are not required for said purpose, are paid over to the Agency.

APPENDIX B

SANTA MONICA GENERAL INFORMATION

General

Santa Monica (the "City") is situated on the western portion of Los Angeles County (the "County"), bordered by the City of Los Angeles on three sides and by the Pacific Ocean to the west. The City encompasses an area slightly greater than eight square miles and has an estimated population of 92,703.

The Santa Monica Freeway passes through the approximate center of the City on an east-west course and provides direct connection with downtown Los Angeles, approximately 16 miles to the east. About six miles southeast of the City is Los Angeles International Airport, which is easily accessible via the San Diego Freeway, about one mile beyond the eastern border of the City.

Population

Population figures for the City, the County and the State for 1970, 1980 1990, 2000 and the last five years are shown in the following table. The City has been substantially built out since the 1970s.

CITY OF SANTA MONICA
Population Estimates

Year	*City of Santa Monica*	*County of Los Angeles*	*State of California*
1970	88,289	7,041,980	19,971,069
1980	88,314	7,477,421	23,668,562
1990	86,905	8,832,500	29,558,000
2000	84,084	9,519,330	33,873,086
2006	90,750	10,202,094	37,087,005
2007	91,124	10,231,000	37,463,609
2008	91,439	10,285,296	37,871,509
2009	92,494	10,355,053	38,255,508
2010	92,703	10,441,080	38,648,090

Source: State Department of Finance estimates (as of January 1 except 1970 through 1980, which are as of April 1).

Government and Administration

The City was incorporated in 1886 and became a charter city in 1945. In 1947 a council-manager form of government was established following a vote of the City's residents and approval by the California Legislature. The City Council consists of seven members with overlapping terms of four years. Elections are held every two years, at which time either three or four Council members are elected.

The City Council appoints a city manager, city attorney and city clerk. The city manager is responsible for supervising the day-to-day operations of the City and for carrying out policies set by the Council.

Largest Employers

The table below lists the larger employers in the Los Angeles County area as of January 1, 2011. Major private employers in the Los Angeles area include those in health care, electronics, retail and package delivery services. Major public sector employers include the State of California and the County.

LOS ANGELES COUNTY
Major Employers

Employer Name	*Location*	*Industry*
American Honda Motor Co Inc.	Torrance	Automobile & Truck Brokers
California Institute Of Technology	Pasadena	Schools-Universities & Colleges
California State-Northridge	Northridge	Crisis Intervention Service
Cedars Sinai Medical Center	West Hollywood	Physicians & Surgeons
Century Plaza Towers	Los Angeles	Office Buildings & Parks
Contractor State License Center	Burbank	Schools-Business & Vocational
Fire Command Control	Los Angeles	Fire Departments
Gold Coast Tire Co Inc.	Los Angeles	Batteries-Storage-Retail
Kaiser Foundation Hospital	Los Angeles	Hospitals
Kaiser Permanente	Los Angeles	Physicians & Surgeons
LAC & USC Medical Center	Los Angeles	Hospitals
Long Beach City Hall	Long Beach	City Government-Executive Offices
Long Beach Financial Management	Long Beach	City Government-Finance & Taxation
Long Beach Memorial Medical	Long Beach	Hospitals
Los Angeles County Sheriff	Monterey Park	Sheriff
Los Angeles Police Department	Los Angeles	Police Departments
Nestle USA	Glendale	Food Products & Manufacturers
Raytheon Space & Airborne Systems	El Segundo	Business Services
Santa Monica College	Santa Monica	Schools-Universities & Colleges
Six Flags Magic Mountain Inc.	Valencia	Amusement & Theme Parks
Sony Pictures Entertainment	Culver City	Motion Picture Film-Distributors
Synxis	Pasadena	Hotels & Motels
UCLA	Los Angeles	Schools-Universities & Colleges
UCLA Health System	Los Angeles	Schools-Universities & Colleges
Walt Disney Co.	Burbank	Motion Picture Producers & Studios

Source: State of California Employment Development Department.

The table below lists the largest employees in the City as of June 30, 2010.

CITY OF SANTA MONICA, CALIFORNIA
PRINCIPAL EMPLOYERS
June 30, 2010

Employer	*Total Number of Employees in the City*	*Total Number of Employees in the Project Area*
Santa Monica College	2,187	2,187
City of Santa Monica	2,177	2,177
Saint John's Hospital Medical Center	1,813	1,813
Santa Monica-UCLA Hospital	1,786	1,786
Santa Monica-Malibu Unified School District	1,553	1,553
RAND Corporation	894	894
Activision	663	0
MTV Networks	648	648
Universal Music Group	620	620
ET Whitehall (Shutters and Casa del Mar)	546	546
Total Jobs Provided by Principal Employers	12,887	12,224
Average total jobs in Santa Monica	74,237	74,237
Principal Employers as Percent of Total Jobs	17.36%	16.47%

Source: City of Santa Monica Economic Development Division, Resource Management Department

Employment

The City is included in the Los Angeles-Long Beach Metropolitan Statistical Area. The distribution of employment in the Los Angeles/Long Beach area is presented in the following table for the calendar years 2005 through 2009. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the City.

Los Angeles Metropolitan Statistical Area (Los Angeles County)
Civilian Labor Force, Employment and Unemployment
(Annual Averages)

Industry	*2005*	*2006*	*2007*	*2008*	*2009*
Goods Producing:	623,200	611,200	584,000	510,600	482,700
Natural Resources and Mining	4,000	4,400	4,400	4,100	4,200
Construction	157,500	157,600	145,200	117,300	104,300
Manufacturing:	461,700	449,200	434,500	389,200	374,200
Durable Goods	257,300	250,900	243,200	217,500	207,200
Nondurable Goods	204,400	198,300	191,200	171,600	166,900
Service Providing:	3,469,300	3,510,900	3,486,700	3,313,500	3,286,300
Wholesale Trade	225,700	227,000	223,700	204,500	202,900
Retail Trade	423,300	426,000	416,500	387,000	385,200
Transp., Warehousing & Utilities	165,200	165,600	163,100	151,200	150,300
Information	205,600	209,800	210,300	191,200	192,400
Financial Activities	246,700	243,800	233,300	216,000	209,200
Professional & Business Services	598,900	605,400	582,600	529,800	526,100
Education & Health Services	480,800	492,700	505,800	514,600	522,700
Leisure & Hospitality	388,600	397,900	401,600	385,600	384,600
Other Services	145,200	147,100	146,100	137,900	136,300
Government	589,400	595,700	603,700	595,800	576,600
Total Nonfarm	4,092,500	4,122,100	4,070,700	3,824,100	3,769,000
Total Farm	7,600	7,500	6,900	6,200	6,400
Total (all industries)	4,100,100	4,129,600	4,077,600	3,830,300	3,775,300

Source: State of California Employment Development Department.

Commercial Activity

A summary of historic taxable sales within the City during the past five years for which data is available is shown in the following table. Figures for 2010 are not yet available.

CITY OF SANTA MONICA
Taxable Transactions
(figures in thousands)

	2005	*2006*	*2007*	*2008*	*2009*
Apparel Stores	$ 337,230	$ 336,229	$ 327,768	$ 325,835	$ 272,133
General Merchandise	72,935	65,731	60,131	48,371	26,308
Food Stores	76,460	81,546	85,551	87,818	85,034
Eating & Drinking Places	407,701	426,220	459,782	452,371	425,412
Building Materials	109,936	125,567	132,959	119,383	90,123
Auto Dealers & Auto Suppliers	706,009	714,543	724,018	678,604	607,195
Service Stations	101,255	131,785	137,758	146,172	109,105
Other Retail Stores	648,473	656,917	682,816	640,299	527,997
Retail Stores Total	2,459,999	2,538,538	2,610,783	2,498,853	2,143,307
All Other Outlets	342,139	430,207	331,111	320,235	283,257
TOTAL ALL OUTLETS	2,802,138	2,968,745	2,941,894	2,819,088	2,426,564
Apparel Stores	$ 337,230	$ 336,229	$ 327,768	$ 325,835	$ 272,133
General Merchandise	72,935	65,731	60,131	48,371	26,308

Source: City of Santa Monica CAFR 2009-10.

Construction Activity

Building activity in the City between fiscal years 2005-06 and 2009-10 is shown in the following table.

CITY OF SANTA MONICA
Total Building Permit Valuations

Fiscal Year	*Construction Value*	*Residential Number of Units* [2]	*Construction Value*	*Total Assessed Valuations*
2005-06	$ 66,449,275	238	$ 96,693,536	$18,098,550,298
2006-07	174,264,297	633	128,120,760	19,705,610,279
2007-08	171,541,504	187	87,863,887	21,122,723,929
2008-09	50,190,611	82	53,935,976	23,412,712,570
2009-10	33,395,839	501	87,108,378	24,020,421,228

(1) Represents the number of new commercial buildings.
(2) Represents the number of new dwelling units.
Source: City of Santa Monica

Education

Public education is provided to City residents of school age through the Santa Monica-Malibu Unified School District, which operates nine elementary schools, three middle schools, two high schools, one adult school and an alternative school. The Santa Monica- Malibu Unified School District also provides additional programs, such as bilingual education, computer literacy, the Gifted and Talented Program, the Regional Occupation Program (vocational skills), and pre-school and school age child care programs.

There are 19 private and five parochial schools in Santa Monica. The City also has one community college, Santa Monica College, which includes technical and vocational schools, including the Academy of Entertainment and Technology, and an Emeritus College.

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APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE AGENCY

FOR FISCAL YEAR ENDED JUNE 30, 2010

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THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA, CALIFORNIA

(A Component Unit of the City of Santa Monica, California)

Basic Financial Statements

Year Ended June 30, 2010

(With Independent Auditors' Reports Thereon)

THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA, CALIFORNIA
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

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The Board Members of
The Redevelopment Agency of the
City of Santa Monica, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Santa Monica, California (the Agency), a financial reporting component unit of the City of Santa Monica, California, as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Redevelopment Agency of the City of Santa Monica, California, as of June 30, 2010 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2010 on our consideration of the Redevelopment Agency of the City of Santa Monica's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
December 1, 2010

REDEVELOPMENT AGENCY OF
THE CITY OF SANTA MONICA

Management's Discussion and Analysis
Year Ended June 30, 2010

As management of the Redevelopment Agency of the City of Santa Monica, (the "Agency"), we offer readers of the Agency's report this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Agency's basic financial statements, which immediately follow this section.

Financial Highlights

The total assets of the Agency exceeded its liabilities as of June 30, 2010 ("fiscal year") by $156.2 million. Of this amount, $81.3 million are capital assets, net of related debt, $22.2 million is restricted for use as specified by entities outside the agency, $6.3 million is restricted for the payment of debt service and $46.4 million is unrestricted for use in accordance with finance-related requirements reflected in the Agency's fund structure.

The Agency's net assets decreased by $8.9 million during the fiscal year.

At the end of the fiscal year, the Agency's governmental funds reported combined ending fund balances of $128.7 million, an increase of $8.2 million from the prior year.

The Agency's investment in capital assets decreased by $9.0 million. Please see further detail of capital assets on page 7.

The Agency's total debt increased by $9.6 million during the current fiscal year. Please see further detail of long-term debt on page 28.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements consist of three components:

1) Agency-wide financial statements
2) Fund financial statements
3) Notes to basic financial statements.

Agency-Wide Financial Statements

The *agency-wide financial statements* are designed to provide readers with a broad overview of the Agency's finances in a manner similar to the accounting used by most private-sector business.

The *statement of net assets* presents all of the Agency's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator to determine whether the financial position of the Agency is improving or deteriorating.

The *statement of activities* presents information showing how the Agency's net assets changed during the most recent fiscal year. Functional activities are highlighted in this statement, whereby direct and indirect

functional costs are shown net of related program revenue. This statement shows the extent to which the various functions depend on general taxes and non-program revenues for support.

Both of the agency-wide financial statements highlight functions of the Agency that are principally supported by property tax increment and bond proceeds. The governmental activities of the Agency include redevelopment activities and interest on long-term debt. Redevelopment activities, in general, include providing needed public improvements, assisting with development and rehabilitation of existing properties, and providing low and moderate-income housing to eliminate or alleviate blighting conditions.

The agency-wide financial statements can be found on pages 9 and 10 of this report.

Fund Financial Statements

Fund financial statements are designed to report information about related accounts, which are groupings (funds), used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related-legal requirements. All funds of the Agency are categorized as governmental funds.

Government funds are used to account for essentially the same functions reported as *governmental activities* in the agency-wide financial statements. However, unlike the agency-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available to finance the Agency's redevelopment programs.

Because the focus of governmental funds is narrower than that of the agency-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the agency-wide financial statements. By doing so, readers may better understand the long-term impact of the agency's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the agency-wide financial statements on pages 12 and 14 to facilitate this comparison between governmental funds and governmental activities.

The Agency maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances, for each of these funds.

The governmental funds financial statements can be found on pages 11 and 13 of this report.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the agency-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15 – 32 of this report.

Agency-Wide Financial Analysis

Our agency-wide analysis focuses on the net assets and changes in net assets for the Agency's governmental activities.

A summary of the Agency's net assets are as follows:

Agency Net Assets - Governmental Activities
(in millions)

		2010	2009	Change
Current and other assets	$	138.2	128.6	9.6
Capital assets, net		150.7	159.7	(9.0)
Total assets		288.9	288.3	0.6
Current and other liabilities		45.4	41.1	4.3
Long-term liabilities		87.3	82.0	5.3
Total liabilities		132.7	123.1	9.6
Net assets				
Invested in capital assets, net of related debt		81.3	89.2	(7.9)
Restricted		28.5	51.6	(23.1)
Unrestricted		46.4	24.3	22.1
Total net assets	$	156.2	165.1	(8.9)

As noted earlier, net assets may serve over time as a useful indicator of the Agency's financial position. In the case of the Agency, assets exceeded liabilities by $156.2 million at the close of the most recent fiscal year. By far the largest portion of the Agency's liabilities reflects its bonded and other indebtedness, totaling $122.9 million. The Agency, operating under California Redevelopment Law, must maintain indebtedness in excess of its available revenues to legally receive property tax increment revenue.

Capital assets decreased by $9.0 million primarily due to the disposal of previously constructed assets that did not meet the Agency's capitalization policy.

The increase in current and long-term liabilities was due to line of credit draws partially offset by debt service payments.

Governmental Activities

Governmental activities decreased the Agency's net assets by $7.9 million. Key elements of this decrease are as follows:

Agency Changes in Net Assets - Governmental Activities
(in millions)

	2010	2009	Change
Revenues			
Program revenues			
Charges for services	$ 0.1	0.1	0.0
General revenues			
Property tax increment	56.1	54.3	1.8
Investment income	1.2	2.9	(1.7)
Miscellaneous	0.8	0.5	0.3
Total revenues	58.2	57.8	0.4
Expenses			
Housing and community development	40.0	36.2	3.8
General govermental	20.9	-	20.9
Interest on long-term debt	6.2	4.3	1.9
Total expenses	67.1	40.5	26.6
Increase in net assets	(8.9)	17.3	(26.2)
Net assets - beginning of year	165.1	147.8	17.3
Net assets - end of year	$ 156.2	165.1	(8.9)

Property tax increment revenues net of pass throughs of $56.1 million are the Agency's major source of revenue. This revenue increased by $1.8 million or 3.3% from the prior year due to property tax increment revenues from an increase in assessed values.

General Government expenses of $20.9 million represents a mandatory payment under AB 26 4x which requires redevelopment agencies to remit to their county Supplemental Education Revenue Augmentation Fund ("SERAF") a proportionate share of $1.7 billion for fiscal year 2009-10 and $350 million for fiscal year 2010-11. Those payments are due May 10, 2010 and May 10, 2011, respectively. The Agency estimates the payment for FY 10-11 to be $4.3 million.

Investment earnings of $1.2 million were received from investments of available funds.

Redevelopment activities expenses of $40.0 million shown on the statement of activities consists of:

Agency Redevelopment Activities
(in millions)

Redevelopment and public improvement project operating costs	$	4.9
Redevelopment and public improvement project costs		22.9
Low and moderate housing projects		10.0
Depreciation and amortization		2.2
Total redevelopment activities expenses	$	40.0

Redevelopment and public improvement project operating costs of $4.9 million are comprised of operating expenses such as administrative fees charged by the County for collection and disbursement of property tax increment, operating transfers to the City of Santa Monica General Fund, payment to the General Fund in accordance with a reimbursement agreement in conjunction with each project area, lease payment for the Ocean Park Boulevard Housing Project and administrative indirect costs.

Redevelopment and public improvement costs of $22.9 million represents payments of $3.7 million to the Parking Authority of the City of Santa Monica under a sale/purchase agreement for six parking structures. See note 5. Additional expenses included $1.0 million in seismic retrofit expenditures, $0.8 million for stabilization of the Palisades Bluffs, $0.5 million for artwork and write off of $11.3 million in previously recorded capital assets which did not meet the Agency's capitalization policy.

Low and moderate housing project expenditures of $10.0 million are primarily comprised of $2.7 million expended at 217 Bicknell, $1.8 million expended at 2029 20th St, $0.7 million at 1513 Centinela, $0.6 million at 2602 Broadway and $1.0 million at 750 Marine.

Financial Analysis of the Agency's Funds

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2010, the Agency's governmental funds reported total ending fund balances of $128.7 million, which is an increase of $8.2 million from the prior year. The fund balance of $45.5 million is reserved to indicate that it is not available for new spending. It is comprised of $6.3 million for debt service and $39.2 million for notes receivable. The fund balance of $79.4 million is designated for continuing capital projects. The remainder of the fund balance, $3.8 million, is unreserved, undesignated.

The key element of the $8.2 million increase in fund balance from the prior year was proceeds from the line of credit.

Major Funds

The Low/Mod housing fund balance increased by $11.9 million primarily due to property tax increment revenues and reduced housing and community expenditures.

The Downtown Project fund balance decreased $0.6 million primarily due to increased property tax increment revenues being exceeded by housing and community expenditures.

The Earthquake Recovery Project fund balance decreased $4.0 million primarily due to increased pass through and SERAF payments to other agencies of $20.8 million over the prior year, offset by an increase in property tax increment of $1.6 million, decreased project expenses of $11.8 million and.

The Ocean Park Project fund balance increased $0.7 million due to decreased project expenditures.

Capital Asset and Debt Administration

Capital Assets

The Agency's investment in capital assets for its governmental activities as of June 30, 2010 amounts to $150.7 million (net of accumulated depreciation). This investment in capital assets includes parking structures, buildings, land, and equipment. This investment is detailed below:

Agency Capital Assets - Governmental Activities
(in millions)

		2010	2009
Land	$	104.0	103.8
Buildings, parking structures, and improvements		43.5	58.6
Improvements other than buildings		11.0	10.8
Construction in progress		11.0	5.9
Subtotal		169.5	179.1
Less accumulated depreciation		(18.8)	(19.4)
Total	$	150.7	159.7

Significant capital projects included expenditures at various low/moderate income housing projects.

Long-Term Debt

At the end of the current fiscal year, the Agency had total bonded debt of $66.7 million. The bonds are secured solely by specified revenue sources.

The Agency's total debt increased by $5.3 million or 6.5% during the current fiscal year. The increase was primarily due to draws on the Low/Mod fund of $8.0 million offset by scheduled debt service payments on the Earthquake Recovery Project and Ocean Park Redevelopment Project outstanding obligations.

Time limitations on incurring debt are as follows:

Project area	Time limitation to incur debt
Ocean Park 1A	January 1, 2004
Ocean Park 1B	January 1, 2004
Downtown	None
Earthquake Recovery	June 21, 2014

The Agency does not have an overall credit rating; however, the Agency has received bond ratings on all of its outstanding bond issues as follows: Ocean Park Redevelopment Project Tax Allocation Bonds, "BBB+," "Baa1" and "A;" and Earthquake Recovery Redevelopment Refunding Project Tax Allocation Bonds, "AAA", "AAA" and "Aaa."

Additional information on outstanding long-term liabilities may be found in note 6 of the notes to basic financial statements.

Economic Factors and Next Year's Budget

The assessed value of property is estimated to rise in the Downtown Redevelopment Project Area as a result of standard minimum increases and the reopening of Santa Monica Place; decrease in assessed value in the Earthquake Redevelopment Project area and in the Ocean Park Project area as a result of general declines in the real estate market.

Request for Information

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Santa Monica Redevelopment Agency, 1717 4th Street, Suite 250, Santa Monica, California 90401 or (310) 458-8281. Additional financial data may also be found on the City of Santa Monica's website (www.smgov.net).

THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA

Statement of Net Assets

June 30, 2010

Assets:		
Cash and investments (note 2)	$	87,850,856
Cash and investments with fiscal agents (note 2)		6,983,601
Interest receivable		378,053
Property tax increment receivable		2,452,396
Unamortized bond issuance costs, net		1,368,709
Notes receivable (note 3)		39,211,151
Capital assets, not being depreciated (note 4):		
Land		104,029,364
Construction in progress		10,969,830
Capital assets, being depreciated net of accumulated depreciation (note 4):		
Buildings		33,817,998
Improvements other than buildings		1,863,303
Total assets		288,925,261
Liabilities:		
Accounts payable and other liabilities		3,043,340
Accrued interest payable on bonds		1,627,077
Contracts retainage payable		456,824
Accrued expenses		3,041
Due to other agencies		4,653,297
Noncurrent liabilities (note 6):		
Due within one year		35,705,259
Due in more than one year		87,258,989
Total liabilities		132,747,827
Net assets:		
Invested in capital assets, net of related debt		81,301,461
Restricted:		
Low- and moderate-income housing		22,205,781
Debt service		6,315,429
Unrestricted		46,354,763
Total net assets	$	156,177,434

See accompanying notes to basic financial statements.

THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA

Statement of Activities

Year Ended June 30, 2010

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (expense) revenue and changes in net assets: Total
Functions/programs:					
Governmental activities:					
Housing and community development	$ 40,040,568	112,252	—	—	(39,928,316)
General government	20,883,384	—	—	—	(20,883,384)
Interest on long-term debt	6,245,683	—	—	—	(6,245,683)
Total governmental activities	67,169,635	112,252	—	—	(67,057,383)
General revenues:					
Property tax increment					56,054,448
Investment income					1,209,126
Miscellaneous					835,905
Total general revenues					58,099,479
Change in net assets					(8,957,904)
Net assets – beginning of year					165,135,338
Net assets – end of year					$ 156,177,434

See accompanying notes to basic financial statements.

THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA

Balance Sheet – Governmental Funds

June 30, 2010

Assets	Debt Service Redevelopment	Capital Projects: Low/Mod Housing	Capital Projects: Downtown Redevelopment Project	Capital Projects: Earthquake Recovery Redevelopment Project	Capital Projects: Ocean Park Redevelopment Project	Total governmental funds
Cash and investments	$ –	23,333,341	2,179,582	57,188,376	5,149,557	87,850,856
Cash and investments with fiscal agents	6,315,429	113,985	–	–	554,187	6,983,601
Interest receivable	–	77,051	12,003	263,824	25,175	378,053
Property tax increment receivable	–	885,484	105,583	1,417,364	43,965	2,452,396
Notes receivable	–	34,175,756	1,923,000	716,669	2,395,726	39,211,151
Total assets	$ 6,315,429	58,585,617	4,220,168	59,586,233	8,168,610	136,876,057
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	$ –	1,241,545	122,773	1,555,903	123,119	3,043,340
Contracts retainage payable	–	–	22,994	433,830	–	456,824
Accrued liabilities	–	–	–	3,041	–	3,041
Due to other agencies	–	–	–	4,653,297	–	4,653,297
Total liabilities	–	1,241,545	145,767	6,646,071	123,119	8,156,502
Fund balances:						
Reserved for debt service	6,315,429	–	–	–	–	6,315,429
Reserved for notes receivable	–	34,175,756	1,923,000	716,669	2,395,726	39,211,151
Reserved for other assets	–	962,535	117,586	1,681,188	69,140	2,830,449
Designated for continuing capital projects	–	22,205,781	1,320,398	50,542,305	5,338,697	79,407,181
Unreserved, undesignated - capital projects funds	–	–	713,417	–	241,928	955,345
Total fund balances	6,315,429	57,344,072	4,074,401	52,940,162	8,045,491	128,719,555
Total liabilities and fund balances	$ 6,315,429	58,585,617	4,220,168	59,586,233	8,168,610	136,876,057

See accompanying notes to basic financial statements.

THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets

June 30, 2010

Total fund balances-governmental funds		$ 128,719,555
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities that are not spendable current financial resources and, therefore, are not reported in the balance sheet of governmental funds.		169,457,709
(Accumulated depreciation		(18,777,214)
Bond issuance costs are expended in governmental funds when paid and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net assets.		
Deferred charges net of accumulated amortization		1,368,709
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the balance sheet of governmental funds:		
Tax allocation bonds, net	$ (66,727,384)	
Advances from the City of Santa Monica	(32,765,259)	(99,492,643)
Line of credit liabilities are not due and payable in the current period and, therefore, are not reported in the balance sheet of governmental funds.		(23,471,605)
Interest payable on long-term debt does not require the use of current financial resources and, therefore, interest payable is not accrued as a liability in the balance sheet of governmental funds.		(1,627,077)
Net assets of governmental activities		$ 156,177,434

See accompanying notes to basic financial statements.

THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2010

	Debt Service Redevelopment	Capital Projects: Project Low/Mod Housing	Capital Projects: Downtown Redevelopment Project	Capital Projects: Earthquake Recovery Redevelopment Project	Capital Projects: Ocean Park Redevelopment Project	Total governmental funds
Revenues:						
Property tax increment	$ –	14,705,347	982,650	54,614,858	3,223,882	73,526,737
Investment income	97,305	340,944	45,409	621,624	103,844	1,209,126
Rental income	–	–	–	112,251	–	112,251
Other	–	288,901	73,497	438,830	34,677	835,905
Total revenues	97,305	15,335,192	1,101,556	55,787,563	3,362,403	75,684,019
Expenditures:						
Current:						
Housing and community development	–	9,969,180	1,652,346	17,819,793	1,305,194	30,746,513
Passthrough payments	–	–	–	17,472,286	–	17,472,286
SERAF payment	–	–	–	20,883,384	–	20,883,384
Debt service:						
Principal	2,800,000	–	–	–	–	2,800,000
Interest and others charges	3,324,305	248,484	365,244	2,229,567	150,785	6,318,385
Total expenditures	6,124,305	10,217,664	2,017,590	58,405,030	1,455,979	78,220,568
Excess (deficiency) of revenues over (under) expenditures	(6,027,000)	5,117,528	(916,034)	(2,617,467)	1,906,424	(2,536,549)
Other financing sources (uses):						
Proceeds of advances	–	–	365,244	2,229,567	150,785	2,745,596
Transfers in (note 7)	6,096,843	–	–	–	–	6,096,843
Transfers out (note 7)	–	(1,151,490)	–	(3,609,952)	(1,335,401)	(6,096,843)
Proceeds from line of credit draws	–	7,986,281	–	–	–	7,986,281
Total other financing sources (uses)	6,096,843	6,834,791	365,244	(1,380,385)	(1,184,616)	10,731,877
Net change in fund balances	69,843	11,952,319	(550,790)	(3,997,852)	721,808	8,195,328
Fund balance :						
Beginning of year	6,245,586	45,391,753	4,625,191	56,938,014	7,323,683	120,524,227
End of year	$ 6,315,429	57,344,072	4,074,401	52,940,162	8,045,491	128,719,555

See accompanying notes to basic financial statements.

THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
to the Statement of Activities

Year Ended June 30, 2010

Net change in fund balance – governmental funds		$ 8,195,328
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. The components of capital outlay related costs not reported in the statement of activities for the current period are as follows:		
Costs capitalized related to accumulated redevelopment project costs	$ 7,009,400	
Loss on disposal of assets	(13,905,226)	
Depreciation expense	(2,126,744)	(9,022,570)
Bond issuance costs are expended in governmental funds when paid, however, are capitalized and amortized over the life of the corresponding debt for the purposes of the statement of activities. Current year amortization.		(90,026)
Repayment of long-term debt principal is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. However, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. The Agency's long-term debt was reduced because principal payments were made to bondholders:		
Tax allocation bonds		2,800,000
Draws on the line of credit are reported as other sources in the governmental funds. However the draws increase liabilities in the statement of net assets and do not result in revenue in the statement of activities		(7,986,281)
Advances and repayment of advances are reported as a revenues and expenditures in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. However, advances and repayment of advances increase/reduce the liabilities in the statement of net assets and do not result in income/expense in the statement of activities. The Agency's advances were increased/reduced because of the net advances/payments made to the note holder:		
Advances from the City of Santa Monica		(2,745,596)
Accrued interest expense on long-term debt is reported in the statement of activities but does not require the use of current financial resources. Amortization of bond premiums, discounts and deferred amounts on refunding are expensed as a component of interest expense on the statement of activities. This amount represents the net accrued interest expense and the amortization of bond premiums, discounts and deferred amounts on refunding not reported in governmental funds.		
Decrease in accrued interest expense	70,155	
Amortization of bond premium/discount	2,546	
Amortization of deferred amounts upon refunding	(181,460)	(108,759)
Change in net assets of governmental activities		$ (8,957,904)

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

The basic financial statements of the Redevelopment Agency of the City of Santa Monica ("Agency") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting principles of the Agency are described below:

(a) General

The Agency was established by the Santa Monica City Council in 1957 pursuant to the Community Redevelopment Law of California as codified in the State of California Health and Safety Code. The Agency has the broad authority to acquire, rehabilitate, develop, administer, and sell or lease property in a "Redevelopment Project Area".

The Agency generally finances redevelopment projects through the issuance of tax allocation bonds. These bonds are payable from the incremental portion of property taxes collected within a project area relating to an increase in assessed valuation resulting from redevelopment. The County of Los Angeles ("the County") collects these incremental tax revenues on behalf of the Agency.

The Agency has four project areas: the Downtown Redevelopment Project Area, the Earthquake Recovery Redevelopment Project Area and the Ocean Park Redevelopment Project Areas 1A and 1B.

Downtown Redevelopment Project

The City Council adopted the Redevelopment Plan for the Downtown Redevelopment Project on January 13, 1976. The Downtown Redevelopment Project encompasses 9.9 acres of property located in the downtown core of Santa Monica bounded by Broadway to the north, 4th Street to the east, Colorado Avenue to the south, and 2nd Street to the west. The project consists of Santa Monica Place, a large retail center that is owned and operated by the Macerich Company. The project also includes two Agency-owned parking structures that provide 1,843 parking spaces. Santa Monica Place underwent a substantial remodel that began in 2008, and the center re-opened in August 2010. The Agency made significant improvements to Parking Structures 7 & 8, which re-opened in conjunction with the mall in the summer of 2010. Improvements included renovating the façades, converting the structures to full-day attendant parking, installing parking controls, and other related capital improvements.

Earthquake Recovery Redevelopment Project

The City Council adopted the Redevelopment Plan for the Earthquake Recovery Project on June 21, 1994. The project is 2.9 square miles bounded to the east by Cloverfield Boulevard and 26th Street, to the west by Pacific Coast Highway/Beach Promenade, to the south

generally by Pico Boulevard, and to the north by Montana Avenue and includes structures predominantly damaged in the January 1994 Northridge earthquake. Approximately 90% of all red tagged and 60% of all yellow tagged buildings in the City were in the project area. To date the Earthquake Recovery Project has funded disaster prevention and mitigation, commercial revitalization, community revitalization and institutional projects.

Ocean Park Redevelopment Project Areas

The Ocean Park Redevelopment Project areas are Ocean Park Redevelopment Project 1A and Ocean Park Redevelopment Project Area 1B.

The City Council adopted the Redevelopment Plan for the Ocean Park Redevelopment Project 1A on June 30, 1960. The Redevelopment Plan was amended on November 14, 1967, primarily to change the permitted land uses in the project area. The project area is 25 acres bounded by Ocean Park Boulevard to the north, Nielson Way to the east, Ocean Park Project 1B to the south and the State beach parking lots and the beach itself to the west. Phase one of the project was completed in 1980 and phase two was completed in 1987. The project contains two 17-story, 250 rental unit high-rise buildings known as Santa Monica Shores and is surrounded by the Sea Colony condominium project, which contains 340 condominium units. Ocean View Park is also contained in the project area.

The City Council adopted the Redevelopment plan for the Ocean Park Redevelopment Project Area1B on January 24, 1961, with subsequent amendments on January 26, 1965, July 13, 1971, and again on September 12, 1972, which were implemented in order to change the permitted land uses within the project area. The project area consists of 8 acres bounded by Ocean Park Redevelopment project 1A to the north, Nielson Way to the east, the City limit to the south and both the State beach parking lots and the beach itself to the west. The project was completed in 1983.

Currently the project has two senior citizen residential apartment complexes, Nielson Villas and Barnard Park Villas, which contain 100 and 61 rental units respectively. A former utility building within the project was adapted to offices and art storage for the Eli Broad Trust Art Foundation.

Project Area Time Limits

For the Ocean Park Redevelopment project areas, agency indebtedness must have been incurred by January 1, 2004. Additionally, plan activities for the project area are to cease by January 1, 2012. The time limit for receiving property tax increment and paying off debt for the project area is January 1, 2022. The time limit for incurring agency indebtedness for the Downtown Redevelopment project was eliminated by ordinance on January 13, 2004. Plan activities for the project area are to cease by January 13, 2019 and the time limit for receiving property tax increment and paying off debt for the project area is January 13, 2029.

For the Earthquake Recovery Plan Project Area, indebtedness must be incurred by June 21, 2014. The plan activities for the project area are to cease by June 21, 2027 and the time limit for receiving property tax increment and paying off debt is June 21, 2042.

Local funds are provided principally from property tax increment and rentals for parking facilities.

(b) Reporting Entity

Under GASB No. 14, *The Financial Reporting Entity*, the Agency is considered a component unit of the City of Santa Monica since the Agency Board consists exclusively of the Mayor and the seven members of the City Council. Consequently, the Agency's financial statements are blended in the City's basic financial statements.

(c) Basis of Accounting and Measurement Focus

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

- Agency-wide financial statements
- Fund financial statements
- Notes to basic financial statements

Agency-Wide Financial Statements

Agency-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) display information about the Agency as a whole. All significant interfund activity has been eliminated in the Statement of Activities. The Agency provides only governmental activities which are supported principally by property tax increment revenue. Agency-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax increment revenue is recognized in the year for which it is levied.

Amounts paid to acquire capital assets are capitalized as assets in the agency-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the agency-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

In the Agency-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt: This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Assets: This category presents external restrictions imposed by creditors, grantors, contributions or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets: Represents the net assets of the Agency, not restricted for any project or other purpose.

Fund Financial Statements

The accounting system of the Agency is organized and operated on the basis of separate funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The modified accrual basis of accounting is defined as the basis of accounting under which expenditures, other than accrued interest on long-term debt, are recorded at the time liabilities are incurred. Revenues are recorded when received in cash, except for measurable and available revenues, which are defined as available to finance current period expenditures and are accrued to properly reflect the revenues earned. Revenues which are susceptible to accrual include property tax increment, interest income, and rental income.

All governmental funds are accounted for on a spending or "financial flow" measurement focus. Generally, only current assets, and current liabilities are included on the balance sheets. However, non-current portions of long-term receivables related to governmental funds are also reported on their balance sheets and are offset by deferred revenue or fund balance reserve accounts. Statements of revenues, expenditures, and changes in fund balances for governmental funds generally present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

(d) Major Funds

The Agency considers all of its funds as major governmental funds. They are:

The Capital Projects Funds are as follows: Low/Mod Housing, Downtown Redevelopment, Earthquake Recovery Redevelopment and Ocean Park Project Areas. The Capital Projects Funds are used to account for bond proceeds available for project improvements, interest income on invested funds, property tax increment revenues and certain other income.

The Redevelopment Debt Service Fund is used primarily to account for repayment of principal and interest on long-term indebtedness of the Agency.

(e) Investments

Investments are stated at fair value and generally consist of federal government-backed securities.

In order to maximize investment return, the Agency pools its available cash except for cash required to be held by outside fiscal agents under the provisions of bond indentures. All investment decisions are made by the City Director of Finance based on the Agency's investment policy or controlling bond indentures.

Interest income, realized gains and losses and changes in fair value of investments arising from such pooled cash and investments are apportioned to each participating Agency fund based on the relationship of such fund's respective cash balances to aggregate pooled cash and investments. Interest income, realized gains and losses and changes in fair value of investments arising from cash and investments held by outside fiscal agents under the provisions of bond indentures is credited directly to the related fund.

The Agency's investments are stated at fair value. Fair value is determined based upon market closing prices or bid/asked prices for regularly traded securities. The fair value of mutual funds, government-sponsored investment pools and other similar investments are stated at share value, or appropriate allocation of fair value of the pool, if separately reported. Certain money market investments with initial maturities at the time of purchase of less than one year are recorded at cost. The calculation of realized gains and losses is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current fiscal year may have been recognized as an increase or decrease in fair value of investments reported in the prior year.

(f) Long-Term Liabilities

In the Agency-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the statement of net assets.

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

(g) Property Tax Increment Revenues

Property tax increment is considered as project revenue by the Agency when it becomes both measurable and available for financing the Agency's redevelopment activities during the year. Property tax increment is considered available if received within 60 days following year-end in accordance with generally accepted accounting principles.

Property tax increment revenues represent property taxes collected from the excess of taxes levied and collected each year on any redevelopment project over that amount which would have been levied and collected on the base year property tax assessment. A property tax base year is determined to be the year prior to the establishment of a redevelopment project area.

(h) Low and Moderate Income Housing

Under requirements of the State of California Health and Safety Code, the Agency is required to set aside 20% of property tax increment revenues for use in housing projects benefiting low- and moderate-income households. At June 30, 2010, the net cumulative unspent low- and moderate-income housing set aside funds have been obligated by the Agency and are included in the Low and Moderate Income Capital Projects Fund for 20% set aside.

(i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the reporting period. Actual results could differ from those estimates.

(j) Capital Assets

Capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Contributed capital assets are valued at their estimated fair market value at the date of the contribution. Generally, capital asset are defined by the Agency as assets with an initial cost in excess of $50,000 and an estimated life in excess of five years and buildings, parking structures and improvements other than buildings with an initial cost in excess of $100,000 and an estimated useful life of twenty years or more.

Capital assets of the Agency are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building, parking structures and improvements	20 to 50
Improvements other than buildings	20 to 30
Machinery and equipment	5

(2) Cash and Investments

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of Net Assets:		
Cash and investments	$	87,850,856
Cash and investments with fiscal agent		6,983,601
Total cash and investments	$	94,834,457

Equity in the cash and investment pool of the City of Santa Monica

The Agency has no separate bank accounts or investments other than investments held by bond trustee and the Agency's equity in the cash and investment pool managed by the City. The Agency is a voluntary participant in that pool. The pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City's City Council. The Agency has not adopted an investment policy separate from that of the City. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on accounting records maintained by the City, which are recorded on an original cost basis. Detailed information concerning the City's pooled cash and investments, including interest rate risk, credit risk, and concentration of credit is addressed in the City's Comprehensive Annual Financial Reports for the year ended June 30, 2010.

Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S Treasury Obligations	None	None	None
Federal Housing Administration Debentures	None	None	None
U.S. Agency Securities	None	None	None
Time Deposits	None	None	None
Unsecured Certificates of Deposit	180 days	None	None
Banker's Acceptances	180 days	None	None
State Obligations	None	None	None
Repurchase Agreements	1 year	None	None
Pre-refunded Municipal Obligations	None	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	None	None	None
Investment Contracts	30 years	None	None

Disclosures Relating to Interest Rate Risk

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

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

Information about the sensitivity of the fair values of the Agency's investments held by bond trustee to market interest rate fluctuations is provided by the following table that shows the distribution of these investments by maturity. For purposes of this schedule, callable securities are assumed to be held to maturity:

		Remaining Maturity (in Months)			
Investment Type		12 Months or less	13 to 24 Months	25-60 Months	More than 60 Months
City Investment Pool	$	87,850,856			
Held by bond trustee:					
Money market funds		5,235,249	-	-	-
U.S. agency securities		1,748,352	-	-	-
Total	$	94,834,457	-	-	-

Disclosures Relating to Credit Risk

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

Investment Type		Total	Minimum Legal Rating	AAA
City investment pool	$	87,850,856	N/A	87,850,856
Held by bond trustee:				
Money market funds		5,235,249	AA	5,235,249
U.S. agency securities		1,748,352	N/A	1,748,352
Total	$	94,834,457		94,834,457

Concentration of Credit Risk

No investments in any one issuer (other than U.S. Treasury securities, mutual funds, and investment pools) represents 5% or more of total investments by reporting unit (primary government, discretely presented component unit, governmental activities, major fund, nonmajor funds in the aggregate, etc.).

Custodial Credit Risk

The Agency does not have significant separate certificates of deposit or demand accounts held by bond trustee that are subject to disclosable custodial credit risk (as defined by GASB Statement No. 40).

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

(3) Notes Receivable

	Balance at June 30, 2009	Increases	Decreases	Balance at June 30, 2010
Redevelopment Activities				
Community Corporation of Santa Monica (a)	$ 2,900,000	-	-	2,900,000
Community Corporation of Santa Monica (b)	5,408,033	-	-	5,408,033
Step Up on Fifth L.P. (c)	5,870,000	-	-	5,870,000
Low income senior housing (d)	46,250	-	-	46,250
Community Corporation of Santa Monica (e)	4,234,507	-	-	4,234,507
Santa Monica Housing Partners, Ltd. (f)	5,122,218	85,096	-	5,207,314
Community Corporation of Santa Monica (g)	5,226,343	448,246	-	5,674,589
Community Corporation of Santa Monica (h)	2,044,914	179,922	-	2,224,836
Community Corporation of Santa Monica (i)	3,665,855	413,457	-	4,079,312
FAME Santa Senior Apts (j)	3,120,000	446,310	-	3,566,310
Total notes receivable	$ 37,638,120	1,573,031	-	39,211,151

a. A promissory note dated January 28, 2003, in the amount of $1,382,619 was executed with Community Corporation of Santa Monica for an Affordable Housing Project located at 1512 Fifteenth Street. This loan was for the acquisition of land and predevelopment expenses for future low/moderate income housing. This was a non-interest bearing loan with the principal amount due and payable after a two-year deferral period. On October 26, 2004 the note was superseded and replaced by a new promissory note secured by a deed of trust. The new note increased the amount of the note to $2,900,000, changed the due date of the note to 55 years from the later of the date the project is placed into service per Internal Revenue Service Form 8609 or the issuance of a certificate of occupancy, and changed the interest rate to 3%. At June 30, 2010, $2,900,000 had been disbursed to the borrower.

b. A promissory note dated March 18, 2003, in the amount of $2,714,033 was executed with Community Corporation of Santa Monica for an Affordable Housing Project located at 2601 – 2615 Santa Monica Blvd which is more commonly known as 1349 26th Street. This loan is for the acquisition of land and predevelopment expenses for a 40-unit income housing development. This was a non-interest bearing loan with the principal amount due and payable after a two-year deferral period. On October 26, 2004 the note was superseded and replaced by a new promissory note secured by a deed of trust. The new note increased the amount of the note to $4,458,033, changed the due date of the note to 55 years from the later of the date

the project is placed into service per Internal Revenue Service Form 8609 or the issuance of a certificate of occupancy, and changed the interest rate to 3%. At June 30, 2010, $4,458,033 had been disbursed to the borrower. A note dated June 12, 2007, was executed in the amount of $950,000 bearing interest at 3% due 55 years from the later of the date the project is placed into service per Internal Revenue Service Form 8609 or the issuance of a certificate of occupancy. At June 30, 2010, $950,000 had been disbursed to the borrower. The Earthquake Recovery Redevelopment Project, the Downtown Redevelopment Project and the Ocean Park Redevelopment Project provided $1,621,500, $903,405 and $2,883,128 respectively.

c. A promissory note dated December 17, 2004, in the amount of $1,985,000 was executed with Step Up on Fifth, L.P. for an Affordable Housing Project located at 1548 Fifth Street. This loan is for the acquisition and predevelopment expenses of a surface parking lot where Step Up will build up to 46 new rental units for very low income mentally disabled persons. This is a non-interest bearing loan with the principal amount due and payable after a two-year deferral period. On February 13, 2007, the note was superseded by a new promissory note secured by a deed of trust. The new note increased the amount to $5,870,000. At June 30, 2010, $5,870,000 had been disbursed to the borrower.

d. The Redevelopment Housing Trust Fund, formerly known as "CHARP" provides funds to eligible borrowers in the form of deferred payment loans to make up the financial gap between available non-program resources, including the borrower's equity and private financing, and the limited equity cooperatives. At June 30, 2010, loans totaling $46,250 are outstanding.

e. A promissory note dated January 30, 2006, in the amount of $1,497,714 was executed with Community Corporation of Santa Monica for an Affordable Housing Project located at 2411-2423 Centinela Avenue. This loan is for the acquisition and predevelopment expenses to construct 36 new rental units for very low income and low income persons. This is a non-interest bearing loan and is due and payable after a two-year deferral period. On July 24, 2006 the note was superseded and replaced by a new promissory note secured by a deed of trust. The new note increased the amount of the note to $4,234,507, changed the due date of the note to 55 years from the later of the date the project is placed into service per Internal Revenue Service Form 8609 or the issuance of a certificate of occupancy, and changed the interest rate to 3%. At June 30, 2010, $4,234,507 had been disbursed to the borrower.

f. A promissory note dated February 13, 2007, in the amount of $3,120,000, was executed with Santa Monica Housing Partners for an Affordable Housing Project located at 1458 14th Street. This loan is for the acquisition and predevelopment expenses to construct 20 new rental units for very low income and low income seniors. This is a non- interest bearing loan and is due and payable after a two-year deferral period. At June 30, 2010, $5,207,314 had been disbursed to the borrower.

g. A promissory note dated December 23, 2008, in the amount of $6,582,323, was executed with Community Corporation of Santa Monica for an Affordable Housing Project located at 2602 Broadway. This loan is for the acquisition and predevelopment expenses to construct approximately 33 two- and three-bedroom units for very low- and low-income families with 56 subterranean parking spaces. This is a non- interest bearing loan and is due and payable after a two-year deferral period. At June 30, 2010, $5,674,589 had been disbursed to the borrower.

h. A promissory note dated January 12, 2009, in the amount of $3,720,204, was executed with Community Corporation of Santa Monica for an Affordable Housing Project located at 430-508 Pico. This loan is for the acquisition and predevelopment expenses to construct 32 - 2 and 3 bedrooms with very low to low income units. This is a non- interest bearing loan and is due and payable after a two-year deferral period. At June 30, 2010, $2,224,836 had been disbursed to the borrower.

i. A promissory note dated February 2, 2009, in the amount of $5,595,897, was executed with Community Corporation of Santa Monica for an Affordable Housing Project located at 2802 Pico. This loan is for the acquisition and predevelopment expenses to construct approximately 30 two- and three-bedroom units for very low and low-income families. This is a non- interest bearing loan and is due and payable after a two-year deferral period. At June 30, 2010, $4,079,312 had been disbursed to the borrower.

j. A promissory note dated January 16, 2009, in the amount of $4,424,711, was executed with FAME Santa Monica Senior Apartments, LP for an affordable housing project located at 1754 19th Street. This loan is for the acquisition and predevelopment expenses to construct 49 units of very low income seniors housing units. This is a non- interest bearing loan and is due and payable after a two-year deferral period. At June 30, 2010, $3,566,309 had been disbursed to the borrower.

(4) Capital Assets

A summary of changes in the Agency's capital assets for the fiscal year ended June 30, 2010, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable:				
Land	$ 103,790,524	238,840	-	104,029,364
Construction in progress	5,910,666	6,642,424	(1,583,260)	10,969,830
Depreciable:				
Building, parking structures, and improvements	58,565,018	-	(15,082,388)	43,482,630
Improvements other than buildings	10,841,446	128,136	-	10,969,582
Machinery and equipment	6,303	-	-	6,303
Total historical cost	179,113,957	7,009,400	(16,665,648)	169,457,709
Accumulated depreciation:				
Building, parking structures, and improvements	(10,444,596)	(1,980,458)	2,760,422	(9,664,632)
Improvements other than buildings	(8,959,993)	(146,286)	-	(9,106,279)
Machinery and equipment	(6,303)	-	-	(6,303)
Total accumulated depreciation	(19,410,892)	(2,126,744)	2,760,422	(18,777,214)
Total	$ 159,703,065	4,882,656	(13,905,226)	150,680,495

Depreciation expense in the amount of $2,126,744 was charged to the Housing and Community Development function in the Statement of Activities.

(5) Other Liabilities

During the fiscal year ended June 30, 2003, the Redevelopment Agency and the Parking Authority entered into a purchase/sales agreement for the purchase/sale of six downtown parking structures with related land for $60.0 million. The related promissory note, secured by a deed of trust, calls for annual principal payments of $2.0 million for 30 years with interest. The promissory note was revised in December 2004 creating two fully amortized notes with a principal of $38,930,000 and $21,070,000.

These parking structures with related land, built generally in the late 1960's, were carried on the books of the Parking Authority at historical cost less related depreciation. At the time of sale, the book value of the six structures and land was $2,958,016.

The sale/purchase transaction has been recorded as a transfer of the structures and land from the Parking Authority to the Redevelopment Agency and a corresponding receivable/liability for the book value of the assets transferred. The excess of the purchase price over the book value is not recorded as a gain on the transfer because the transaction is between two blended component units of the City of Santa Monica.

As related parties, no gain on the sale was recorded. Once the Redevelopment Agency's payments exceed the book value of the assets transferred, all future promissory note payments will be considered recorded as interfund transfers on the financial statements of the two component units. At June 30, 2010, $48.2 million plus interest remained due under the agreement. Also as part of the agreement, an additional $60.0 million has been committed by the Agency to make seismic repairs to the parking structures.

(6) Long Term Debt

A summary of the changes in the long-term liabilities of the Agency excluding advances from the City of Santa Monica and a line of credit of $23,471,605 for the year ended June 30, 2010 is as follows:

Bonds Payable		Earthquake Recovery Project Bonds	Ocean Park Redevelop-ment Project Bonds	Total
Beginning balance	$	59,350,000	13,550,000	72,900,000
Debt retired		(1,705,000)	(1,095,000)	(2,800,000)
Total bonds payable		57,645,000	12,455,000	70,100,000
Premium on bond issue, net		23,297	22,425	45,722
Discount of bond issue, net		(153,583)	-	(153,583)
Deferred loss on refunding, net		(3,140,256)	(124,499)	(3,264,755)
Ending balance		54,374,458	12,352,926	66,727,384
Due within one year	$	1,795,000	1,145,000	2,940,000

Bonds Payable

On May 2, 2002, the Redevelopment Agency issued $19,315,000 of Ocean Park refunding and new money bonds bearing interest at 5.03% to defease the outstanding 1992 Ocean Park Project Bonds and to provide funds for new low/moderate income projects. Secured by Ocean Park Redevelopment property tax increment revenues which totaled $4,029,852 or 234% of FY 09-10 debt service.

On April 27, 2006, the City issued $64,720,000 of Earthquake Redevelopment Project refunding bonds bearing interest from 4.0% to 5.5% to advance refund the outstanding 1999 Earthquake Redevelopment Project. Secured by Earthquake Recovery Redevelopment Project property tax increment revenues which totaled $68,268,572 or 1,550% of FY 09-10 debt service.

Debt service requirements for the Agency's bonds at June 30, 2010 are as follows:

Earthquake Recovery Project Bonds

	Principal	Interest	Total
Fiscal year ending June 30:			
2011	1,795,000	2,601,431	4,396,431
2012	1,900,000	2,499,819	4,399,819
2013	2,005,000	2,392,431	4,397,431
2014	2,115,000	2,279,995	4,394,995
2015	2,225,000	2,178,194	4,403,194
2016 - 2020	12,610,000	9,374,899	21,984,899
2021 - 2025	15,575,000	6,322,903	21,897,903
2026 - 2030	19,420,000	2,368,181	21,788,181
Total	$ 57,645,000	30,017,853	87,662,853

Ocean Park Project Bonds

	Principal	Interest	Total
Fiscal year ending June 30:			
2011	1,145,000	578,170	1,723,170
2012	1,195,000	525,495	1,720,495
2013	1,250,000	468,635	1,718,635
2014	1,310,000	407,820	1,717,820
2015	1,370,000	342,815	1,712,815
2016 - 2019	6,185,000	637,375	6,822,375
Total	$ 12,455,000	2,960,310	15,415,310

Advances Payable

In addition, the Agency is indebted to the City of Santa Monica for the following advances, with interest at varying rates per annum accruing on principal only. These notes were for a period of one year. At the end of that period, the notes were reissued, with accrued interest, for a one-year period. On June 21, 2005, the notes were amended to be due on demand when sufficient future unpledged property tax increment is available to redeem them.

The notes consist of the following at June 30, 2010:

Advance payable to	Balance at June 30, 2009	Principal addition	Principal reduction	Balance at June 30, 2010
Downtown Redevelopment Project Capital Project Fund:				
City of Santa Monica General Fund	$ 1,557,358	35,664	-	1,593,022
City of Santa Monica General Fund	18,412,347	329,581	-	18,741,928
	19,969,705	365,245	-	20,334,950
Earthquake Recovery Redevelopment Project Capital Project Fund:				
City of Santa Monica Miscellaneous Grants Fund	3,118,900	2,006,606	-	5,125,506
City of Santa Monica CDBG Special Revenue Fund	346,552	222,961	-	569,513
	3,465,452	2,229,567	-	5,695,019
Ocean Park Redevelopment Project Capital Project Fund:				
City of Santa Monica CDBG Special Revenue Fund	5,849,929	133,963	-	5,983,892
City of Santa Monica CDBG Special Revenue Fund	734,577	16,821	-	751,398
	6,584,505	150,784	-	6,735,290
Total advances payable to the City of Santa Monica	$ 30,019,662	2,745,596	-	32,765,259

Line of Credit

On May 1, 2008, the Agency entered into a line of credit agreement with Bank of America. The agreement calls for an initial line up to $50,000,000 available to be drawn which may be increased at the banks option to $75,000,000 at the request of the Agency. The line is available through June 2013 and is subject to quarterly interest payments at LIBOR plus 1.25%. The line is secured by future property tax increment revenues of the Earthquake Recovery Redevelopment Project Low/Mod housing fund which totaled $13,653,714. The line of credit subordinates to the bonded indebtedness of the fund

As of June 30, 2010, $23,471,605 had been drawn on the line which is due on June 1, 2013 and has been included in noncurrent liabilities due in more than one year. Interest on the line was $248,484 which has been reported as interest expense.

The above bonds, notes, line of credit and advances are payable when future property tax increment revenues are received by the projects. Management does not anticipate that the remaining balance of these notes and advances will be repaid with currently available spendable resources.

Management believes that the Agency is in compliance with all significant financial restrictions and requirements as set forth in its various bond and line of credit covenants.

The Agency has a number of debt issues that involve the pledging of revenues. The amounts and terms of the remainder of these commitments and the purposes for which the proceeds of the debt issuances are utilized are indicated in the summary of long-term bonds outstanding at year end presented in this note. For the current year, debt service payments as a percentage of the pledged gross revenue (net of certain expenses where so specified in debt covenants) are indicated in the table below. These percentages also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment.

Description of pledged revenue/debt	Annual amount of pledged revenue	Annual debt service payments	Debt Service as a percentage of pledged revenues
Tax Increment			
Ocean Park Redevelopment 2002	3,953,132	1,725,998	44%
Earthquake Recovery Project 2006	65,674,456	4,403,981	7%
Line of credit	13,250,221	-	-
Total tax increment	82,877,809	6,129,979	

(7) Interfund Transactions

Transfers in (out) from other funds at June 30, 2010 are as follows:

Transfers in for debt service payments	
Debt service fund	$ 6,096,843
Transfers out for debt service payments	
Low/Moderate Income Housing Fund	$ (1,151,490)
Earthquake Recovery Redevelopment Project	(3,609,952)
Ocean Park Redevelopment Project	(1,335,401)
	$ (6,096,843)

(8) Subsequent events

On September 1, 2010 the Agency entered into a Master Cooperation Agreement with the City of Santa Monica to commit $5.7 billion to the construction of various projects in support of the Agency's Five-Year Implementation Plan goals of affordable housing, disaster prevention and mitigation, community revitalization, commercial revitalization and institutional revitalization, all in accordance with Section 33445 of the California Redevelopment Community Law. The obligation constitutes indebtedness of the Agency.

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Board of Directors
Redevelopment Agency of the
City of Santa Monica, California

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Redevelopment Agency of the City of Santa Monica, (Agency), as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated December 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States of America.

Compliance and Other Matters

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

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

This report is intended solely for the information and use of the Board of Directors, and Agency's management and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
December 1, 2010

APPENDIX D

FORM OF BOND COUNSEL OPINION

[Closing Date]

Redevelopment Agency of the City of Santa Monica
Santa Monica, California

Re: $41,050,000 Redevelopment Agency of the City of Santa Monica Earthquake Recovery Redevelopment Project 2011 Tax Allocation Bonds

Ladies and Gentlemen:

We have examined certified copies of proceedings of the Redevelopment Agency of the City of Santa Monica (the "Agency"), and other information and documents submitted to us relative to the sale and issuance by the Agency of its Earthquake Recovery Redevelopment Project 2011 Tax Allocation Bonds in the aggregate principal amount of $41,050,000 (the "2011 Bonds"), and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we also have relied upon certain representations of fact and certifications made by the Agency, the underwriter of the 2011 Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The 2011 Bonds have been issued pursuant to the authority contained in Part 1 of Division 24 of the Health and Safety Code of the State of California and the Community Redevelopment Financial Assistance and Disaster Project Law (Part 1.5 of Division 24 of the Health and Safety Code Section 34000), as constituted at the time of adoption of the Redevelopment Plan (collectively, the "Act"), a resolution of the Agency adopted on May 24, 2011 (the "Resolution") and in accordance with the terms and conditions of an Indenture of Trust dated as of April 1, 2006, by and between Union Bank, N.A., as trustee (the "Trustee") and the Agency, as supplemented by a First Supplement to Indenture of Trust dated as of April 1, 2006 and a Second Supplement to Indenture of Trust dated as of June 1, 2011, each by and between the Agency and the Trustee (collectively, the "Indenture"). All terms not defined herein have the meanings ascribed to those terms in the Indenture.

The 2011 Bonds are dated their date of delivery, and mature on the dates and bear interest at the rates per annum set forth in the Indenture. The 2011 Bonds are registered bonds in the form set forth in the Indenture, redeemable in the amounts, at the times and in the manner provided for in the Indenture.

Based upon our examination of all of the foregoing, and in reliance thereon, and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

1. The 2011 Bonds have been duly and validly authorized by the Agency and are valid and binding special obligations of the Agency and, except as specifically limited in the Indenture, payable solely from Tax Revenues and other sources as and to the extent provided for in the Indenture. The 2011 Bonds are enforceable in accordance with their terms and the terms of the Indenture, except to the extent that enforceability may be limited by moratorium, bankruptcy, reorganization, fraudulent conveyance or transfer, insolvency or other similar laws affecting

creditors' rights to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

2. The Second Supplement to Indenture has been duly authorized by the Agency, and the Indenture is valid and binding upon the Agency and is enforceable in accordance with its terms, except to the extent that enforceability may be limited by moratorium, bankruptcy, reorganization, fraudulent conveyance or transfer, insolvency or other similar laws affecting creditors' rights to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

3. The Indenture creates a valid pledge of that which the Indenture purports to pledge, subject to the provisions of the Indenture, except to the extent that such pledge may be limited by moratorium, bankruptcy, reorganization, fraudulent conveyance or transfer, insolvency or other similar laws affecting creditors' rights to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

4. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the 2011 Bonds is excluded from gross income for federal income tax purposes, and such interest (and original issue discount) is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

5. Interest (and original issue discount) on the 2011 Bonds is exempt from State of California personal income tax.

6. The difference between the issue price of a 2011 Bond (the first price at which a substantial amount of the 2011 Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such 2011 Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a 2011 Bond owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a 2011 Bond owner will increase the 2011 Bond owner's basis in the applicable 2011 Bond. Original issue discount that accrues to the 2011 Bond owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (as described in paragraph 4 above), and is exempt from State of California personal income tax.

7. The amount by which a 2011 Bond owner's original basis for determining loss on sale or exchange in the applicable 2011 Bond (generally the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable 2011 Bond premium which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable 2011 Bond premium reduces the 2011 Bond owner's basis in the applicable 2011 Bond (and the amount of tax exempt interest received) and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of 2011 Bond

premium may result in a 2011 Bond owner realizing a taxable gain when a 2011 Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the 2011 Bond to the owner.

The opinions set forth in paragraphs 4 and 6 above are subject to the condition that the Agency comply with certain covenants and the applicable requirements of the Code that must be satisfied subsequent to the issuance of the 2011 Bonds to assure that interest (and original issue discount) on the 2011 Bonds will remain excludable from gross income for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest (and original issue discount) on the 2011 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2011 Bonds. The Agency has covenanted to comply with all such requirements. Except as expressly set forth in paragraphs 4, 5, 6 and 7 above, we express no opinion regarding other tax consequences with respect to the 2011 Bonds.

Certain requirements and procedures contained or referred to in the Indenture and the Tax Certificate may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the exclusion of interest (and original issue discount) on the 2011 Bonds from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

We are admitted to the practice of law only in the State of California and our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction and express no opinion as to the enforceability of the choice of law provisions contained in the Indenture.

The opinions expressed herein are based on an analysis of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Such actions or events may adversely affect the value or tax treatment of the 2011 Bonds and we express no opinion with respect thereto. Our engagement as Bond Counsel with respect to the 2011 Bonds terminates as of their date of issuance. Except as expressly set forth herein, we express no opinion regarding the validity or enforceability of the 2006 Bonds or provisions of the Indenture related thereto.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the 2011 Bonds or other offering material relating to the 2011 Bonds and purchasers of the 2011 Bonds should not assume that we have reviewed the Official Statement or other offering material on their behalf.

Respectfully submitted,

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Redevelopment Agency of the City of Santa Monica (the "Agency") in connection with the issuance by the Agency of its $41,050,000 aggregate principal amount of Redevelopment Agency of the City of Santa Monica Earthquake Recovery Redevelopment Project, 2011 Tax Allocation Bonds (the "Bonds"). The Bonds are being issued pursuant to Resolution No. 531 (RAS) of the Agency, adopted on May 24, 2011, and an Indenture of Trust and First Supplement to Indenture of Trust, each dated as of April 1, 2006, and a Second Supplement to Indenture of Trust dated as of June 1, 2011 (collectively, the "Indenture"), in each case between the Agency and Union Bank, N.A., as trustee (the "Trustee"). The Bonds are payable from and secured by certain Tax Revenues of the Agency. The Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

"Annual Report Date" means the date that is nine (9) months after the end of the Agency's fiscal year (currently April 1 based on the City's fiscal year end of June 30).

"Dissemination Agent" means the Agency, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency and the Trustee a written acceptance of such designation.

"Listed Events" means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Official Statement" means the Official Statement dated June 3, 2011, related to the Bonds.

"Participating Underwriter" means E.J. De La Rosa & Co., Inc., on behalf of itself and Wells Fargo Bank, National Association, the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The Agency shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2012, with the report for the 2010-11 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate, with a copy to the Trustee. Not later than five (5) Business Days prior to the Annual Report Date, the Agency shall provide the Annual Report to the Dissemination Agent, if other than the Agency. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate. If the Agency's fiscal year changes, the Agency, upon becoming aware of such change, shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Agency and shall have no duty or obligation to review such Annual Report.

(b) If by five (5) Business Days prior to the Annual Report Date, the Dissemination Agent (if other than the Agency) has not received a copy of the Annual Report, the Dissemination Agent shall notify the Agency of such non-receipt.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the Annual Report Date, the Dissemination Agent shall provide to the MSRB (with a copy to the Trustee and the Participating Underwriter) a notice, in substantially the form attached as Exhibit A.

(d) Unless the Agency has done so pursuant to Section 3(a) above, the Dissemination Agent (if other than the Agency) shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Agency, file a certificate with the Agency to the effect that the Annual Report has been provided pursuant to this Disclosure Certificate, stating, to the extent it can confirm such filing of the Annual Report, the date it was provided.

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

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, and as further modified according to applicable State law. If the Agency's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the usual format utilized by the Agency, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following additional items:

1. Principal amount of the 2006 Bonds and 2011 Bonds outstanding.

2. The Reserve Requirement and the balance in the Reserve Account under the Indenture as of June 30 of the most recently completed fiscal year.

3. Description of issuance by the Agency of any debt payable from or secured by a pledge of Tax Revenues in the Project Area in the most recently completed fiscal year (including details as to date, amount, term, rating, insurance).

4. The assessed value of property in the Project Area for the most recently completed fiscal year in the form of Table No. 4 in the Official Statement.

5. The ten largest local secured property taxpayers in the Project Area in the form of Table No. 3 in the Official Statement.

6. The coverage ratio provided by Tax Revenues with respect to debt service on the 2011 Bonds and Parity Debt for the most recently completed fiscal year, in the form of Tables 9A and 9B in the Official Statement.

7. To the extent available from the County of Los Angeles, a description of the total tax levy, total receipts and collection rate for the most recently completed fiscal year in the form of Table No. 5 of the Official Statement.

8. A description of any payments made by the Agency to the type described in "RISK FACTORS—State Budget and SERAF Shift."

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The Agency shall clearly identify each such other document so included by reference.

The Trustee shall have no responsibility for the content of the Annual Report, or any part thereof.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) days after the event, if material:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposal Issue (IRS Form 5701-TEB);
6. Tender Offers;
7. Defeasances;
8. Rating changes; and
9. Bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming

a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2011 Bonds, if material in a timely manner not more than ten (10) days after occurrence:

1. unless described in Section 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

2. modifications to the rights of Bondholders;

3. optional, unscheduled or contingent Bond calls;

4. release, substitution or sale of property securing repayment of the Bonds;

5. non-payment related defaults;

6. the consummation of a merger, consolidation, or acquisition involving the Agency or the Authority or the sale of all or substantially all of the assets of the Agency or the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

7. appointment of a successor or additional trustee or the change of the name of a trustee.

(c) If the Agency determines that knowledge of the occurrence of a Listed Event under subsection (b) would be material under applicable federal securities laws, and if the Dissemination Agent is other than the Agency, the Agency shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB in a timely manner not more than ten (10) Business Days after the event.

(d) If the Agency determines that the Listed Event under subsection (b) would not be material under applicable federal securities laws and if the Dissemination Agent is other than the Agency, the Agency shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(e) The Agency hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the Agency and, if the Dissemination Agent is other than the Agency, the Dissemination Agent shall not be responsible for determining whether the Agency's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

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

Section 7. Termination of Reporting Obligation. The obligations of the Agency, the Trustee and the Dissemination Agent under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior

to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. From time to time, the Agency may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Agency shall be the Dissemination Agent. The Dissemination Agent may resign by providing sixty days prior written notice to the Agency.

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

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

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

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

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

Section 11. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate, the Trustee may (and, at the request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall), after receiving indemnification satisfactory to the Trustee, or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent and the Trustee shall be entitled to the protections and limitations from liability afforded to the Trustee in Article 6 of the Indenture. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees to indemnify and hold

harmless the Dissemination Agent, its officers, directors, employees and agents, against any loss, expense and liabilities which the Dissemination Agent may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Trustee shall not be required to consent to any amendment which would impose any greater duties or risk of liability on the Trustee. No person shall have any right to commence any action against the Trustee seeking any remedy other than to compel specific performance of this Agreement. The Trustee shall not be liable under any circumstances for monetary damages to any person for any breach of this Disclosure Certificate.

Section 13. Notices. Any notice or communications to be given under this Disclosure Certificate may be given as follows:

To the Agency:	Redevelopment Agency of the City of Santa Monica 1685 Main Street Santa Monica, CA 90407 Fax: (310) 391-9996 Attention: Executive Director
To the Participating Underwriters:	E.J. De La Rosa & Co., Inc., on behalf of itself and Wells Fargo Bank, National Association 10866 Wilshire Blvd., Suite 1650 Los Angeles, CA 90024 Fax: (310) 207-1995 Attention: Public Finance
To the Trustee:	Union Bank, N.A. 120 S. San Pedro St., Suite 400 Los Angeles, CA 90012 Fax: (213) 972-5694 Attention: Corporate Trust

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Trustee, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: June 7, 2011

REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA

By:_____
Treasurer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor:	Redevelopment Agency of the City of Santa Monica
Name of Issue:	City of Santa Monica Earthquake Recovery Redevelopment Project, 2011 Tax Allocation Bonds
Date of Issuance:	June 7, 2011

NOTICE IS HEREBY GIVEN that the Redevelopment Agency of the City of Santa Monica (the "Agency") has not provided an Annual Report with respect to the above-named Bonds as required by Section 11.09 of the Indenture of Trust, dated as of April 1, 2006, as supplemented and amended, by and between the Redevelopment Agency of the City of Santa and Union Bank of California, N.A., as trustee. The Agency anticipates that the Annual Report will be filed by _____.

Dated: _____

REDEVELOPMENT AGENCY OF THE
CITY OF SANTA MONICA

By:_____
Title:_____

cc: Trustee and Participating Underwriter

APPENDIX F

BOOK ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Agency and the Underwriter believe to be reliable, but neither the Agency nor the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2011 Bonds, payment of principal, premium, if any, accreted value, if any, and interest on the 2011 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2011 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2011 Bonds. The 2011 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2011 Bond will be issued for each annual maturity of the 2011 Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of 2011 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2011 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2011 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2011 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive 2011 Bonds representing their ownership interests in 2011 Bonds, except in the event that use of the book-entry system for the 2011 Bonds is discontinued.

To facilitate subsequent transfers, all 2011 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2011 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2011 Bonds; DTC's records reflect only the identity of the Direct Participants to whose

accounts such 2011 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2011 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2011 Bonds, such as prepayments, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of 2011 Bonds may wish to ascertain that the nominee holding the 2011 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2011 Bonds within a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2011 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2011 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2011 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Agency or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Owner shall give notice to elect to have its 2011 Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such 2011 Bonds by causing the Direct Participant to transfer the Participant's interest in the 2011 Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of 2011 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2011 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2011 Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the 2011 Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, 2011 Bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE 2011 BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2011 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX G

FISCAL CONSULTANT REPORT

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REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA

EARTHQUAKE RECOVERY REDEVELOPMENT PROJECT AREA

2011 Tax Allocation Bonds

PROJECTED TAXABLE VALUES AND ANTICIPATED TAX INCREMENT REVENUES

May 25, 2011

I. Introduction

The Redevelopment Agency of the City of Santa Monica (the "Agency") is proposing to issue its 2011 Tax Allocation Bonds to be secured by a pledge of tax increment revenue generated from its Earthquake Recovery Redevelopment Project Area (the "Project Area"). The pledge of tax revenues securing the 2011 Bonds are on parity with an outstanding series of tax allocation bonds issued by the Agency in 2006 (the "2006 Bonds"). The proceeds from the 2011 Bonds will be used to finance various redevelopment projects in or benefiting the Project Area; to fund the reserve requirement for the Bonds; and, to pay the costs of issuance for the Bonds.

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

In this report, Gross Tax Increment Revenues including Unitary Tax Revenue (see Section IV H) are referred to as Gross Revenues. Gross Revenues less the County Property Tax Collection Reimbursement (see Section IV G) and tax sharing payments (see Section VII) are referred to as Tax Revenues; provided, Housing Tax Revenues are pledged to repayment of 2006 Bonds and 2011 Bonds to the extent available for payment of up to 20% of the debt service on the 2006 Bonds. For purposes of this report, the revenues derived from the Housing Set-Aside Requirement are referred to as Housing Tax Revenues. Tax Revenues less Housing Tax Revenues are referred to as Non-Housing Tax Revenues.

The purpose of this fiscal consultant report (the "Report") is to examine the current fiscal year and project for nine fiscal years the amount of Tax Revenues anticipated to be received by the Agency from the Project Area. The 2011 Bonds propose to use the Non-Housing Tax Revenues

from the Project Area to make debt service payments. As a result of our research, we project that the Tax Revenues that will be available for to the payment of debt service on the 2011 Bonds will be as shown in Table A below:

Table A
Project Area Tax Revenues
(000's omitted)

Fiscal Year	Incremental Value	Gross Revenue	Tax Revenue	Housing Tax Revenues	Non-Housing Tax Revenues
2010-11	$6,575,102	$66,076	$48,187	$13,215	$34,972
2011-12	6,489,197	65,202	47,643	13,040	34,603
2012-13	6,687,331	67,191	48,886	13,438	35,448
2013-14	6,891,664	69,242	50,168	13,848	36,320
2014-15	7,100,085	71,334	51,475	14,267	37,209
2015-16	7,312,673	73,468	52,809	14,694	38,115
2016-17	7,529,513	75,644	54,169	15,129	39,040
2017-18	7,750,690	77,864	55,556	15,573	39,983
2018-19	7,976,291	80,128	56,971	16,026	40,946
2019-20	8,206,403	82,438	58,415	16,488	41,927

The taxable values of property and the resulting Tax Revenues for the Project Area summarized above are reflected on Tables 1 and 2 of the projections (attached). These projections are based on assumptions determined by our review of the taxable value history of the Project Area and the property tax assessment and property tax apportionment procedures of Los Angeles County (the "County"). The projection reflects the entire amount of Tax Increment Revenues projected as being available from the Project Area. It is assumed that the Agency will continue to have sufficient indebtedness to capture all of the available Tax Increment Revenue. Future year assessed values, Tax Revenues and Housing Tax Revenues are projections based upon the assumptions described in this Report, and are not guaranteed as to accuracy. This Report is not to be construed as a representation of such by HdL Coren & Cone.

II. The Project Area

The City Council of the City of Santa Monica adopted the Redevelopment Plan establishing the Santa Monica Earthquake Recovery Redevelopment Project by Ordinance No. 1747 on June 21, 1994. The objectives of the Redevelopment Plan are to undertake an earthquake recovery project consistent with State and local laws, by: (1) planning, design and/or redevelopment of areas which are in need of maintenance, repair, restoration, demolition or replacement as a result of the earthquake; (2) protecting and promoting sound development and redevelopment of earthquake-stricken areas and injurious conditions through the employment of appropriate means; (3) installation of new or repairing or replacing existing public improvements, facilities and utilities in areas which are currently inadequately served with regard to such improvements, facilities and utilities; and (4) other means as determined appropriate by the Agency.

The Project Area boundaries are Cloverfield Boulevard and 26th Street to the east, Pico Boulevard to the south, Montana Avenue to the north, and Pacific Coast Highway/Ocean Front Walk to the west. The Project Area consists of approximately 1,851 acres designated primarily for residential and commercial use.

A. Land Use

Table B represents the breakdown of land use in the Project Area by the number of parcels and by their taxable value for fiscal year 2010-11. This information is based on County land use designations as provided by the Los Angeles County Assessor's Office (the "Assessor") through tax roll data. It should be noted that the County land use designations do not necessarily parallel City land use and zoning designations. Unsecured and Possessory Interest values are connected with parcels that are already accounted for in other categories.

Table B
Land Use Summary

Category	No. Parcels	Taxable Value	% of Total
Residential	6,340	$ 4,131,177,046	39.61%
Commercial	1,037	5,055,785,610	48.47%
Industrial	180	275,720,622	2.64%
Institutional	102	128,958,666	1.24%
Dry Farm	1	703,142	0.01%
Recreational	17	25,150,467	0.24%
Vacant Land	77	64,819,474	0.62%
Government/Exempt	195	0	0.00%
Total Parcels	**7,949**	**$ 9,682,315,027**	**92.83%**
Possessory Interest		217,893,457	2.09%
Unsecured		530,191,136	5.08%
Total Value		**$10,430,399,620**	**100.00%**

According to the figures provided on the Assessor's tax rolls, there are 77 taxable vacant parcels within the Project Area, totaling approximately 12.4 acres. This taxable vacant land is 0.67% of all the acreage within the Project Area.

B. Redevelopment Plan Limits

The Project Area was adopted pursuant to the Community Redevelopment Law and the Community Redevelopment Financial Assistance and Disaster Project Law (California Health and Safety Code, Section 34000 et seq., "Disaster Project Law").

In accordance with the Redevelopment Law, a redevelopment plan adopted after January 1, 1994 is required to include a time limit on the establishing of indebtedness to be repaid with tax increment; a time limit on the effectiveness of the redevelopment plan, a time limit to repay indebtedness with proceeds of property taxes received pursuant to Section 33670. These limits can be extended only by an amendment of the redevelopment plan. Legislation enacted in 1993 (Chapter 942), restricted these limits for redevelopment plans adopted after January 1, 1994 as follows: the time limit for establishing indebtedness shall not exceed 20

years from the adoption of the redevelopment plan; a time limit on the effectiveness of the redevelopment plan may not exceed 30 years from the adoption of the redevelopment plan; and a time limit, not to exceed 45 years from the adoption of the redevelopment plan, to repay indebtedness. The principal amount of bonded indebtedness which can be outstanding at one time and payable in whole or in part from tax increment revenue from the Project Area (exclusive of certain payments defined in the Redevelopment Plan relating to affordable housing and payments to Taxing Entities) is $95 million.

Pursuant to Senate Bill 1045 (see Section VI) the City Council may extend the term of the Project Area's redevelopment plan effectiveness. By adoption of Ordinance No. 2108 on January 13, 2004, the City Council acted to extend the redevelopment plan effectiveness for the Project Area by the one year authorized by Senate Bill 1045. Similarly, the time limit on repayment of indebtedness was extended by one year as the result of this amendment. We have reflected these one year extensions within the projections.

Legislation adopted by Senate Bill 1096 in connection with the State of California's (the State) budget provided that the termination dates of redevelopment plans with less than 20 years remaining may be extended by one year for each of the two Education Revenue Augmentation Fund (the ERAF) payments that redevelopment agencies are obligated to make under other provisions of the budget legislation. By Ordinance No. 2197 (CCS), adopted July 11, 2006, the City Council extended the applicable limits by an additional two years.

The Redevelopment Plan limits described above and as they apply to the Project Area are summarized below in Table C:

Table C
Project Area Redevelopment Plan Limits

	Plan Expiration	Last Date to Incur New Debt	Last Date to Repay Debt	Cumulative Tax Increment Limit	Limit on Bonded Debt Outstanding
Ordinance 1747 (Original Adoption)	June 21, 2024	June 21, 2014	June 21, 2039	None	$95 million (1)
Ordinance 2108	June 21, 2025		June 21, 2040		
Ordinance 2197 (CCS)	June 21, 2027		June 21, 2042		
Applicable Limits	**June 21, 2027**	**June 21, 2014**	**June 21, 2042**	**None**	**$95 million (1)**

(1) Exclusive of certain payments defined in the Redevelopment Plan relating to affordable housing and payments to Taxing Entities.

III. Project Area Assessed Values

A. Assessed Values

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

boundaries of the Project Area. The historic reported taxable values were reviewed in order to ascertain the rate of taxable property valuation growth over the ten most recent fiscal years beginning with 2001-02. Between fiscal years 2001-02 and 2010-11, the secured taxable value within the Project Area increased by $4,439,190,782 (81.3%). With the exception of 2010-11, secured values have increased in all fiscal years since 2001-02. The Project Area assessed value for 2010-11 declined by $24.6 million (-0.3%) relative to the values for 2009-10. This was the only year examined where secured values declined.

The largest assessed value increase was reported on a commercial parcel owned by ASB of Blatteis Promenade LLC at 1415 3rd Street. The parcel, which was recently purchased, has been reappraised adding over $27 million to the roll. This is the former location of a Borders Bookstore. PR SM Biella LLC at 1411 7th Street added new development and triggered a reassessment that added $11 million in value. ATC Realty Sixteen Inc. at 626 Broadway also reported new construction activity for an increase of $9 million. The largest value decline was posted on a commercial property owned by Diamond 520 Broadway LLC at 1518 6th Street. This owner was granted a $12 million reduction through an assessment appeal based on a decline in value after a transfer of ownership at the peak of the market. 1432 Promenade LLC received a correction after an increase in value last year on a site that was sold in an interfamily transfer and should not have been re-appraised. The correction resulted in a decline of $10.7 million.

Between fiscal years 2001-02 and 2010-11, the unsecured taxable value within the Project Area increased by $31,282,406 (6.3%). Unsecured values have increased in all but four fiscal years since 2001-02. Unsecured values declined relative to the prior fiscal year in 2002-03 (-5.37%), 2004-05 (-9.8%), 2009-10 (-3.1%) and in 2010-11 (-5.9%). The largest unsecured value increases are related to Red Bull North America Inc. reporting an increase of $8.5 million and Kingworld CBS Enterprises LA reporting an increase of $5.1 million. The 2010-11 reduction in unsecured values is attributable to Agensys Inc.'s reporting a decline of $9 million and Edmunds.com reporting a decline of $5.4 million or more. Many businesses have downsized and are reporting fewer or lower valued unsecured assets.

The changes in incremental value for the Project Area from 2001-02 to 2010-11 are illustrated on Table 3. Incremental value has increased by $4,483,008,387 (214.28%) from fiscal year 2001-02 to fiscal year 2010-11. The total assessed value for the Project Area is more than 2.7 times the Base Year assessed value.

Residential Real Estate Values

In response to the downturn in real estate values state-wide, the Assessors throughout the State reviewed the values of residential parcels within their Counties. In 1978, California voters passed Proposition 8. This constitutional amendment allows a temporary reduction in assessed value when a property suffers a "decline in value." A decline in value occurs when the current market value of a property is less than the current assessed value as of the lien date. Under the terms of Proposition 8, it is the Assessor's obligation to assess all properties at the

lesser of current market value or at the property's base value as adjusted for inflation and for any changes that have occurred to the property since it was last purchased.

Properties that have their values reduced to the current market value pursuant to Proposition 8 are annually reviewed by the Assessor to determine the new market value of the property. The value that is enrolled each year is the lesser of the current market value or the property's adjusted base value. Adjusting the property's value to the current market value may entail a further decrease in value or an increase in adjusted value that is not limited by constitutional restriction on annual value increases. Once the property has once again reached its adjusted base value, it may be increased in value only by the rate of inflation to a maximum annual rate of two percent as required by the Constitution. Residential properties make up 39.6% of the value of all properties within the Project Area. A review of residential values over the past ten years shows that in the Project Area residential values increased in each fiscal year until 2010-11. For 2010-11 residential values in the Project Area declined by $32.6 million (-0.78%) relative to 2009-10. No information is available on the Proposition 8 adjustments implemented by the Los Angeles County Assessor. Table D below tracks residential values within the Project Area since 2001-02.

Table D
Project Area Historical Residential Values

Fiscal Year	No. of Parcels	Residential Values	% Change in Value
2001-02	6,146	$2,335,233,023	
2002-03	6,176	2,470,280,849	5.78%
2003-04	6,215	2,708,735,186	9.65%
2004-05	6,194	2,920,790,844	7.83%
2005-06	6,194	3,215,134,620	10.08%
2006-07	6,213	3,483,514,359	8.35%
2007-08	6,228	3,751,162,192	7.68%
2008-09	6,268	4,001,229,581	6.67%
2009-10	6,265	4,163,821,252	4.06%
2010-11	6,340	4,131,177,046	-0.78%

B. Top Ten Taxable Property Owners

A review of the top ten taxpayers in the Project Area for fiscal year 2010-11 was conducted. The aggregate total taxable value for the ten largest taxpayers totaled $1,851,136,264. This amount is 28.15% of the $6,575,102,284 Project Area incremental value and 17.75% of the total Project Area assessed value.

The top property owner is the California Colorado Center LLC, which controls two secured parcels and one unsecured valuation with a value of $469,587,234. The value of the California Colorado Center LLC parcels is 7.14% of the total incremental value in the Project Area and 4.50% of the total Project Area value.

The second largest taxpayer in the Water Gardens Realty Holding LLC with a value on four secured parcels and two unsecured valuation with a total of $456,965,588. Property owned by Water Gardens Realty Holding LLC account for 6.95% of the incremental value in the Project

Area for 2010-11 and account for 4.38% of the total value in the Project Area. The third largest taxpayer is Ocean Avenue LLC that controls three secured parcels with a value of $146,613,466. The assessed value is 2.23% of the Project Area incremental value and 1.41% of the Project Area total value.

Appeals are pending for fiscal year 2010-11 on eight of the top ten property tax payers: These include California Colorado Center LLC; Ocean Avenue LLC; New Santa Monica Beach Hotel; Rand Corporation; Douglas Emmett Realty Fund 1998; Sisters of Charity Leavenworth Health; 1299 Ocean LLC; and, Equity Office Properties Trust. In aggregate they are requesting a $510,126,877 reduction on properties with a total assessed value of $1,157,542,430 in 2010-11 (see IV. F. Assessment Appeals, below). A more detailed listing of the top ten taxpayers in the Project Area is shown on Table 5 of the projections. Table E below lists the top ten taxpayers within the Project Area.

Table E
Project Area Top Ten Property Owners

		Assessed Value	% Total Value	% Inc. Value
1	California Colorado Center LLC (1)	$469,587,234	4.50%	7.14%
2	Water Garden Realty Holding LLC	456,965,588	4.38%	6.95%
3	Ocean Avenue LLC (1)	146,613,466	1.41%	2.23%
4	New Santa Monica Beach Hotel (1)	136,423,289	1.31%	2.07%
5	Rand Corporation (1)	131,690,037	1.26%	2.00%
6	Douglas Emmett Realty Fund 1998 (1)	118,217,078	1.13%	1.80%
7	Sisters of Charity Leavenworth Health (1)	114,185,821	1.09%	1.74%
8	CLPF-Arboretum	104,863,751	1.01%	1.59%
9	1299 Ocean LLC (1)	96,600,000	0.93%	1.47%
10	Equity Office Properties (1)	75,990,000	0.73%	1.16%
	Totals	**$1,851,136,264**	**17.75%**	**28.15%**
	Total & Incremental Values		*$10,430,399,620*	*$6,575,102,284*

(1) Property owners with pending assessment appeals.

IV. Tax Allocation and Disbursement

A. Property Taxes

The taxable values of property are established each year on the January 1 property tax lien date. Real Property reflects the reported assessed values for secured and unsecured land and improvements. Article XIII A of the California Constitution (Proposition 13) provides that a base year value is established when locally assessed real property undergoes a change in ownership or when new construction occurs. Following the year a base year value is first enrolled, the value is factored annually for inflation. Pursuant to Article XIII A, section 2(b), and Revenue

and Taxation Code Section 51, the percentage increase cannot exceed two percent of the prior year's value.

To interpret Section 51, the State Board of Equalization (SBE) promulgated Property Tax Rule 460, General Application. Subdivision (a) of Rule 460 provides the general interpretation of Proposition 13 as follows:
(a) Sections 1 and 2 of Article XIII A of the Constitution provide for a limitation on property taxes and a procedure for establishing the current taxable value of locally assessed real property by reference to a base year full cash value which is then modified annually to reflect increase in the inflation rate not to exceed two percent per year or declines in value from whatever cause.

Specifically, with respect to the applicable inflation rate, Rule 460, subdivision (b)(5) states that:

(b)(5) INFLATION RATE. For each lien date after the lien date in which the base year value is determined, the full value of real property shall be modified to reflect the percentage change in cost of living, as defined in Section 51 of the Revenue and Taxation Code; provided that such value shall not reflect an increase in excess of two percent of the taxable value of the preceding lien date.

Each year the Board announces the applicable adjustment factor. Since in most years inflation has exceeded 2%, the announced factor has usually reflected the 2% cap. Through 2010-11 there have been six occasions when the inflation factor has been less than 2%. Until 2010-11, in the more than 30 years since the passage of Proposition 13, the annual adjustment never resulted in a reduction to the base year values of individual parcels, however, the factor that was applied to real property assessed values for the January 1, 2010 assessment date was -0.237% and resulted in reductions to the adjusted base year value of parcels. The California Consumer Price Index (CCPI) changes between October, 2009 and October, 2010 was used to calculate the adjustment factor for the January 1, 2011 assessment date. The data for that period led to an announcement by the Board on December 16, 2010 that the inflation adjustment for 2011-12 will be 0.753%. We have incorporated this inflation adjustment into our projections for fiscal year 2011-12 and assumed resumption of two percent annual growth thereafter.

Utility property assessed by the Board may be revalued annually and such assessments are not subject to the inflation limitations of Article XIII A. The taxable value of Personal Property is also established on the lien dates and is not subject to the annual two percent limit of locally assessed Real Property.

Secured property includes property on which any property tax levied by a county becomes a lien on that property. Unsecured property typically includes value for tenant improvements, fixtures, inventory and personal property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other

secured property owned by the taxpayer. The taxes levied on unsecured property are levied at the previous year's secured property tax rate.

B. Supplemental Assessments

Chapter 498 of the Statutes of 1983 provides for the reassessment of property upon a change of ownership or completion of new construction. Such reassessment is referred to as the Supplemental Assessment and is determined by applying the current year's tax rate to the amount of increase in a property's value and prorating the resulting property taxes to reflect the portion of the tax year remaining as determined by the date of the change in ownership or completion of new construction. Supplemental Assessments become liens against real property. Since 1984-85 revenues derived from Supplemental Assessments have been allocated to redevelopment agencies and taxing entities in the same manner as regularly collected property taxes. The receipt of revenues derived from Supplemental Assessments by taxing entities typically follows the change of ownership by a year or more. The Agency received revenue from Supplemental Assessments in the amount of $2,297,785 for 2008-09 and $1,298,932 for 2009-10. We have **not** included revenues resulting from Supplemental Assessments in the projections. Table F illustrates the amounts of Supplemental Assessment Revenues that have been received by the Agency for the Project Area during the previous five fiscal years.

Table F
Supplemental Assessment Revenue History

	2005-06	2006-07	2007-08	2008-09	2009-10
Supplemental Revenue	$5,955,107	$3,527,499	$4,964,632	$2,072,035	$1,298,933
Total Project Area Revenue	$50,607,576	$53,995,445	$60,267,687	$66,251,106	$68,268,572
Supplemental Revenue as % of Total Revenue	11.77%	6.53%	8.24%	3.13%	1.90%

Source: Los Angeles County Auditor-Controller's Office, Disbursement Tax Division "CRA Remittance Advice".

C. Tax Rates

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

The Project Area contains a total of two Tax Rate Areas (TRAs). A TRA is a geographic area within which the taxes on all property are levied by a certain set of taxing entities. These taxing entities each receive a prorated share of the general levy and those taxing entities with voter approved over-ride tax rates receive the revenue resulting from that tax rate. The tax increment projections are based on the levied tax rates for 2010-11 less any override tax rates that were approved by voters after January 1, 1989.

Within the TRAs, the Metropolitan Water District over-ride debt service rate is for a State water contract that terminates after 2035 and is held constant for purposes of the projection.

Within the Project Area tax rate areas the City of Santa Monica, Santa Monica-Malibu Unified School District and Santa Monica Community College District levy tax rates authorized by voters after January 1, 1989. All of the revenue derived from these tax rates is directed to the Districts and none is allocated to the Agency. Table G illustrates the tax rate that is applicable to the TRAs within the Project Area.

Table G
2010-11 Tax Rates

General Levy	1.000000
Metropolitan Water District[1]	0.003700
RDA Tax Rate[2]	**1.003700**
City of Santa Monica	0.007990
Santa Monica-Malibu Unified School District	0.048216
Santa Monica Community College District	0.081548
Total Tax Rate:	**1.141454**

D. Allocation of Taxes

Secured taxes are due in two equal installments. Installments of taxes levied upon secured property become delinquent on December 10 and April 10. Taxes on unsecured property are due March 1 and become delinquent August 31. The Auditor-Controller disburses Tax Increment Revenue to redevelopment agencies in monthly payments made November through July, with approximately 40 percent of annual revenue paid by the end of December and 85 percent by the end of May. Tax Increment Revenue is allocated based upon the amount of tax revenue that is collected. The Auditor-Controller has made no indications that it intends to alter the current method of allocation of taxes.

[1] The Metropolitan Water District override tax rate terminates after 2034-35.
[2] The Tax Rate includes only those override tax rates that derive revenue to the Agency.

E. Annual Tax Receipts to Tax Levy

A review was made of the receivable and allocated tax revenues for the Project Area for fiscal years 2005-06 through 2009-10. The collection rates for the Project Area were comparable to the collection rates for other taxing entities within the County for each year. Table H below shows the collection rates for the Project Area during these fiscal years. Collection rates are a comparison of current year revenues to the adjusted tax roll assessed values at the end of each fiscal year. A collection rate of over 100 percent reflects the fact that roll changes occurred after the lien date that increased assessed values and resulted in a greater amount of revenue. This greater amount of revenue, when compared to the lien date tax roll, produces a collection rate of greater than 100 percent. Collection rates have not been factored into the projection.

Table H
Collections

Fiscal Year	Adjusted Tax Levy	Current Year Apportioned	Current Year Collection %	Prior Year Collections[1]	Total Apportioned	Total Collection %
2005-06	$44,828,269	$44,338,251	98.91%	$6,269,325	$50,607,576	112.89%
2006-07	50,986,726	49,801,051	97.67%	4,194,394	53,995,445	105.90%
2007-08	56,700,771	55,509,313	97.90%	4,758,374	60,267,687	106.29%
2008-09	65,702,562	63,551,632	96.73%	2,699,474	66,251,106	100.83%
2009-10	68,845,280	66,854,362	97.11%	1,414,210	68,268,572	99.16%

Source: Los Angeles County Auditor-Controller's Office, Disbursement Tax Division "CRA Remittance Advice".

F. Assessment Appeals

Assessment appeals data from Los Angeles County for fiscal years 2005-06 through 2010-11 were reviewed to determine the potential impact that pending appeals may have on the projected Tax Revenues. We have determined that there are 623 pending appeals on 439 parcels within the Project Area. In order to estimate the potential reduction in assessed value that may occur as a result of these pending appeals, we have reviewed the historical averages from 2005-06 through 2010-11 for the number of appeals allowed and the amount of assessed value removed. We have then applied those averages to the currently pending appeals and estimated the number of pending appeals that may be allowed and the amount of assessed value that may be removed as a result of these pending appeals. By applying these historical averages to the pending appeals, we have estimated that the Agency will experience a loss in assessed value of $246,407,427 on 287 of the pending appeals during 2011-12. The Table I summarizes our estimate for losses on pending assessment appeals.

[1] Prior Year Collections include Supplemental Revenue, reductions for taxpayer refunds and revenue from prior years.

Table I
Assessment Appeals Summary

Total No. of Appeals	No. of Resolved Appeals	No. of Successful Appeals	Average AV Reduction	No of Pending Appeals[1]	Value of Appeals Pending	Est. No. Pending Allowed	Est. Reduction of Value on Pending Appeals Allowed
911	288	188	12.02%	439	$3,141,431,924	287	$246,407,427

Thirty-eight assessment appeals were recently allowed with a reduction in value of $22,495,832. This reduction has been reflected in the values for 2010-11. Reductions in revenue for refunds resulting from these successful appeals have **not** been estimated.

Within the top ten taxpayers in the Project Area, eight have filed assessment appeals that are currently pending. CLPF West Hollywood LP is seeking a reduction of their 2010-11 valuation in the amount of $40.7 million (50.00%). RSH Properties I and Time Warner NY Cable are also seeking reductions of their 2010-11 assessed values. Time Warner NY Cable is appealing only two of its unsecured values and so the amount shown does not equal its total taxable value for 2010-11. The Table J below summarizes the reductions in assessed value sought by these top ten taxpayers. There are appeals on the same parcels for multiple years. Reduction in value in such cases is not cumulative.

Table J
Top Ten Taxpayer Assessment Appeals

Owner	Fiscal Year	No. Of Parcels	Value Under Appeal	Owners Opinion of Value	Max. Potential Value Loss
California Colorado Center LLC	2010-11	2	$469,310,104	$330,000,000	$139,310,104
Ocean Avenue LLC	2006-07	3	128,470,000	85,587,314	42,882,686
	2008-09	1	9,126,369	3,000,000	6,126,369
	2009-10	3	145,571,407	39,988,000	105,583,407
	2010-11	3	146,613,466	39,360,000	107,253,466
New Santa Monica Beach Hotel	2010-11	1	131,505,096	60,000,000	71,505,096
Rand Corporation	2008-09	1	116,799,652	86,799,652	30,000,000
Douglas Emmett Realty Fund 1998	2010-11	2	118,212,311	0	118,212,311
Sisters of Charity Leavenworth Health	2010-11	1	2,511,801	1,255,901	1,255,900
1299 Ocean LLC	2007-08	1	62,000,000	0	62,000,000
	2008-09	2	107,100,000	68,000,000	39,100,000
	2010-11	2	96,600,000	90,000,000	6,600,000
Equity Office Properties Trust	2009-10	1	84,000,000	66,000,000	18,000,000
	2010-11	1	75,990,000	40,000,000	35,990,000

Source: Los Angeles County Clerk of the Board

[1] Pending appeals do not include 184 appeals that are pending on the same parcels for multiple years within the Project Area. Reduction in value in such cases is not cumulative.

G. County Property Tax Collection Reimbursement

Chapter 466 allows counties to recover charges for property tax administration in an amount equal to their 1989-90 property tax administration costs, as adjusted annually. For fiscal year 2010-11, the County collection charges were $1,063,124. This amount is estimated as 1.60 percent of the Project Area's Gross Revenues. For purposes of these projections, we have assumed that the County will continue to charge the Agency for property tax administration and that such charge will continue to be approximately 1.60 percent of the Project Area's Gross Revenues.

H. Allocation of State Assessed Unitary Taxes

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

To administer the allocation of unitary tax revenues to redevelopment agencies, the County no longer includes the taxable value of utilities as part of the reported taxable values of the project area, therefore, the base year of project areas have been reduced by the amount of utility value that existed originally in the base year. The Agency will receive $70,340 for the Project Area in unitary tax revenues for 2010-11. For purposes of this projection we have assumed that the same amount of unitary revenue will be annually allocated to the Agency.

V. Low and Moderate Income Housing Set-Aside

Sections 33334.2 and 33334.3 of the Law require redevelopment agencies to set aside not less than 20 percent of all tax increment revenues from project areas adopted after December 31, 1976 into a low and moderate income housing fund (the Housing Set-Aside Requirement). An agency can reduce the Housing Set-Aside Requirement if the agency annually makes certain findings, consistent with the General Plan Housing Element. These findings are that: (1) no need exists in the community to improve or increase the supply of low and moderate income housing; or, (2) some stated percentage less than 20 percent of the tax increment is sufficient to meet the housing need. In order to make findings (1) or (2), the Agency's finding must be consistent with the Housing Element of the community's General Plan, including its share of the regional housing needs of very low income households and persons and families of low or

moderate income. The Agency has not made such findings and, thus, 20% of Gross Revenue has been projected as being set aside from the Project Area. Within this Report, these amounts are referred to as Housing Tax Revenues.

Since a portion of the proceeds of the Agency's 2006 Tax Allocation Bonds (the "2006 Bonds") were utilized to satisfy the Agency's Low and Moderate Income Housing requirement, we have assumed that 20% of the debt service on the 2006 Bonds and a portion of debt service on any Parity Debt to the extent proceeds of such Parity Debt are applied for eligible Housing Set-Aside purposes may be chargeable to the Housing Set-Aside Requirement. Housing Tax Revenues are not available to pay debt service on the 2011 Bonds.

VI. Legislation

In order to address State Budget deficits, the Legislature enacted SB 614, SB 844 and SB 1135 that required payments from redevelopment agencies for the 1992-93, 1993-94 and 1994-95 Fiscal Years into a countywide ERAF. The Agency could have used any funds legally available and not legally obligated for other uses, including reserve funds, bond proceeds, earned income, and proceeds of land sales, but not moneys in the Low and Moderate Income Housing Fund (the Housing Fund) to satisfy this obligation. An agency could have reduced its payment due to existing indebtedness, contractual obligations and 90 percent of 1991-92 administrative costs (collectively, Existing Obligations). If an agency could not make the required payment due to Existing Obligations, it could, after making certain findings, borrow up to 50 percent of its 1992-93 ERAF obligation from the Housing Fund and repay the borrowed amount by June 2003, or the agency was required to obtain a loan from the city/county in order to pay the difference between what the agency paid and the total amount due. For agencies that did not borrow to meet any shortfall of the required payment, the county auditor-controller was required to deduct any amount due from the city/county's allocation of property taxes. The obligation applied to the agency and not to specific project areas.

From 1994-95 through 2001-02, state budgets were adopted with no additional shifting of tax increment from redevelopment agencies. The State Budget for 2002-03 required a shift of $75 million of tax increment statewide from redevelopment agencies to ERAF to meet the State budget shortfall. AB 1768 (Chapter 1127, Statutes of 2002) was enacted by the Legislature and signed by the Governor. Based upon the methodology provided in the 2002-03 budget, the shift requirement for the Agency was $814,305 for Fiscal Year 2002-03 only. This amount did not impact the Agency's ability to fulfill its debt service obligations. This shift of revenue is an obligation of the Agency and not of any particular project area and subordinate to bonded indebtedness. The Agency was permitted to satisfy this obligation with any legally available funds. The Agency made the required payment to the County by the deadline of May 10, 2003.

As part of the State's 2003-04 budget legislation, SB 1045 (Chapter 260, Statutes of 2003) required redevelopment agencies statewide to contribute $135 million to local County ERAF which reduced the amount of State funding for schools. This transfer of funds is limited to

Fiscal Year 2003-04. The amount of revenue that was transferred by the Agency to Los Angeles County for 2003-04 was $1,611,079. The Agency made this payment to the County by the May 10, 2004 deadline.

Under the Law as amended by SB 1045, the Agency was authorized to use a simplified methodology to amend the Redevelopment Plan to extend by one year the effectiveness of the plan and the time during which the Agency may repay debt with tax increment revenues. In addition, the amount of this payment and the ERAF payments made in prior years are not counted towards the limit on the amount of cumulative tax increment revenues to be received by the Agency. The City Council has adopted such an extension amendment for the Project Area. By approving such an amendment of the redevelopment plan, the City Council has extended by one year the effective life of the Project Area and the period within which the Agency may repay indebtedness from tax increment revenues. These extensions of time are reflected in the projections and in the Redevelopment Project limits shown in Table B within Section II B.

The State's budget for 2004-05 was approved by the legislature and signed by the Governor. Senate Bill 1096 was a trailer bill that deals with local government. Pursuant to SB 1096, redevelopment agencies in the State lost $250 million to ERAF in each of the Fiscal Years 2004-05 and 2005-06. The amounts to be paid by each agency were calculated by using the same formula as was used for 2003-04. Annual payments continued to be due on May 10 of each fiscal year. As in previous years, payments could have been made from any available funds other than the Housing Fund. If an agency was unable to make a payment, it could have borrowed up to 50 percent of the current year housing set-aside amount, however, the borrowed amount had to be repaid to the Housing Fund within 10 years of the last ERAF payment (May 10, 2006). The Agency made ERAF payments of $3,413,292 for 2004-05 and $2,941,554 for 2005-06.

For redevelopment plans with less than ten years of effectiveness remaining from June 30, 2005, SB 1096 allowed such plans to be extended by one year for each year that an ERAF payment is made. For redevelopment plans with 10 to 20 years of effectiveness remaining after June 30, 2005, the plans could be extended by one year for each year that an ERAF payment was made if the City Council finds that the Agency is in compliance with specified state housing requirements. These requirements were: 1) that the Agency is setting aside 20 percent of gross tax increment revenue; 2) housing implementation plans are in place; 3) replacement housing and inclusionary housing requirements are being met; and, 4) no excess surplus exists. If a redevelopment plan had more than 20 years of effectiveness remaining after June 30, 2005, it could not be extended. The Redevelopment Plan was eligible to have its termination dates extended for each of the ERAF payments required by this legislation.

In order to make such extensions of redevelopment plan effectiveness, the City Council has to amend the redevelopment plan by ordinance after noticed public hearing and after making the finding that revenue paid to ERAF would "otherwise have been used to pay the costs of programs, projects, and activities necessary to carry out the goals and objectives of the

redevelopment plan." ERAF payment amounts authorized under this legislation did not count against the component project area tax increment limits. ERAF payments were subordinate to new and existing repayment obligations for bonded indebtedness. By Ordinance No. 2197 (CCS), adopted on July 11, 2006, the City Council extended the applicable limits by an additional two years.

The Legislature enacted AB 1389 to require a $350 million shift for 2008-09 from redevelopment agencies to ERAF. There was to be no repayment of this amount to redevelopment agencies, nor any extensions of redevelopment plan limits. The amount required to be paid by the Agency under this legislation was $4,295,401. This legislation mandated this ERAF shift only for Fiscal Year 2008-09.

The California Redevelopment Association (the CRA), the Executive Director of the CRA, the Madera Redevelopment Agency and the Moreno Valley Redevelopment Agency filed a lawsuit in the Sacramento County Superior Court challenging the constitutionality of the AB 1389 provisions requiring the $350 million shift of tax increment revenues from redevelopment agencies to ERAF. The lawsuit sought to invalidate the provisions of AB 1389 requiring the tax increment transfer to ERAF and to prohibit the State from forcing county auditors to divert these redevelopment funds to ERAF. A ruling on this suit by the Sacramento County Superior Court was filed on April 30, 2009. The Court found in favor of the plaintiffs, ruling that the requirement that these funds be taken from redevelopment agency revenues and paid into county ERAF accounts was unconstitutional in that this use of redevelopment tax increment revenues conflicts with and violates the Law requiring that tax increment revenues be used to finance redevelopment activities. This ruling eliminated the requirement to make the ERAF payment described in the previous paragraph.

AB 1389 also contained provisions requiring redevelopment agencies to report all amounts of statutory tax sharing payments owed for Fiscal Years 2003-04 through 2007-08, the amounts paid, and if any amounts were not paid, to pay the amounts due or incur penalties effectively stopping new activities of the Agency. In compliance with the requirements of AB 1389, the Agency made all required statutory tax sharing payments for this period and filed the necessary reports. AB 1389 further required reporting of all statutory tax sharing payments for Fiscal Year 2008-09. The Agency made the required statutory tax sharing payments for 2008-09 and filed the required reporting spreadsheet. The Agency was deemed to be in compliance with the requirements of AB 1389 by the State Controller's Office.

In July, 2009 the Legislature adopted AB 26 4x. This bill was implementing legislation to a package of 30 bills that were adopted in order to close the State's budget deficit. Under this legislation the redevelopment agencies statewide were required to pay $1.7 billion in Fiscal Year 2009-10 and another $350 million in 2010-11 into their county's "Supplemental" ERAF (the SERAF). Funds deposited in the SERAF will be distributed in such a way as to try to avoid the issues that were named by the Sacramento Superior Court in its ruling on AB 1389's ERAF payment requirement. The Agency was required to pay $20,883,384 in May, 2010 and $4,299,500 in May, 2011. If the Agency did not make the payment by the May 10 deadline its

ability to conduct redevelopment activities will be halted and it must increase the housing set-aside to 25 percent.

Under this legislation, the Agency can use any available funds to make the SERAF payment. For 2009-10, the Agency could have used all or part of the Housing Tax Increment Revenues in order to make the payment. Any Housing Tax Increment Revenues amount used to make the SERAF payment must be repaid to the Housing Fund by June 30, 2015. If the Agency fails to repay the Housing Fund in a timely manner, the required allocation of tax increment to the Housing Fund is increased to 25% for the remainder of the time that debt may be repaid from the Redevelopment Project.

On November 12, 2009 the Governor signed SB 68 (Steinberg) into law which modified AB 26 4x by allowing agencies to use the accumulated balances in their housing fund (and not just current year Housing Tax Increment Revenues) to make their SERAF payments, should that become necessary. Funds used from the Housing Fund existing balance to make the 2009-10 payment to County SERAF would be considered a loan to be repaid within five years. Using funds from accumulated Housing Fund would not be allowed for making payments due for 2010-11. The legislation requires that the funds be deposited into a County SERAF and distributed to K-12 school districts located in any project area of the Agency in proportion to the average daily attendance of the district. The funds distributed to schools from the SERAF must be used to serve pupils living in the project area or in housing supported by redevelopment funds. The total amount of SERAF funds received by a school district is deemed to be local property taxes and will reduce dollar-for-dollar the State's Prop 98 obligations to fund education.

The City may lend to the Agency the amount that must be paid to SERAF and if that occurs, the Agency is authorized to repay the City from tax increment revenues. The City is also authorized to make the payment on behalf of the Agency. The provisions of existing law which permit a joint powers authority to sell bonds and loan the proceeds to redevelopment agencies in order to make ERAF payments are also available for the 2009-10 and 2010-11 payments. In addition, agencies are entitled to a one-year extension on their AB 1290 time limits if they make timely SERAF payments. This extension will not trigger pass-through payments under Health and Safety Code Section 33607.7.

As with the earlier ERAF obligations, the obligation to make the SERAF payment is subordinate to debt service on bonds and other indebtedness. An agency may pay less than the amount required if it finds that it is necessary to make payments on existing obligations required to be committed, set-aside or reserved by the agency during the applicable fiscal year. An agency that intends to pay less than the required amount in order to pay existing obligations must adopt a resolution prior to December 31, 2009, listing the existing indebtedness and the payments required to be made during the applicable fiscal year.

An agency failing to timely make its SERAF payment, even if the delay is required in order to pay existing obligations, is subject to what has been referred to as the "death penalty." An

agency subject to the death penalty may not adopt a new redevelopment plan, amend an existing plan to add territory, issue bonds, further encumber funds or expend any moneys derived from any source except to pay pre-existing indebtedness, contractual obligations and 75% of the amount expended on agency administration for the preceding fiscal year. This penalty would last until the required payments have been made.

On October 20, 2009 the CRA filed a lawsuit in Sacramento Superior Court challenging the constitutionality of AB 26 4x. In addition to the CRA, two redevelopment agencies were named as plaintiffs in the lawsuit. These are the Union City Redevelopment Agency in Alameda County and the Fountain Valley Redevelopment Agency in Orange County. They serve as representatives of all redevelopment agencies in the state. The Court was asked to certify all redevelopment agencies as a class of plaintiffs in the lawsuit. With this suit, the CRA sought to invalidate the State's effort to require the redevelopment agencies to shift $2.05 billion in tax increment revenues to the SERAF. On May 4, 2010, Judge Lloyd Connelly of the Sacramento Superior Court ruled in favor of the State of California and effectively authorized the SERAF obligations. The Judge refused to issue an order delaying the requirement for making the SERAF payments. The Agency has made the required SERAF payment to the Auditor-Controller by the May 10, 2010 and May 10, 2011 deadline, respectively. Neither the May 10, 2010 payment nor the May 10, 2011 payment was made from funds from the Housing Fund. By making the required payments, the Agency is authorized to extend the expiration date of the Redevelopment Plan by one year which will similarly extend the time limit on repaying indebtedness. Since there is a question as to whether the SERAF payments might ultimately be rescinded, for purposes of this report we have not assumed any extension of these time limits.

The State's ability to impose future ERAF and SERAF payments on redevelopment agencies may be affected by Proposition 22, which was approved by the California electorate on November 2, 2010. Proposition 22, among other things, amends Sections 24 and 25.5 of Article XIII of the California Constitution to prohibit the State from reallocating, transferring, borrowing, appropriating or restricting the use of taxes imposed or levied by a local government solely for the local government's purposes. As applied to redevelopment agencies, Proposition 22 adds Section 25.5(A)(7) to Article XIII of the State Constitution to prohibit the State from requiring a redevelopment agency (A) to pay, remit, loan, or otherwise transfer, directly or indirectly, taxes on ad valorem real property and tangible personal property allocated to the agency pursuant to Section 16 of Article XVI of the State Constitution to or for the benefit of the State, any agency of the State, or any other jurisdiction; or (B) to use, restrict, or assign a particular purpose for such taxes for the benefit of the State, any agency of the State, or any other jurisdiction, other than (i) statutory pass through payments required by Health and Safety Code Sections 33607.5 and 33607.7 and (ii) payments for the purpose of increasing, improving, and preserving the supply of low and moderate income housing available at affordable housing cost. Although the passage of Proposition 22 had no impact upon the Agency's obligation to pay the 2010 SERAF amount and the 2011 SERAF amount, the State Legislative Analyst's Office ("LAO") has stated that the measure prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies. No assurance can be provided that Proposition 22 will be implemented as contemplated by the LAO. In addition,

Proposition 22 is subject to interpretation by the courts and there can be no assurance that the measure will not be challenged by the State or other parties or repealed by the voters of the State in the future.

On January 10, 2011, the Governor released his budget proposals for fiscal year 2011-12. The proposed budget reflects the Governor's attempt to resolve shortfalls in revenue totaling $25.4 billion for 2010-11 and 2011-12. Among a number of proposals to close this budget shortfall is a proposal to disestablish all redevelopment agencies in the State. Under the Governor's proposal, in 2011-12 existing indebtedness and tax sharing obligations would continue to be paid. Indebtedness is referred to in this proposal as including debt service on bonds and all other contractual obligations of the agency. In addition, $1.7 billion would be taken by the State to reduce its costs for Medi-Cal and the courts system. Housing Set-Aside requirements would be ended and existing Housing Fund balances would be transferred to local housing authorities. Tax increment revenue amounts remaining after payment of debt obligations, tax sharing and the State's take-away would be divided among cities, counties and special districts (including school districts). Beginning with fiscal year 2012-13, tax increment revenues would be used first to pay existing debt obligations and all remaining tax increment revenue would be distributed to the taxing entities.

Implementation of the proposed budget, including the redevelopment provisions, would require implementing legislation by the Legislature. Draft legislation implementing this proposal was released by the California Department of Finance on February 23, 2011 (the Proposed Legislation). The Proposed Legislation has been formally introduced as Senate Bill 101 and it is being debated in the Legislature as of this date. There is no assurance whether the Proposed Legislation will be enacted in its present form or that it will be enacted at all.

Senate Bill 101 was introduced as an urgency measure which requires a two-thirds affirmative vote of both the Senate and the Assembly and would allow the legislation to become effective immediately upon passage and signature by the Governor. If the legislation is included as part of the budget approval package it could be approved by the Legislature with a majority vote and would be still be immediately effective. The language as it exists in Senate Bill 101 is clear that its provisions would be effective as of the date of enactment and would make provision for review and possible reversal of some Agency actions taken prior to the Bill's enactment. There are also provisions that may limit the Agency's future ability to spend the proceeds of the Bonds. It cannot be determined at this time what those limitations might be or if they will be enacted. Senate Bill 101 proposes to implement its purposes using a number of complex provisions that may contain inconsistencies that would need to be revised. The Agency cannot predict what changes may be made to the Proposed Legislation or if similar legislation might be enacted in any form. Similarly, the Agency cannot predict the impact on the Agency or the Bonds of this legislation or any similar legislation that may be enacted.

VII. Tax Sharing Agreements and Other Obligations

A. Tax Sharing Obligations

The Project Area was adopted after January 1, 1994 and is, therefore, subject to the Law as it was amended by passage of AB 1290. As amended, the Law requires that for project areas adopted after January 1, 1994, a prescribed portion of the Agency's tax increment revenue must be shared with all taxing entities within the Project Area. This defined tax-sharing amount has three tiers. The first tier begins with the first year that the project area receives tax increment revenue and continues for the life of the project area. This first tier tax-sharing amount is 25 percent of the Agency's gross tax increment revenue net of the Housing Set-Aside Revenues. The City has elected to receive its share of the Tier 1 payments.

The second tier began in the eleventh year after the Agency first received tax increment revenue (fiscal year 2006-07). This second tier payment amount is 21 percent of the tax increment revenue, net of the Housing Set-Aside Revenues, that is derived from the growth in assessed value that is in excess of the adjusted base year assessed value of the project area in year ten (fiscal year 2005-06). The third tier begins in the 31st year after the Agency first receives tax increment revenue (fiscal year 2026-27). This third tier is 14 percent of the tax increment revenue, net of the Housing Set-Aside Revenues that is derived from the growth in assessed value that is in excess of the assessed value of the project area in the 30th year (fiscal year 2025-26). The three tiers of tax sharing are calculated independent of one another and continue from their inception through the life of the project area.

Section 33607.5(e) of the Law specifies a procedure whereby the Agency may request subordination of the statutory tax sharing payments to payment of debt service on the Bonds by all of the Project Area's taxing entities. As part of this request, the Agency must provide substantial evidence to the taxing entities that it will have sufficient funds to make the debt service payments on the Bonds as well as making the required statutory tax sharing payments. The taxing entities may respond and agree to the subordination request, they may do nothing and after 45 days be deemed to have agreed to the subordination or they may disapprove the subordination request. A taxing entity may disapprove a subordination request only if it believes based on substantial evidence that the Agency's financial estimates are incorrect and that the Agency will not be able to make debt service and the tax sharing payments. The Agency has elected not to request subordination of the tax sharing payments to the debt service on the Bonds.

B. Other Obligations

According to the Agency it has not entered into any Owner Participation Agreements or any other obligations that constitute a pledge of Tax Revenues or that would in any way have a lien on Tax Revenues that would in either case be superior to the lien established for payment of debt service on the Bonds.

Santa Monica Community College District

On July 15, 2005, the Agency entered into a cooperation agreement with Santa Monica Community College District (the "SMCCD Agreement"). The Agency agreed to advance the

Agency's legally required payments to Santa Monica Community College District (the "College") in the amount of $10,206,823. The advance combined with funds provided by FEMA, the State and District Capital Funds assisted the college in rebuilding the Liberal Arts Building, which was damaged during the 1994 Northridge Earthquake. Repayment of the College advance will be from the portion available to be used for educational facilities (52.5%) of the College's annual statutory tax sharing amounts pursuant to Section 33607.5(a)(2) of the Law. The College's share of the statutory tax sharing amount is approximately 4.24%. Payments to the Agency began in Fiscal Year 2005-06. Based on the projections, the College will have repaid the advance from the Agency in Fiscal Year 2015-16.

C. Court Decisions

Santa Ana Decision

The State Court of Appeals upheld a Superior Court decision which held the Santa Ana School District had the right to receive payments from the Orange County Redevelopment Agency pursuant to a resolution adopted by the School District in 1996 under former Section 33676(a) of the Law (Santa Ana Unified School District v. Orange County Redevelopment Agency; App. 4 Dist. 2001 108 Cal. Rptr.2d 770, 90 Cal. App 4th 404, review denied). Former Section 33676(a)(2) provided that, unless a negotiated tax sharing agreement had been entered into, upon passage of a resolution prior to adoption of a redevelopment plan, affected taxing agencies and every school and community college district could elect to be allocated increases in the assessed value of taxable property in the project area based on inflation growth (the 2% Property Tax Increase). Former Section 33676(a)(2) was repealed as part of major revisions made to the Law pursuant to the Reform Act of 1993 (AB 1290).

The changes to the Law contained in AB1290 were effective as of January 1, 1994. The Court of Appeals affirmed the lower court ruling that due to an amendment to former Section 33676(a) that was adopted in 1984 and became effective on January 1, 1985, school and community college districts were to automatically receive the 2% Property Tax Increase even without adopting the appropriate resolution prior to the adoption of a redevelopment plan.

Because the Project Area was adopted after the effectiveness of Section 33676(a)(2) was amended out of the Law, the Project Area is not subject to the effects of this decision.

VIII. Transfers of Ownership

A review of recent transfers of ownership has been conducted and a number of transfers were found to have occurred after the January 1, 2010 lien date for the current fiscal year. These transfers of ownership occurred from January 1, 2010 through February 28, 2011. As a result, the sales values on these transfers of ownership are expected to be reflected in the tax rolls for 2011-12 and 2012-13.

Within the Project Area, 289 transfers of ownership were found. These transfers of ownership are expected to result in an increase of value in the amount of $86,271,428 to the 2011-12 tax

roll and $7,779,692 to the 2012-13 tax roll for the Project Area. Based on data provided by DataQuick, there are 33 parcels in foreclosure with outstanding mortgages that may result in a decrease of $10,016,600 to the 2012-13 tax roll for the Project Area. The impacts of these transfers are included in the Projections of Incremental Taxable Value and Tax Increment Revenue Tables 1 and 2 and shown in detail on Table 4 (Transfers of Ownership).

IX. Trended Taxable Value Growth

In accordance with Article XIII A of the State Constitution, growth in real property land and improvement values may reflect the year-to-year inflationary rate not to exceed two percent for any given year or reduction as shown in the consumer price index. A two percent growth rate has been assumed because it is the maximum inflationary growth rate permitted by law and, until this year, this rate of growth has been realized in all but six years since 1981. The years in which less than two percent growth was realized were 1983-84 (1.0%), 1995-96 (1.19%), 1996-97 (1.11%), 1999-00 (1.85%), 2004-05 (1.867%) and 2009-10 (0.99763%). As discussed in Section IV A, the inflationary growth rate for 2011-12 will be less than two percent. The growth rate for 2011-12 has been announced by SBE as being 0.753% and we assume resumption of inflationary growth at 2% per year thereafter. Should the growth of taxable value in the Project Area be less than two percent in other fiscal years, the resultant Tax Revenues would be reduced. Future values will also be impacted by changes of ownership and new construction not reflected in our projections. In addition, the values of property previously reduced in value due to assessment appeals based on reduced market values could increase more than two percent when real estate values increase more than two percent (see Section III A above). Seismic activity and environmental conditions such as hazardous substances that are not anticipated in this Report might also impact taxable assessed values and Tax Revenue. HdL Coren & Cone makes no representation that taxable assessed values will actually grow at the rate projected.

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

Table K
Foreclosure Data for the City of Santa Monica within ZIP Codes 90401 through 90411

As of:	Notices of Default	Notices of Trustee's Sale	Real Estate Owned by Lender	Total City Parcels	Total City Residential Parcels
April 2011	70	138	88	23,168	20,664

According to RealtyTrac, properties receiving a Notice of Default from a trustee are in the first phase of the foreclosure process. A Notice of Default is sent after the occurrence of a default under the terms of the deed of trust or mortgage. A Notice of Trustee's Sale is filed announcing a public auction of property that is in default under the terms of the deed of trust or mortgage. This is the second phase of the foreclosure process. Real Estate Owned by Lender reflects the final stage in the foreclosure process. These are properties that have been conveyed into the ownership of the lender. Generally the foreclosure process may be halted by the property owner or borrower paying the amount that is in default under the deed of trust and bringing the loan current.

As of April 20, 2011, the number of parcels on which Notices of Default or Notices of Trustee's Sale have been filed or are Lender owned (296) total 1.43% of all residential parcels within the City. The City is located within ZIP Codes 90401 through 90411. We are unable to determine how many of the parcels represented in Table K may be located within the Redevelopment Project.

Anticipated Tax Revenues could be adversely affected as a result of unidentified assessment appeal refunds, other County Assessor corrections discussed previously, or unanticipated increases or decreases in property tax values. Estimated valuations from developments included in this analysis are based upon our understanding of the general practices of the Los Angeles County Assessor and Auditor-Controller's Office. General assessment practices are subject to policy changes, legislative changes, and the individual appraiser's judgment. While we believe our estimates to be reasonable, taxable values resulting from actual appraisals may vary from the amounts assumed in the projections.

Redevelopment Agency of the City of Santa Monica
Santa Monica Earthquake Recovery Redevelopment Project
PROJECTION OF INCREMENTAL TAXABLE VALUE & TAX INCREMENT REVENUES
(000's Omitted) 25-May-11

Table 1

Taxable Values (1)		**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
Real Property (2)		10,104,440	10,018,535	10,216,669	10,421,003	10,629,423	10,842,011	11,058,851	11,280,028	11,505,629	11,735,741
Personal Property (3)		325,959	325,959	325,959	325,959	325,959	325,959	325,959	325,959	325,959	325,959
Total Projected Value		10,430,400	10,344,495	10,542,628	10,746,962	10,955,382	11,167,970	11,384,811	11,605,988	11,831,588	12,061,701
Taxable Value over Base	**3,855,297**	**6,575,102**	**6,489,197**	**6,687,331**	**6,891,664**	**7,100,085**	**7,312,673**	**7,529,513**	**7,750,690**	**7,976,291**	**8,206,403**
Gross Tax Increment Revenue (4)		66,006	65,132	67,121	69,172	71,264	73,397	75,574	77,794	80,058	82,368
Unitary Tax Revenue		70	70	70	70	70	70	70	70	70	70
Gross Revenues		**66,076**	**65,202**	**67,191**	**69,242**	**71,334**	**73,468**	**75,644**	**77,864**	**80,128**	**82,438**
LESS:											
SB 2557 Admin Fee (5)		(1,063)	(1,045)	(1,077)	(1,110)	(1,144)	(1,178)	(1,213)	(1,249)	(1,285)	(1,322)
Pass Throughs											
AB 1290 Tax Sharing Tier 1 (6)		(13,215)	(13,040)	(13,438)	(13,848)	(14,267)	(14,694)	(15,129)	(15,573)	(16,026)	(16,488)
AB 1290 Tax Sharing Tier 2 (6)		(4,014)	(3,868)	(4,202)	(4,547)	(4,898)	(5,257)	(5,622)	(5,995)	(6,376)	(6,764)
AB 1290 Tax Sharing Tier 3 (6)		0	0	0	0	0	0	0	0	0	0
Santa Monica CCD Repayment (7)		403	395	413	432	450	469	489	509	529	550
Tax Revenues		**48,187**	**47,643**	**48,886**	**50,168**	**51,475**	**52,809**	**54,169**	**55,556**	**56,971**	**58,415**
Housing Set Aside Tax Revenue (8)		13,215	13,040	13,438	13,848	14,267	14,694	15,129	15,573	16,026	16,488
Non-Housing Set-Aside Tax Revenues		34,972	34,603	35,448	36,320	37,209	38,115	39,040	39,983	40,946	41,927

(1) Taxable values as reported by Los Angeles County, as adjusted.

(2) Real property consists of land and improvements. Values are increased for transfer sales (see Table 4) and increase by 0.753% for inflation in 2011-12. Thereafter, values are assumed to increase based on 2% annual growth. Assessed valuations for 2010-11 were reduced by $22,495,832 for 38 successful appeals not reflected on the 2010-11 roll. Projected value loss from pending appeals is $246,407,427 in 2011-12.

(3) Personal property is held constant at 2010-11 level.

(4) Projected Gross Tax Increment is based upon incremental taxable values factored against an assumed Project tax rate and adjusted for indebtedness approved by voters after 1988. The assumed future tax rates remain at $1.0037 per $100 of taxable value through 2034-35 and $1.00 per $100 of taxable value thereafter.

(5) Los Angeles County Admistrative charges are actual for 2010-11 and estimated at 1.60% of Gross Revenue thereafter.

(6) All Taxing Entities receive their shares of 25% of total tax increment revenue net of housing set aside. In addition, after year 10 Fiscal Year 2005-06, Taxing Entites receive 21% of tax revenue of incremental value above the year 10 value net of housing set aside. After year 30 Fiscal Year 2025-26, Taxing Entites receive 14% of tax revenue of incremental value above the year 30 value net of housing set aside.

(7) Pursuant to the SMCCD Agreement, the Agency receives payment on the advance from the Santa Monica Community College District equal to 52.5% of its share (4.24%) of the AB 1290 Tax Sharing Payment, up to the cumulative amount of $10,206,823.

(8) Housing Set Aside Tax Revenue calculated at 20% of Gross Revenue.

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Redevelopment Agency of the City of Santa Monica

Santa Monica Earthquake Recovery Redevelopment Project

PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE

(000's omitted)

25-May-11

Table 2

		Total Taxable Value	Taxable Value Over Base 3,855,297	Gross Tax Revenue	SB2557 Admin Fee	Statutory Tax Sharing Tier 1	Tier 2	Tier 3	Santa Monica Comm. College Portion of the Repayment	Tax Revenues	Tax Revenues Components: Housing Tax Revenues	Tax Revenues Components: Non-Housing Tax Revenues
1	2010-11	10,430,400	6,575,102	66,076	(1,063)	(13,215)	(4,014)	0	403	**48,187**	13,215	34,972
2	2011-12	10,344,495	6,489,197	65,202	(1,045)	(13,040)	(3,868)	0	395	**47,643**	13,040	34,603
3	2012-13	10,542,628	6,687,331	67,191	(1,077)	(13,438)	(4,202)	0	413	**48,886**	13,438	35,448
4	2013-14	10,746,962	6,891,664	69,242	(1,110)	(13,848)	(4,547)	0	432	**50,168**	13,848	36,320
5	2014-15	10,955,382	7,100,085	71,334	(1,144)	(14,267)	(4,898)	0	450	**51,475**	14,267	37,209
6	2015-16	11,167,970	7,312,673	73,468	(1,178)	(14,694)	(5,257)	0	469	**52,809**	14,694	38,115
7	2016-17	11,384,811	7,529,513	75,644	(1,213)	(15,129)	(5,622)	0	489	**54,169**	15,129	39,040
8	2017-18	11,605,988	7,750,690	77,864	(1,249)	(15,573)	(5,995)	0	509	**55,556**	15,573	39,983
9	2018-19	11,831,588	7,976,291	80,128	(1,285)	(16,026)	(6,376)	0	529	**56,971**	16,026	40,946
10	2019-20	12,061,701	8,206,403	82,438	(1,322)	(16,488)	(6,764)	0	550	**58,415**	16,488	41,927
11	2020-21	12,296,416	8,441,118	84,794	(1,360)	(16,959)	(7,160)	0	571	**59,887**	16,959	42,928
12	2021-22	12,535,825	8,680,527	87,197	(1,398)	(17,439)	(7,563)	0	593	**61,389**	17,439	43,949
13	2022-23	12,780,022	8,924,725	89,648	(1,437)	(17,930)	(7,975)	0	615	**62,921**	17,930	44,991
14	2023-24	13,029,103	9,173,806	92,148	(1,478)	(18,430)	(8,395)	0	637	**64,483**	18,430	46,053
15	2024-25	13,283,166	9,427,869	94,698	(1,518)	(18,940)	(8,823)	0	660	**66,077**	18,940	47,137
16	2025-26	13,542,310	9,687,013	97,299	(1,560)	(19,460)	(9,260)	0	683	**67,702**	19,460	48,242
17	2026-27	13,806,637	9,951,340	99,952	(1,603)	(19,990)	(9,706)	(297)	383	**68,739**	19,990	48,749
18	2027-28	14,076,251	10,220,953	102,658	(1,646)	(20,532)	(10,161)	(600)	0	**69,719**	20,532	49,188
19	2028-29	14,351,257	10,495,959	105,418	(1,690)	(21,084)	(10,624)	(909)	0	**71,110**	21,084	50,027
20	2029-30	14,631,763	10,776,465	108,234	(1,735)	(21,647)	(11,097)	(1,225)	0	**72,529**	21,647	50,883
21	2030-31	14,917,879	11,062,581	111,105	(1,782)	(22,221)	(11,580)	(1,546)	0	**73,977**	22,221	51,755
22	2031-32	15,209,717	11,354,420	114,035	(1,829)	(22,807)	(12,072)	(1,874)	0	**75,453**	22,807	52,646
23	2032-33	15,507,392	11,652,095	117,022	(1,876)	(23,404)	(12,574)	(2,209)	0	**76,959**	23,404	53,554
24	2033-34	15,811,021	11,955,724	120,070	(1,925)	(24,014)	(13,086)	(2,550)	0	**78,494**	24,014	54,480
25	2034-35	16,120,722	12,265,425	123,178	(1,975)	(24,636)	(13,608)	(2,899)	0	**80,061**	24,636	55,425
26	2035-36	16,436,617	12,581,320	125,901	(2,019)	(25,180)	(14,091)	(3,242)	0	**81,369**	25,180	56,189
27	2036-37	16,758,830	12,903,533	129,106	(2,070)	(25,821)	(14,630)	(3,603)	0	**82,982**	25,821	57,161
28	2037-38	17,087,488	13,232,191	132,392	(2,123)	(26,478)	(15,182)	(3,971)	0	**84,638**	26,478	58,160
29	2038-39	17,422,718	13,567,421	135,745	(2,177)	(27,149)	(15,745)	(4,346)	0	**86,328**	27,149	59,179
30	2039-40	17,764,654	13,909,356	139,164	(2,231)	(27,833)	(16,320)	(4,729)	0	**88,051**	27,833	60,218
31	2040-41	18,113,428	14,258,130	142,652	(2,287)	(28,530)	(16,906)	(5,120)	0	**89,809**	28,530	61,278
32	2041-42	18,469,177	14,613,880	146,209	(2,344)	(29,242)	(17,503)	(5,518)	0	**91,601**	29,242	62,360
				3,227,211	**(51,751)**	**(645,442)**	**(315,607)**	**(44,638)**	**8,783**	**2,178,557**	**645,442**	**1,533,114**

Footnotes: see Table No. 1

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Redevelopment Agency of the City of Santa Monica
Santa Monica Earthquake Recovery Redevelopment Project
HISTORICAL VALUES (1)

25-May-11

Table 3

Secured (2)	BASE YEAR 1993-94	2001-02	2002-03	2003-04	2004-05	2005-06	Revised Base Year (2006-07) (5)	2006-07	2007-08	Revised Base Year (2008-09) (6)	2008-09	Revised Base Year (2009-10) (7)	2009-10 (8)	2010-11
Land	1,794,484,113	2,594,727,325	2,862,070,592	3,096,121,722	3,419,794,806	3,817,591,734	1,794,283,037	4,245,949,423	4,586,382,701	1,789,392,391	5,053,499,402	1,785,030,900	5,213,744,866	5,206,882,615
Improvements	2,064,295,402	2,997,134,007	3,389,014,086	3,528,937,233	3,682,859,224	4,117,679,022	2,063,938,482	4,405,316,658	4,655,434,825	2,062,406,614	5,265,379,497	2,060,082,620	5,403,136,820	5,427,019,971
Personal Prop	43,156,789	19,602,075	29,891,740	20,800,184	22,016,612	32,262,206	43,156,789	38,649,772	37,534,501	43,156,789	37,221,821	43,156,789	43,146,023	38,606,136
Exemptions	(250,540,999)	(150,445,705)	(239,297,436)	(232,693,542)	(299,955,171)	(389,990,837)	(250,540,999)	(469,250,061)	(502,642,292)	(249,943,264)	(531,811,795)	(249,410,203)	(735,193,640)	(749,804,406)
TOTAL SECURED	3,651,395,305	5,461,017,702	6,041,678,982	6,413,165,597	6,824,715,471	7,577,542,125	3,650,837,309	8,220,665,792	8,776,709,735	3,645,012,530	9,824,288,925	3,638,860,106	9,924,834,069	9,922,704,316
Unsecured														
Land	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Improvements	90,742,357	137,271,663	131,091,579	162,453,551	159,965,823	167,933,286	90,742,357	198,439,841	221,583,565	90,742,357	234,680,010	90,742,357	235,862,530	242,838,016
Personal Prop	394,721,559	450,109,315	436,632,826	462,109,352	448,183,587	440,995,591	394,721,559	471,811,501	514,679,581	394,721,559	520,354,844	394,721,559	583,112,050	543,971,121
Exemptions	(269,026,686)	(88,472,248)	(95,591,000)	(100,974,248)	(135,619,000)	(136,001,300)	(269,026,686)	(161,636,328)	(172,923,820)	(269,026,686)	(173,885,200)	(269,026,686)	(255,630,300)	(256,618,001)
TOTAL UNSECURE	216,437,230	498,908,730	472,133,405	523,588,655	472,530,410	472,927,577	216,437,230	508,615,014	563,339,326	216,437,230	581,149,654	216,437,230	563,344,280	530,191,136
GRAND TOTAL	**3,867,832,535**	**5,959,926,432**	**6,513,812,387**	6,936,754,252	**7,297,245,881**	**8,050,469,702**	**3,867,274,539**	**8,729,280,806**	**9,340,049,061**	**3,861,449,760**	**10,405,438,579**	**3,855,297,336**	**10,488,178,349**	**10,452,895,452**
			Roll Corrections	96,949,439			Exemption Adjustment (3)		(3,905,345)				Successful Appeal (4)	(22,495,832)
			Exemption Adjustment	(99,139,907)			Successful Appeal (4)		(168,724)					**10,430,399,620**
			Successful Appeals	(5,550,456)					**9,335,974,992**					
				6,929,013,328										
Incremental Value		2,092,093,897	2,645,979,852	3,061,180,793	3,429,413,346	4,182,637,167		4,862,006,267	5,468,700,453		6,543,988,819		6,632,881,013	6,575,102,284
Percentage Change			26.48%	15.69%	12.03%	21.96%		16.24%	12.48%		19.66%		1.36%	-0.87%

(1) Source: County of Los Angeles Lien Date Rolls
(2) Secured values include state assessed non-unitary utility property.
(3) Adjusted for six exemptions not reflected on the 2005-06 Lien Date Roll.
(4) Adjusted for one successful appeal not reflected on the 2005-06 Lien Date Roll and 38 successful appeals not reflected on the 2010-11 Lien Date Roll.
(5) Base Year Value adjustment of $567,996 in FY 2005-06 reflects removal of four parcels incorrectly included in the project area in prior years.
(6) Base Year Value reflects an adjusted for the transfer of railroad properties values to the Unitary Roll.
(7) According to the Los Angeles County Auditor-Controller Tax Division, Base Year Value was decreased in 2009-10 due to Malaki adjustments.
(8) Sister of Charity Leavenworth Health was granted a larger exemption due to the completion of their capital improvments to their existing facilities.

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Redevelopment Agency of the City of Santa Monica
Santa Monica Earthquake Recovery Redevelopment Project
NEW DEVELOPMENT

25-May-11

Table 4

000's omitted

Real Property	Sq. Ft./ Units	Unit Value	Total Value	Less Existing	Value Added	Start	Complete	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Transfer of Ownership													
Transfer Sales (Jan. 1-Dec. 31, 2010)	241	Lump Sum	$367,139,700	$290,694,229	$76,445			76,445	0	0	0	0	0
Foreclosure Sales (Jan. 1 - Dec. 31, 2010)	17	Lump Sum	$99,645,000	$89,819,043	$9,826			9,826	0	0	0	0	0
Transfer Sales (Jan. 1-Feb. 28, 2011)	26	Lump Sum	$25,765,500	$18,195,118	$7,570			0	7,570	0	0	0	0
Foreclosure Sales (Jan. 1 - Feb. 28, 2011)	5	Lump Sum	$2,941,000	$2,731,690	$209			0	209	0	0	0	0
Foreclosure (Jan. 1 - Feb. 28, 2011)	33	Lump Sum	$69,522,395	$79,538,995	($10,017)			0	(10,017)	0	0	0	0
Total Real Property:			$565,013,595	$480,979,075	$84,035			86,271	(2,237)	0	0	0	0
Personal Property						**Start**	**Complete**						
Total Personal Property:			$0	$0	$0				0	0	0	0	0
Total Real and Personal Property:			**$565,013,595**	**$480,979,075**	**$84,035**			**86,271**	**(2,237)**	**0**	**0**	**0**	**0**

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Redevelopment Agency of the City of Santa Monica
Santa Monica Earthquake Recovery Redevelopment Project
TOP TEN TAXABLE PROPERTY OWNERS FOR 2010-11 (1)

25-May-11

Table 5

	Secured			Unsecured			Total			
	Value	Parcels	% Secured Value	Value	Parcels	% Unsecured Value	Value	% Total Value	% Incr. Value	Use Code
1. California Colorado Center LLC (2)	$469,310,104	2	4.74%	$277,130	1	0.05%	$469,587,234	4.50%	7.14%	Commercial, Unsecured
2. Water Garden Realty Holding LLC	$454,839,938	4	4.59%	$2,125,650	2	0.40%	$456,965,588	4.38%	6.95%	Commercial, Unsecured
3. Ocean Avenue LLC (2)	$146,613,466	3	1.48%	$0	0	0.00%	$146,613,466	1.41%	2.23%	Commercial
4. New Santa Monica Beach Hotel (2)	$131,505,096	1	1.33%	$4,918,193	1	0.93%	$136,423,289	1.31%	2.07%	Commercial, Unsecured
5. Rand Corporation (2)	$131,690,037	3	1.33%	$0	0	0.00%	$131,690,037	1.26%	2.00%	Commercial, Vacant Land
6. Douglas Emmett Realty Fund 1998 (2)	$118,212,311	2	1.19%	$4,767	1	0.00%	$118,217,078	1.13%	1.80%	Commercial, Unsecured
7. Sisters of Charity Leavenworth Health (2)	$114,185,821	21	1.15%	$0	0	0.00%	$114,185,821	1.09%	1.74%	Commercial, Institutional
8. CLPF-Arboretum	$104,863,751	1	1.06%	$0	0	0.00%	$104,863,751	1.01%	1.59%	Commercial
9. 1299 Ocean LLC (2)	$96,600,000	2	0.98%	$0	0	0.00%	$96,600,000	0.93%	1.47%	Commercial
10. Equity Office Properties (2)	$75,990,000	1	0.77%	$0	0	0.00%	$75,990,000	0.73%	1.16%	Commercial
	$1,843,810,524	40		$7,325,740	5		$1,851,136,264			
Total Project Area Value:	9,900,208,484		18.62%	530,191,136		1.38%	10,430,399,620	17.75%		
Project Area Incremental Value:	$6,261,348,378		29.45%	$313,753,906		2.33%	$6,575,102,284	28.15%		

(1) 2010-11 top property owners current as of February 28, 2011.
(2) Pending Appeals

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