

NOTICE

The Urban Community Development Commission (UCDC) was established by Ordinance August 15, 1975 to function as the governing body of the Community Redevelopment Agency. Its purpose is to aid in planning and implementing projects in the City of Compton. Pursuant to Section 54957.5 of the California Government Code, Any writings (Except for those writings which are exempt from disclosure) which are distributed to all or a majority of the members of the City Council are available for public inspection in the lobby of the City Council Chambers and in the office of the City Clerk during regular business hours.

URBAN COMMUNITY DEVELOPMENT COMMISSION AGENDA

**Tuesday, May 18, 2010
6:50 PM**

WORKSHOP(S)

HEARING(S)

7:20 P.M. - JOINT PUBLIC HEARING - AUTHORIZING THE SALE, ISSUANCE AND DELIVERY BY THE COMMUNITY REDEVELOPMENT AGENCY OF THE COMPTON PROJECT AREA AND MAKING CERTAIN FINDINGS PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 33445 (Item #5)

OPENING

ROLL CALL

PUBLIC COMMENTS ON AGENDA AND NON-AGENDA ITEMS

APPROVAL OF MINUTES

1. May 4, 2010

UNFINISHED BUSINESS

NEW BUSINESS

2. A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY APPROVING THE TERMS OF A LOAN AGREEMENT BETWEEN THE COMMUNITY REDEVELOPMENT AGENCY AND YAMKOCHAV INVESTMENTS, LLC. TO FACILITATE PAYMENT OF THE SUPPLEMENTAL EDUCATIONAL REVENUE AUGMENTATION FUND (SERAF) OBLIGATION TO THE STATE OF CALIFORNIA
3. A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON PROVIDING GUIDELINES FOR ONGOING ADMINISTRATIVE, ACCOUNTING, MONITORING, AND REPORTING REQUIREMENTS OF THE AGENCY, AND ESTABLISHING AND APPOINTING AN ADMINISTRATIVE COMMITTEE IN CONNECTION WITH SUCH ACTIVITIES
4. A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON MAKING A FINDING OF FISCAL RESPONSIBILITY, APPROVING A PLAN FOR FULL REPAYMENT OF DEFERRED TAX SHARING AMOUNTS UNDER A 1992 AGREEMENT OF COOPERATION WITH THE COUNTY OF LOS ANGELES, AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO
5. A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON AUTHORIZING THE SALE, ISSUANCE AND DELIVERY BY THE AGENCY OF TAX ALLOCATION BONDS, AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION WITH SUCH BONDS, MAKING FINDINGS PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 33445 WITH RESPECT THERETO, AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO
6. A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION, ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON, AUTHORIZING THE EXECUTIVE SECRETARY TO ENTER INTO AN AGREEMENT AND ISSUE A PURCHASE ORDER TO MUNICIPAL RESOURCES CENTER FOR THE PREPARATION AND PROCESSING OF THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) COMPLIANCE DOCUMENTS FOR THE PROPOSED COMMUNITY CENTER, SENIOR ACTIVITY CENTER AND PARKING STRUCTURE LOCATED IN THE NORTH DOWNTOWN AREA

7. A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION, ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON, AUTHORIZING THE EXECUTIVE SECRETARY TO ENTER INTO AN AGREEMENT AND ISSUE A PURCHASE ORDER TO HBJ ASSOCIATES FOR ENFORCEMENT OF DAVIS BACON LABOR STANDARDS COMPLIANCE LAWS AND MONITORING OF FEDERAL AND STATE FUNDED AGENCY PROJECTS IN THE CITY OF COMPTON
8. A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON AUTHORIZING THE EXECUTIVE SECRETARY TO ISSUE A PURCHASE ORDER TO DMD APPRAISALS, INC. TO PROVIDE APPRAISAL SERVICES FOR THE COMMUNITY REDEVELOPMENT AGENCY
9. A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY, AUTHORIZING THE EXECUTIVE SECRETARY TO ENTER INTO AN AGREEMENT WITH CIBA REAL ESTATE TO IMPLEMENT AN OUTREACH AND MARKETING CAMPAIGN FOR THE 2010 RECON (ICSC) CONVENTION, UPCOMING CONVENTIONS AND NEGOTIATIONS FOR AGENCY OWNED SITES
10. A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION, ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON, AUTHORIZING THE EXECUTIVE SECRETARY TO ENTER INTO AN AGREEMENT AND ISSUE A PURCHASE ORDER TO MEDIA PORTFOLIO FOR THE DESIGN, DEVELOPMENT AND PRODUCTION OF AN INTERACTIVE VIDEO AND DESIGN OF MARKETING MATERIALS FOR AGENCY'S PROJECTS AND PROGRAMS
11. A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON AUTHORIZING RESOLUTION NO. 1,769 TO BE RESCINDED AND AUTHORIZING THE EXECUTIVE SECRETARY TO ENTER INTO A LOAN AGREEMENT BETWEEN THE COMMUNITY REDEVELOPMENT AGENCY AND COMPTON COMMERCIAL DEVELOPMENT RENAISSANCE PLAZA, LLC, IN CONNECTION WITH THE RENOVATION OF THE COMPTON RENAISSANCE PLAZA SHOPPING CENTER

COMMISSION COMMENTS

ADJOURNMENT

MAY 4, 2010

The Urban Community Development Commission meeting was called to order at 7:06 p.m. in the Council Chambers of City Hall by Chairperson Eric Perrodin. The Moment of Silence and Pledge of Allegiance ceremonies were led by Chairperson Eric Perrodin.

ROLL CALL

Commissioners Present: Calhoun, Dobson, Arceneaux, Jones, Perrodin
Commissioners Absent: None

Other Officials Present: C. Cornwell, A. Godwin, C. Evans

Chairperson Perrodin informed the audience that this meeting would be recessed to consider an item on the City Council agenda that requires immediate attention.

The meeting was recessed to the City Council meeting at 7:09 p.m. and reconvened at 8:31 p.m.

PUBLIC COMMENTS ON AGENDA AND NON-AGENDA ITEMS

Lynn Boone, Compton resident, disputed the rumors that she routinely meets with the former Mayor Omar Bradley. Ms. Boone spoke in opposition to the re-establishment of the Compton Police Department, due to her concerns of corrupt police officers. Ms. Boone stated that she knows firsthand, that there were more police officers selling drugs and doing drugs, than the people in the community who were on drugs and dealing drugs. Ms. Boone insisted that the City continue the services of the Sheriff's Department and stated that they are doing all that they can do with the money that they are receiving from the City.

William Kemp, Compton resident, disputed the rumors that he routinely meets with the former Mayor Omar Bradley. Mr. Kemp went on to question what it would cost the City to pay for the re-establishment of the Compton Police Department. Mr. Kemp commented on an article in the newspaper that states that the City of Compton had taken out a 20 million dollar loan for Prism IQ. Mr. Kemp requested the terms of this loan and the cost implications relative to the increase in product costs to the consumer.

Chairperson Perrodin clarified that the City of Compton did not give Prism IQ a 29 million dollar loan.

Commissioner Arceneaux mentioned that CDIF is the company that made the loan to Prism IQ.

APPROVAL OF MINUTES - There were no minutes to be approved.

#1.

EXECUTIVE SECRETARY'S REPORT

1. REQUEST FROM OPTIMAL CHILD DEVELOPMENT CENTER/CHRISTIAN ACADEMY TO USE AGENCY-OWNED PROPERTY LOCATED AT 305 NORTH LONG BEACH BOULEVARD FOR THEIR 31ST ANNIVERSARY CARNIVAL (September 28 to October 6, 2010)

On motion by Dobson, seconded by Arceneaux, the request was approved, by the following vote on roll call:

AYES: Commissioners - Calhoun, Dobson, Arceneaux, Jones, Perrodin

NOES: Commissioners - None

ABSENT: Commissioners - None

Chairperson Perrodin stated that the City had hired a company to host the Cinco De Mayo Celebration last Sunday, but before the event could be held it was determined by the City that the event performers did not have or maintain any insurance. Chairperson Perrodin stated that their correspondence was deemed to be false as well and that they had not had any insurance with said company, since 2008.

Chairperson Perrodin asserted that he would be meeting with the appropriate parties to resolve this matter to guarantee that this does not happen again.

UNFINISHED BUSINESS - There was no Unfinished Business.

NEW BUSINESS

2. A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION, ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON AUTHORIZING THE EXECUTIVE SECRETARY TO ENTER INTO AN AGREEMENT WITH IGNITE DESIGN AND ADVERTISING TO DEVELOP MARKETING, BRANDING AND DISTRIBUTION MATERIALS, IMAGES AND RENDERINGS FOR AGENCY RELATED PROJECTS, ACTIVITIES, CONVENTIONS, AND EVENTS

On motion by Arceneaux, seconded by Jones, **Resolution # 1,785** entitled "**A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION, ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON AUTHORIZING THE EXECUTIVE SECRETARY TO ENTER INTO AN AGREEMENT WITH IGNITE DESIGN AND ADVERTISING TO DEVELOP MARKETING, BRANDING AND DISTRIBUTION MATERIALS, IMAGES AND RENDERINGS FOR AGENCY RELATED PROJECTS, ACTIVITIES, CONVENTIONS, AND EVENTS**" was approved, by the following vote on roll call:

AYES: Commissioners - Calhoun, Dobson, Arceneaux, Jones, Perrodin

NOES: Commissioners - None

ABSENT: Commissioners - None

3. A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION, ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON AUTHORIZING THE EXECUTIVE SECRETARY TO ENTER INTO A PURCHASE AGREEMENT BETWEEN THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON AND FEDERAL HOME LOAN MORTGAGE CORPORATION (KNOWN AS FREDDIE MAC OR HOME STEPS), FOR THE ACQUISITION OF 135 EAST CALDWELL STREET, AS PART OF THE NEIGHBORHOOD STABILIZATION PROGRAM (NSP)

On motion by Arceneaux, seconded by Jones, **Resolution # 1,786** entitled "**A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION, ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON AUTHORIZING THE EXECUTIVE SECRETARY TO ENTER INTO A PURCHASE AGREEMENT BETWEEN THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON AND FEDERAL HOME LOAN MORTGAGE CORPORATION (KNOWN AS FREDDIE MAC OR HOME STEPS), FOR THE ACQUISITION OF 135 EAST CALDWELL STREET, AS PART OF THE NEIGHBORHOOD STABILIZATION PROGRAM (NSP)**" was approved, by the following vote on roll call:

AYES: Commissioners - Calhoun, Dobson, Arceneaux, Jones, Perrodin

NOES: Commissioners - None

ABSENT: Commissioners - None

Commissioner Arceneaux questioned the disparity in the purchase price of this home, in comparison to the property being addressed under item number six.

Chairperson Perrodin stated that the properties are located in two different zip codes.

4. A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON AUTHORIZING THE EXECUTIVE SECRETARY TO ACCEPT A PROPOSAL, ISSUANCE OF A PURCHASE ORDER AND ENTER IN AN AGREEMENT WITH IMAGE MANAGEMENT SYSTEMS (IMS) FOR DOCUMENT IMAGING SERVICES

#1.

On motion by Arceneaux, seconded by Jones, **Resolution # 1,787** entitled "**A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON AUTHORIZING THE EXECUTIVE SECRETARY TO ACCEPT A PROPOSAL, ISSUANCE OF A PURCHASE ORDER AND ENTER IN AN AGREEMENT WITH IMAGE MANAGEMENT SYSTEMS (IMS) FOR DOCUMENT IMAGING SERVICES**" was approved, by the following vote on roll call:

AYES: Commissioners - Calhoun, Dobson, Arceneaux, Jones, Perrodin

NOES: Commissioners - None

ABSENT: Commissioners - None

5. A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING ON BEHALF OF THE COMMUNITY REDEVELOPMENT AGENCY RESCINDING ANY AND ALL PRIOR RESOLUTIONS CONCERNING AUTHORIZED SIGNATURES ON CERTAIN ACCOUNTS AND AUTHORIZING CERTAIN PERSONS AS AUTHORIZED SIGNATORIES ON THE SAME ACCOUNTS

On motion by Dobson, seconded by Arceneaux, **Resolution # 1,788** entitled "**A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING ON BEHALF OF THE COMMUNITY REDEVELOPMENT AGENCY RESCINDING ANY AND ALL PRIOR RESOLUTIONS CONCERNING AUTHORIZED SIGNATURES ON CERTAIN ACCOUNTS AND AUTHORIZING CERTAIN PERSONS AS AUTHORIZED SIGNATORIES ON THE SAME ACCOUNTS**" was approved, by the following vote on roll call:

AYES: Commissioners - Calhoun, Dobson, Arceneaux, Jones, Perrodin

NOES: Commissioners - None

ABSENT: Commissioners - None

6. A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION, ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON AUTHORIZING THE EXECUTIVE SECRETARY TO ENTER INTO A PURCHASE AGREEMENT BETWEEN THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON AND BAC HOME LOANS SERVICING LP, F/K/A COUNTRYWIDE HOME LOANS SERVICING LP, A TEXAS LIMITED PARTNERSHIP FOR THE ACQUISITION OF 110 NORTH BRADFIELD AVENUE, AS PART OF THE NEIGHBORHOOD STABILIZATION PROGRAM (NSP)

On motion by Arceneaux, seconded by Jones, **Resolution # 1,789** entitled "**A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION, ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON AUTHORIZING THE EXECUTIVE SECRETARY TO ENTER INTO A PURCHASE AGREEMENT BETWEEN THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON AND BAC HOME LOANS SERVICING LP, F/K/A COUNTRYWIDE HOME LOANS SERVICING LP, A TEXAS LIMITED PARTNERSHIP FOR THE ACQUISITION OF 110 NORTH BRADFIELD AVENUE, AS PART OF THE NEIGHBORHOOD STABILIZATION PROGRAM (NSP)**" was approved, by the following vote on roll call:

AYES: Commissioners - Calhoun, Dobson, Arceneaux, Jones, Perrodin

NOES: Commissioners - None

ABSENT: Commissioners - None

SUBSEQUENT NEED ITEM

A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON AUTHORIZING THE EXECUTIVE SECRETARY TO NEGOTIATE THE TERMS OF A LOAN AGREEMENT BETWEEN THE COMMUNITY REDEVELOPMENT AGENCY AND A PRIVATE FINANCIAL INSTITUTION IN CONNECTION WITH THE PAYMENT OF SERAF OBLIGATIONS TO THE STATE OF CALIFORNIA

Commissioner Jones requested the total cost to the Community Redevelopment Agency (Agency).

Kofi Sefa'boayke, Director of the Agency, explained that the Agency is proposing to pass revenue bonds to meet the obligations of the State, however he noted that the total is currently unknown.

Commissioner Arceneaux asked Mr. Sefa'boayke when he was first notified of this mandate. Mr. Sefa'boayke stated that he has been aware of the State's mandate since the initial budgeting process. Mr. Sefa'boayke explained that the State's Agencies had sued the State to disallow this action, but unfortunately the court's decision for all Agencies to pay was brought down today.

Commissioner Arceneaux questioned if the 9.6 million dollars was already included in the proposed tax allocation bond total. Mr. Sefa'boayke replied affirmatively and added that it is listed as a sedentary obligation.

Craig Cornwell, City Attorney, indicated that it would have been impractical to pay this amount prior to the court's decision, which was announced today around 11 a.m. and placed on the State's website.

#1.

Chairperson Perrodin opened the floor for audience comments.

AUDIENCE COMMENTS TO THE SUBSEQUENT NEED ITEM

William Kemp, Compton resident, requested the rationale for borrowing this money and further questioned how it would affect the residents or the general fund. Mr. Sefa'boayke stated that the approval of these funds would meet a statutory obligation to the State without impacting the general fund.

Commissioner Dobson questioned if all Agencies would be affected by this mandate. Mr. Sefa'boayke replied affirmatively.

Commissioner Calhoun stated that there were several petitions submitted to the State of California by the City of Compton and many other cities to ensure that this issue and future concerns are placed on the ballot.

On motion by Arceneaux, seconded by Jones, to consider the subsequent need item, by the following vote on roll call:

AYES: Commissioners - Calhoun, Dobson, Arceneaux, Jones, Perrodin

NOES: Commissioners - None

ABSENT: Commissioners - None

On motion by Arceneaux, seconded by Jones, **Resolution # 1,790** entitled "**A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON AUTHORIZING THE EXECUTIVE SECRETARY TO NEGOTIATE THE TERMS OF A LOAN AGREEMENT BETWEEN THE COMMUNITY REDEVELOPMENT AGENCY AND A PRIVATE FINANCIAL INSTITUTION IN CONNECTION WITH THE PAYMENT OF SERAF OBLIGATIONS TO THE STATE OF CALIFORNIA**" was approved, by the following vote on roll call:

AYES: Commissioners - Calhoun, Dobson, Arceneaux, Jones, Perrodin

NOES: Commissioners - None

ABSENT: Commissioners - None

SPECIAL PRIVILEGE

Sergeant Lawrence, representative of the Sheriff's Department, announced that the Sheriff's Department would be honoring Compton police officers McDonald & Burrell by hosting a "Sheriff's Run/Walk Event" to be held on Saturday, May 22, 2010 beginning around 2:30 a.m. Mr. Lawrence encouraged the community to participate in this worthwhile event to remember these fallen officers. Participants should contact the Sheriff's Department's Community Relations office at (310) 605-6500.

COMMISSION COMMENTS - There were no Commission Comments.

ADJOURNMENT

On motion by Dobson, seconded by Jones, the meeting was adjourned at 9:25 p.m., by the following vote on roll call:

AYES: Commissioners - Calhoun, Dobson, Arceneaux, Jones, Perrodin

NOES: Commissioners - None

ABSENT: Commissioners - None

Clerk of the Urban Community Development Commission

Chairman of the Urban Community Development Commission

May 18, 2010

TO: CHAIRMAN AND COMMISSIONERS

FROM: EXECUTIVE SECRETARY

SUBJECT: A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY APPROVING THE TERMS OF A LOAN AGREEMENT BETWEEN THE COMMUNITY REDEVELOPMENT AGENCY AND YAMKOCHAV INVESTMENTS, LLC. TO FACILITATE PAYMENT OF THE SUPPLEMENTAL EDUCATIONAL REVENUE AUGMENTATION FUND (SERAF) OBLIGATION TO THE STATE OF CALIFORNIA

SUMMARY

On May 4, 2010, the Commission adopted a subsequent need item authorizing the Executive Secretary to negotiate the terms of a loan agreement between the Community Redevelopment Agency (Agency) and a financial institution in connection with payment of the Agency's Supplemental Educational Revenue Augmentation Fund (SERAF) to the State of California. This agenda item requests the Commission's ratification of the terms of the loan Agreement between the Agency and Yamkochav Investment, LLC in connection with the payment of the Agency's SERAF obligations to the State of California.

BACKGROUND

On July 28 2009, the Governor of the State of California signed into law, AB 26 which required all redevelopment agencies throughout California to deposit a total of \$1.7 billion into the SERAF by May 10, 2010 for subsequent disbursement to school districts. The Redevelopment Agency of the City of Compton's proportionate share of the SERAF deposit was estimated at \$9,000,000. Any Agency that failed to meet the State mandated dead line of May 10, 2010, would be subject to "Death Penalty" which would preclude the subject Agency from incurring any future debt obligations, entering into any development agreements as well as experiencing an increased percentage on set aside funds for Affordable Housing funds.

In October 2009, the California Redevelopment Association (CRA) filed a lawsuit in Sacramento Superior Court (CRA v. Genest) to prevent the State from taking redevelopment funds from redevelopment agencies. On May 4, 2010 the Redevelopment Association lost its appeal against the State thereby requiring all California redevelopment Agencies to make their proportionate payments to the State.

On May 4, 2010, the Superior Court Judge Lloyd G. Connelly ruled against the CRA and left the redevelopment agencies with limited options to oppose the legislation.

#2.

STATEMENT OF THE ISSUE

The Commission pursuant to Resolution No. 1790 dated May 4, 2010, authorized the Agency to secure a bridge from a financial lender to finance its SERAF obligation to the State. Upon a review of several lender portfolio profiles, the Agency selected Yamakochav Investments, LLC for the bridge loan. The terms of the bridge loans are as follows:

- 1.) Loan Amount - \$9,150,000 (includes Principal, Interest and Loan Fees)
- 2.) Term of Loan - Six (6) months or maturity date of November 7, 2010
- 3.) Interest Rate of twelve (12%) percent per annum (1% per month)

Agency anticipates repayment of this loan from the proceeds of a proposed 2010 Bond issue. In the event the proposed bond issue does not materialize, the Agency would then pledge existing and future tax increment revenue for the repayment of the loan under renegotiation of the subject terms.

RECOMMENDATION

Staff is respectfully requesting that the Commission approve the terms of the loan between the Community Redevelopment Agency and Yamkochav Investments, LLC. in connection with the Agency's payment of the SERAF obligation to the State of California.

DR. KOFI SEFA-BOAKYE
DIRECTOR OF REDEVELOPMENT

CHARLES EVANS
EXECUTIVE SECRETARY

RESOLUTION NO. _____

A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY APPROVING THE TERMS OF A LOAN AGREEMENT BETWEEN THE COMMUNITY REDEVELOPMENT AGENCY AND YAMKOCHAV INVESTMENTS, LLC. TO FACILITATE PAYMENT OF THE SUPPLEMENTAL EDUCATIONAL REVENUE AUGMENTATION FUND (SERAF) OBLIGATION TO THE STATE OF CALIFORNIA

WHEREAS, on July 28 2009, the Governor of the State of California signed into law, AB 26, which required all redevelopment agencies throughout California to deposit a total of \$1.7 billion into the Supplemental Educational Revenue Augmentation Fund (SERAF) by May 10, 2010 for subsequent disbursement to school districts; and

WHEREAS, in accordance with AB 26, any redevelopment agency that failed to meet the State mandated dead line of May 10, 2010, is subject to “Death Penalty,” which would preclude the subject Agency from incurring any future debt obligations, entering into any development agreements or experiencing an increased percentage of Affordable Housing set-aside funds; and

WHEREAS, in October 2009, the California Redevelopment Association (CRA) filed a lawsuit on behalf of all redevelopment agencies in the State of California in Sacramento Superior Court (CRA v. Michael C. Genest, et al, Case No. 34-2009-80000359-CU-WM-GDS) to prevent the State from the legislated transfer of funds from redevelopment agencies; and

WHEREAS, on May 4, 2010, Judge Lloyd G. Connelly ruled against the CRA, thereby requiring all California redevelopment Agencies to remit their proportionate payments to the State, requiring the Community Redevelopment Agency of the City of Compton to pay its proportionate share of the SERAF obligation; and

WHEREAS, on May 4, 2010, the Commission adopted Resolution No. 1790 as an approved subsequent need item, authorizing the Executive Secretary to negotiate the terms for a loan agreement between the Community Redevelopment Agency (Agency) and a private financial institution in connection with payment of the Agency’s Supplemental Educational Revenue Augmentation Fund (SERAF) to the State of California; and

WHEREAS, California Health and Safety Code Section 33601 authorizes redevelopment agencies to borrow funds from private lending institutions; and

WHEREAS, upon review of several lending portfolio profiles, the Agency selected Yamkochav Investments, LLC, a private lending institution, for the provision of a bridge loan, in an amount of \$9,150,000 million.

NOW, THEREFORE, THE URBAN COMMUNITY DEVELOPMENT COMMISSION, ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON, DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The Commission hereby approves of the terms of the loan agreement and other related documents entered into with the lender, Yamkochav Investments, LLC on May 10, 2010, for a bridge loan in the amount of \$9,150,000 million, with an interest rate of twelve (12%) per annum (1% per month). The monies to be disbursed by the lender will be applied to the Agency’s SERFAF obligation to the State of California, mandated by AB26. Such loan shall be repaid from the proceeds of a proposed 2010 Redevelopment tax increment Bond issue. In the event the proposed bond issue does not occur, the Agency will pledge existing and future tax increment revenues for the repayment of the bridge loan under renegotiation of the subject terms.

Section 2. A certified copy of this resolution shall be filed in the offices of the Executive Secretary, City Attorney, City Controller, Community Redevelopment Agency, and Clerk.

#2.

RESOLUTION NO. _____

Section 3. The Chairman shall sign and the Clerk shall attest to the adoption of this resolution.

ADOPTED this _____ day of _____, 2010.

CHAIRMAN OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION

ATTEST:

CLERK OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION

STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

CITY OF COMPTON:

I, Alita Godwin, Clerk of the Urban Community Development Commission of the City of Compton, hereby certify that the foregoing resolution was adopted by the Commission, signed by the Chairman, and attested by the Clerk at the regular meeting thereof held on the _____ day of _____, 2010.

That said resolution was adopted by the following vote, to wit:

AYES: COMMISSIONERS -

NOES: COMMISSIONERS -

ABSENT: COMMISSIONERS -

ABSTAIN: COMMISSIONERS-

CLERK OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION

MAY 18, 2010

TO: CHAIRMAN AND COMMISSIONERS

FROM: EXECUTIVE SECRETARY

SUBJECT: A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON PROVIDING GUIDELINES FOR ONGOING ADMINISTRATIVE, ACCOUNTING, MONITORING, AND REPORTING REQUIREMENTS OF THE AGENCY, AND ESTABLISHING AND APPOINTING AN ADMINISTRATIVE COMMITTEE IN CONNECTION WITH SUCH ACTIVITIES

SUMMARY

Staff is representing for Commission approval a resolution providing guidelines for ongoing administrative, accounting, monitoring, and reporting requirements of the Agency, and establishing and appointing an Administrative Committee to provide oversight as to such requirements and to provide quarterly reports as to the status of all compliance related activities and updates on any projects funded by the proposed 2010 Tax Allocation Bond proceeds.

BACKGROUND

In March 2010 the firm of Macias, Gini & O'Connell LLP, Certified Public Accountants & Management Consultants ("Independent Auditor"), audited the Agency's financial report for the year ending June 30, 2009 ("Audit Report"). The Independent Auditor's Report on Internal Control over Financing Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, identifies items considered by the auditors as "internal control" irregularities of financial reporting operations and the Auditor's findings and recommendations as to such internal control irregularities.

STATEMENT OF THE ISSUE

In order to pro-actively address the Auditor's comments and to strengthen Agency financial reporting operations the Agency is proposing to create the Administrative Committee to assist with compliance requirements and develop definitive guidelines for ongoing administrative, accounting, monitoring, and reporting requirements. The specific audit comments that the Agency would like to address are the following:

1. *Finding 09-02 (Lack of Basis for Salary Allocation), and related Finding 08-27 (Lack of Justification of Planning and Administrative Expenses), related to an allocation of administrative expenses to the affordable housing fund:* The use of Agency funds for maintenance related costs and activities associated with public parks, properties and administrative activities according to the auditor was not an eligible use of Agency funds, and as such insufficient justification was

#3.

provided for those expenditures. The Agency has identified those types of expenditures and cured this finding.

2. *Finding 08-28 (No physical Development for Acquired Property) and related Finding 09-24, related to aforementioned parks:* In 1999, the City purchase four (4) parks “BURRELL-MCDONALD PARK, TRAGNIEW PARK, SOUTH PARK, AND RAYMOND STREET PARK” with the use of Redevelopment funds, for which redevelopment funds are not an eligible use of City parks. However, on March 2, 2010, the City Council resolved and cleared this finding by the approval of a resolution authorizing the City’s repurchase of the parks back from the Community Redevelopment Agency.
3. *Finding 08-25 and Finding 09-23 (Non-Compliance in Reporting), related to the late required filings:* The Agency is required to submit an annual report of its financial statements to the State; in conjunction with the Agency’s Single Audit. However, the Agency’s Single Audit was delayed in being submitted to the Agency by the independent auditor’s; as a result, the Agency was forced to file its annual report after the due date.

The Administrative Committee will provide quarterly reports as to the status of the Agency’s compliance with all Statutory requirements, updates on all projects funded by bond proceeds, and to develop further policies and procedures for consideration and adoption by the Commission , as necessary for the timely, accurate, and complete compliance with accounting, monitoring, and reporting requirements. The committee would review all compliance related Agency functions, and make recommendations for policy changes

The members of the Committee will consist of the following four officials: (i) Redevelopment Director, (ii) Deputy Redevelopment Director, (iii) Executive Secretary, and (iv) City Controller or his or her designee. The Committee will meet on at least a quarterly basis to provide oversight over audit-related matters, including financial statements and reporting requirements and the Agency’s system of internal controls over financial reporting. The Committee shall develop additional policies and procedures as necessary, for adoption by the Commission. Also, to the extent that any proceeds of Agency bonds are unexpended, the Committee will also provide quarterly reports as to the status of projects funded by bond proceeds.

RECOMMENDATION

Staff is respectfully requesting that the Commission approve the attached Resolution to affirmatively strengthen overall administrative, accounting, monitoring, and reporting operations of the Agency.

DR. KOFI SEFA-BOAKYE
DIRECTOR OF REDEVELOPMENT

CHARLES EVANS
EXECUTIVE SECRETARY

RESOLUTION NO. _____

A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON PROVIDING GUIDELINES FOR ONGOING ADMINISTRATIVE, ACCOUNTING, MONITORING, AND REPORTING REQUIREMENTS OF THE AGENCY, AND ESTABLISHING AND APPOINTING AN ADMINISTRATIVE COMMITTEE IN CONNECTION WITH SUCH ACTIVITIES

WHEREAS, the Urban Community Development Commission (the “Commission”) is a public body, corporate and politic, duly created and authorized to transact business and exercise its powers pursuant to Part 1.7 of Division 24 (commencing with Section 34100) of the Health and Safety Code of the State of California (the “Health and Safety Code”) and the powers of such Commission include the power to operate, govern and exercise all of the power, authority, functions and jurisdiction of the Community Redevelopment Agency of the City of Compton, California (the “Agency”); and

WHEREAS, the Commission exercises as a governing body the powers of the Agency, a public body, corporate and politic, duly created and authorized to transact business and exercise its powers, under and pursuant to the Community Redevelopment Law set forth in Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code (the “Law”); and

WHEREAS, a redevelopment plan (the “Redevelopment Plan”) for a redevelopment project area of the Agency known and designated as the “Compton Redevelopment Project Area” (the “Project Area”) has been adopted and approved and all requirements of law for, and precedent to, the adoption and approval of said plan have been duly complied with; and

WHEREAS, it is the intent of the Legislature that the Agency’s Low and Moderate Income Housing Fund (the “Housing Fund”) shall be used to the maximum extent possible to defray the costs of production, improvement, and preservation of low and moderate income housing and that the amount of money spent for planning and general administrative activities associated with the development, improvement, and preservation of that housing not be disproportionate to the amount actually spent for the costs of production, improvement, or preservation of that housing. To that end, the Law requires the Agency to determine annually that the planning and administrative expenses are necessary for the production, improvement, or preservation of low and moderate income housing; and

WHEREAS, the Law imposes certain other ongoing administrative, accounting, monitoring, and reporting requirements on the Agency, and the Agency desires to timely, accurately, and completely comply with such requirements. To that end, the Agency desires to adopt, document, and implement policies and procedures to ensure timely, accurate, and complete compliance with these requirements, including the foregoing requirement with respect to the Housing Fund, with such policies and procedures to ensure the establishment of adequate internal controls and sufficient documentation of all transactions and significant events; and

WHEREAS, in connection with ensuring compliance with administrative, accounting, monitoring, and reporting requirements, the Agency desires to appoint a committee that will meet at least quarterly to advise the Agency with respect to the adoption and documentation of policies and procedures and the ongoing implementation of such policies and procedures;

NOW, THEREFORE, THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON HEREBY FINDS, DETERMINES, RESOLVES AND ORDERS AS FOLLOWS:

Section 1. Recitals. The foregoing recitals, and each of them, are true and correct.

Section 2. Annual Report/Financial Audit.

- A. Pursuant to Section 33080.1 of the Law, the Agency shall submit the final report of any audit undertaken by any other local, state, or federal government entity to the City Council within 30 days of receipt of that audit report.

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- B. The Agency shall annually cause the preparation of the report required by Section 33080.1 of the Law (the “Annual Report”), to be filed with various entities within six (6) months of the end of the Agency’s fiscal year (e.g., each December 31) as set forth in paragraphs C through F of this Section 2. The Annual Report shall contain all of the information set forth in Section 33080.1 of the Law, including the following:

- i. An independent financial audit report for the previous fiscal year, conducted by a certified public account or public accountant, licensed by the State of California, in accordance with the Government Auditing Standards adopted by the Comptroller General of the United States (“Financial Audit”).

If such Financial Audit is not made available to the Agency by the certified public account or public accountant at the time the filings set forth in paragraphs C through F of this Section 2 are required to be made, the Agency shall submit the Annual Report with the inclusion of unaudited financial statements in lieu of the Financial Audit, with a note to indicate that the Financial Audit will be forwarded as soon as complete and that the information or data submitted prior to completion of the Financial Audit could change when the Financial Audit is completed and submitted.

- ii. A fiscal statement for the previous fiscal year that contains the information required by Section 33080.5 of the Law including:
 - a. The amount of outstanding indebtedness of the Agency and the Project Area.
 - b. The amount of tax increment generated in the Project Area.
 - c. The amount of tax increment revenues paid to, or spent on behalf of, a taxing agency, other than a school or community college district, pursuant to Section 33401(b) or Section 33676 of the Law.
 - d. The financial transaction report required pursuant to Government Code Section 53891.
 - e. The amount allocated to school or community college districts pursuant to Sections 33401, 33445, 33445.5, 33676(a)(2), and 33681 of the Law.
 - f. The amount of existing indebtedness and the total amount of payments required to be paid on existing indebtedness for that fiscal year (with respect to deferral of ERAF payments on account of existing obligations).
- iii. A description of the Agency's activities in the previous fiscal year affecting housing and displacement that contains the information required by Sections 33080.4 and 33080.7 of the Law.
- iv. A description of the Agency’s progress, including specific actions and expenditures in alleviating blight in the previous fiscal year.
- v. A list of, and status report on, all loans made by the Agency that are \$50,000 or more, that in the previous fiscal year were in default or not in compliance with the terms of the loan approved by the Agency.

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- vi. A description of the total number and nature of the properties that the Agency owns and those properties the Agency has acquired in the previous fiscal year.
 - vii. A list of fiscal years the Agency expects certain Redevelopment Plan limits to expire.
- C. Pursuant to Section 33080.1 of the Law, the Agency shall file the Annual Report with the City Council within six (6) months of the end of the Agency's fiscal year (e.g., each December 31). When the Agency presents the Annual Report to the City Council, the Agency shall inform the City Council of any major violations of the Law based on the Financial Audit. The Agency shall inform the City Council that the failure to correct a major audit violation may result in the filing of an action by the Attorney General pursuant to Section 33080.8 of the Law.
- D. Pursuant to Section 33080(a) of the Law, the Agency shall file a copy of the Annual Report with the State Controller within six (6) months of the end of the Agency's fiscal year (e.g., each December 31).
- E. Pursuant to Section 33080(a) of the Law, the Agency shall file the Financial Audit with the Department of Housing and Community Development within six (6) months of the end of the Agency's fiscal year (e.g., each December 31).
- F. Pursuant to Section 33080(b) of the Law, the Agency shall provide a copy of the Annual Report upon the written request of any person or any taxing agency. If the report does not include detailed information regarding administrative costs, professional services, or other expenditures, the person or taxing entity may request such information, provided the person or taxing entity reimburses the Agency for the actual and reasonable costs of providing such information.
- G. The Agency confirms that as of the date of this Resolution, it has made all of the filings required by this Section 2 with respect to Fiscal Year 2008-09.

Section 3. **Annual Budget.** The Agency shall adopt an annual budget (the "Budget") containing all of the information required by Section 33606. The Agency may amend the Budget from time to time. All expenditures and indebtedness of the Agency shall be in conformity with the adopted or amended Budget. The Agency shall submit each annual Budget or amendment to the Budget to the City Council for its approval.

Section 4. **Housing Fund.** The funds that are required by Section 33334.2 or 33334.6 of the Law to be used for the purposes of increasing, improving, and preserving the City's supply of low and moderate income housing, shall be held in the Housing Fund until used. In or about September of each year, the Agency shall determine annually that the amount of Housing Fund moneys spent on planning and administrative expenses are necessary for the production, improvement, or preservation of low and moderate income housing. The Agency shall utilize project-based accounting and other reasonable measures to provide additional documentation as to such necessary allocation to the Housing Fund of monies for planning and administrative expenses of the Agency.

Based on a retrospective review of project allocation and staff time conducted by Agency staff, the Agency hereby finds and determines that the amount of Housing Fund moneys spent in fiscal year 2008-09 on planning and administrative expenses, including personnel costs, are necessary for the production, improvement, or preservation of low and moderate income housing.

Section 5. **Holding Property Acquired with Housing Fund Moneys.** Pursuant to Section 33334.16 of the Law, for each interest in real property acquired with Housing Fund moneys, the Agency shall, within five (5) years from the date of acquisition of the property for the development of affordable housing, initiate activities consistent with the development of the

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property for that purpose. If the Agency has not initiated activities within this time, the Agency shall either sell the property and deposit the sale proceeds (less the cost of the sale) in the Housing Fund, or request the City Council, by resolution, to extend this time for one additional period not to exceed five (5) years. In the event that physical development of the property for affordable housing has not begun by the end of the extended period, or if the Agency does not comply with this requirement, the Agency shall sell the property and deposit the sale proceeds (less the cost of the sale) in the Housing Fund.

Section 6. **Monitoring of Affordable Housing.** Pursuant to Section 33418 of the Law, the Agency shall monitor, on an ongoing basis, any affordable housing developed or otherwise made available pursuant to any of the provisions of the Law. To that end, the Agency will require the owners or managers of the housing to submit an annual report to the Agency. The Agency shall require the annual reports to include for each rental unit the rental rate and the income and family size of the occupants, and for each owner-occupied unit whether there was a change in ownership from the prior year, and, if so, the income and family size of the new owners. The Agency shall provide a form for the income information to be supplied by the tenants.

Section 7. **Statements of Indebtedness.** Pursuant to Section 33675 of the Law, the Agency shall, by October 1 of each year, annually file with the Los Angeles County Auditor Controller a statement of indebtedness and a reconciliation statement certified by the chief financial officer of the Agency, which statements shall contain all of the information required by Section 33675 and which shall be filed on forms prescribed by the State Controller. If the County Auditor disputes the amount of loans, advances, or indebtedness as shown on a statement of indebtedness and gives written notice thereof to the Agency, the Agency shall within 30 days of receipt of the notice, submit any further information it deems appropriate to substantiate the amount of any loans, advances, or indebtedness which has been disputed. The Agency shall maintain adequate documentation to evidence its indebtedness.

Section 8. **Implementation Plans.** The Agency shall adopt each five (5) years, after a public hearing, an implementation plan that contains all of the information required by Section 33490 of the Law. At least once within each five-year term of the implementation plan, the Agency shall conduct a public hearing and hear testimony of all interested persons for the purpose of reviewing the Redevelopment Plan for the Project Area and the corresponding implementation plan and evaluating the progress of the redevelopment project. Such hearing shall take place no earlier than two (2) years and no later than three (3) years after the adoption of the implementation plan. Notice of the public hearings shall be published pursuant to Section 6063 of the Government Code, mailed at least three (3) weeks in advance to all persons and agencies that have requested notice, and posted in at least four (4) permanent places within the Project Area. Publication, mailing, and posting shall be completed not less than ten (10) days prior to the date of the hearing.

Section 9. **Public Disclosure Statements.** In accordance with the Political Reform Act (Government Code Section 81000, et seq.), Title 2 of the California Code of Regulations, each Agency Board member shall file a statement of economic interest with the City Clerk within 30 days after assuming office, annually no later than April 1, and within 30 days after leaving office.

Section 10. **Acquisition of Property Interests.** Except as otherwise allowed by Section 33130 or 33130.5 of the Law, no Agency officer or employee who in the course of his or her duties is required to participate in the formation of, or to approve plans or policies for, the redevelopment of the Project Area shall acquire any interest in any property included within the Project Area. If any officer or employee owns or has any direct or indirect financial interest in property included within the Project Area, he or she must immediately make a written disclosure of the financial interest to the Agency and the City Council and the disclosure must be entered on the minutes of the Agency and the City Council.

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Section 11. Policies and Procedures. To ensure compliance with ongoing administrative, accounting, monitoring, and reporting requirements imposed on the Agency, including, but not limited to, the requirements set forth in Sections 2 through 10 hereof, the Agency hereby directs Agency staff, in cooperation with the Administrative Oversight Committee appointed pursuant to Section 12 below, to develop additional policies and procedures as may be of assistance to the Agency staff, for adoption by the Agency Board, which policies and procedures will help ensure the timely, accurate, and complete compliance with such requirements.

Section 12. Establishment of Administrative Committee. The Administrative Committee (the “Committee”) is hereby established with four (4) members, consisting of the following officials: (i) Redevelopment Director, (ii) Deputy Redevelopment Director, (iii) Executive Secretary, and (iv) City Controller or his or her designee. The Committee shall meet at least quarterly and shall provide oversight over audit-related matters, including financial statements and reporting requirements and the Agency’s system of internal controls over financial reporting and status of all projects funded with bond proceeds. After each meeting of the Committee (at least quarterly), the Committee shall submit a report (the “Committee Report”) to the Commission (for informational purposes, and not as an action item) as to the status of compliance issues and internal controls, which Committee Report shall include, at a minimum, the Committee’s minutes with respect to the applicable Committee meeting. To the extent any proceeds of Agency bonds are unexpended at the applicable time; the Committee Report also shall include a description of the status of projects funded by bond proceeds.

Section 13. Effective Date. This Resolution shall take effect immediately upon adoption.

ADOPTED this _____ day of _____ 2010.

CHAIRMAN OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION

ATTEST:

CLERK OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION

STATE OF CALIFORNIA
CITY OF LOS ANGELES
CITY OF COMPTON

I, Alita Godwin, Clerk of the Urban Community Development Commission of the City of Compton, hereby certify that the forgoing resolution was adopted by the Commission, signed by the Chairman, and attested by the Clerk at a regular meeting thereof held on the ____ day of _____ 2010.

That said resolution was adopted by the following vote, to wit:

AYES: COMMISSIONERS-
NOES: COMMISSIONERS-
ABSENT: COMMISSIONERS-
ABSTAIN: COMMISSIONERS-

CLERK OF THE URBAN COMMUNITY

#3.

DEVELOPMENT COMMISSION

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON**

Annual Financial Report

June 30, 2009

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON
Annual Financial Report
June 30, 2009**

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MACIAS GINI & O'CONNELL LLP
 Certified Public Accountants & Management Consultants

LOS ANGELES
 515 S. Figueroa Street, Suite 325
 Los Angeles, CA 90071
 213.286.6400

SACRAMENTO

OAKLAND

WALNUT CREEK

NEWPORT BEACH

SAN MARCOS

SAN DIEGO

The Urban Community Development Commission
 of the City of Compton, California

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the Community Redevelopment Agency of the City of Compton (Agency), a component unit of the City of Compton, California, as of and for the year ended June 30, 2009, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Agency as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2010 on our consideration of the Agency'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.

#3.

The Agency has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying major fund budgetary comparison schedules listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Macias Jini & O'Connell LLP

Certified Public Accountants
Los Angeles, California

February 25, 2010

BASIC FINANCIAL STATEMENTS

#3.

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON
Statement of Net Assets
June 30, 2009**

	Governmental Activities
Assets:	
Cash and investments	\$ 848,073
Restricted investments	33,782,689
Property taxes receivable	2,456,328
Accounts receivable	2,832,563
Due from City of Compton	2,662,796
Notes receivable, net	327,972
Loans receivable	19,378,887
Land held for resale	27,628,956
Capital Assets:	
Nondepreciable	1,190,859
Depreciable, net	8,021,392
Deferred bond issuance costs	759,173
Total assets	99,889,688
Liabilities:	
Accounts payable and contract retentions	1,916,889
Other accrued liabilities	1,165,668
Interest payable	802,917
Deposits	371,672
Postemployment benefit obligation	
Due within one year	388,588
Long-term liabilities:	
Due within one year	6,935,000
Due in more than one year	63,148,996
Total liabilities	74,729,730
Net assets:	
Invested in capital assets, net of related debt	2,478,996
Restricted for:	
Debt service	16,859,018
Low/moderate income housing	4,805,451
Unrestricted	1,016,493
Total net assets	\$ 25,159,958

See Accompanying Notes to Financial Statements.

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON
Statement of Activities
For the Year Ended June 30, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Net Expenses and Change in Net Assets</u>
Governmental activities:		
General government	\$ 10,540,582	\$ (10,540,582)
Pass-through payments	302,709	(302,709)
Professional services	2,512,241	(2,512,241)
Environmental and human services	2,362,389	(2,362,389)
Interest and fiscal charges	4,186,595	(4,186,595)
Total	<u>\$ 19,904,516</u>	<u>(19,904,516)</u>
General revenues:		
Incremental property taxes		28,670,115
Investment income		135,337
Other		455,488
Gain on sale of land held for resale		119,651
Total general revenues		<u>29,380,591</u>
Change in net assets		9,476,075
Net assets, beginning		<u>15,683,883</u>
Net assets, ending		<u>\$ 25,159,958</u>

See Accompanying Notes to Financial Statements.

#3.

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON
Balance Sheet
Governmental Funds
June 30, 2009**

		Capital Projects Funds		
	Debt	Capital	Low/Moderate	Total
Assets:	Service	Projects	Income	Governmental
			Housing	Funds
Cash and investments	\$ -	\$ 627,722	\$ 220,351	\$ 848,073
Restricted investments	33,782,689	-	-	33,782,689
Property taxes receivable	2,456,328	-	-	2,456,328
Accounts receivable	903,604	1,586,324	342,635	2,832,563
Due from City of Compton	-	3,037,635	-	3,037,635
Due from other funds	-	24,741,869	8,801	24,750,670
Notes receivable, net	-	327,972	-	327,972
Loans receivable	-	-	19,378,887	19,378,887
Land held for resale	-	22,300,956	5,328,000	27,628,956
Total assets	<u>\$ 37,142,621</u>	<u>\$ 52,622,478</u>	<u>\$ 25,278,674</u>	<u>\$ 115,043,773</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 1,586,324	\$ 330,565	\$ -	\$ 1,916,889
Accrued liabilities	-	1,048,585	117,083	1,165,668
Due to City of Compton	-	317,586	57,253	374,839
Due to other funds	17,592,155	6,238,515	920,000	24,750,670
Deposits	-	371,672	-	371,672
Deferred revenue	1,105,124	-	19,378,887	20,484,011
Total liabilities	<u>20,283,603</u>	<u>8,306,923</u>	<u>20,473,223</u>	<u>49,063,749</u>
Fund balances:				
Reserved:				
Notes receivable	-	327,972	-	327,972
Land held for resale	-	22,300,956	5,328,000	27,628,956
Debt service	16,859,018	-	-	16,859,018
Encumbrances	-	5,209,738	1,431,298	6,641,036
Unreserved (deficit)	-	16,476,889	(1,953,847)	14,523,042
Total fund balances	<u>16,859,018</u>	<u>44,315,555</u>	<u>4,805,451</u>	<u>65,980,024</u>
Total liabilities and fund balances	<u>\$ 37,142,621</u>	<u>\$ 52,622,478</u>	<u>\$ 25,278,674</u>	<u>\$ 115,043,773</u>

See Accompanying Notes to Financial Statements.

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2009**

Fund balances for governmental funds	\$ 65,980,024

Amounts reported for governmental activities in the statement of net assets are different because:

Long-term loans receivable are not available to pay for current period expenditures and, therefore, are shown as deferred revenue in governmental funds.	19,378,887

Property taxes receivable collectible after 60 days of year-end are not available to pay for current period expenditures and, are shown as deferred revenue in governmental funds.	1,105,124

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds:

Nondepreciable	\$ 1,190,859	
Depreciable, net	8,021,392	9,212,251

Long-term liabilities, including bonds payable, and related deferred charges are not due and payable in the current period or are not current financial resources in the case of deferred charges and, therefore, are not reported in the funds. All liabilities, both current and long-term and related deferred charges, are reported in the statement of net assets:

Long-term debt	\$ (70,083,996)	
Accrual for postemployment benefits	(388,588)	
Deferred charges for bond issuance costs (amortized over life of debt)	759,173	(69,713,411)

Accrued interest payable that is not due and payable is not reported in governmental funds.	(802,917)

Net assets of governmental activities	\$ 25,159,958

See Accompanying Notes to Financial Statements.

#3.

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON**
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

		Capital Projects Funds		
	Debt Service	Capital Projects	Low/Moderate Income Housing	Total Governmental Funds
Revenues:				
Incremental property taxes	\$ 8,386,487	\$ 19,178,504	\$ -	\$ 27,564,991
Use of money and property	135,337	214,796	13,923	364,056
Other	-	90,759	184,110	274,869
Gain on sale of land held for resale	-	119,651	-	119,651
Total revenues	<u>8,521,824</u>	<u>19,603,710</u>	<u>198,033</u>	<u>28,323,567</u>
Expenditures:				
Current:				
General government	-	3,973,994	7,347,347	11,321,341
Pass-through payments	302,709	-	-	302,709
Professional services	463,285	1,460,647	588,309	2,512,241
Environmental and human services	-	2,362,389	-	2,362,389
Debt service:				
Principal	6,585,000	-	-	6,585,000
Interest	2,091,625	-	-	2,091,625
Total expenditures	<u>9,442,619</u>	<u>7,797,030</u>	<u>7,935,656</u>	<u>25,175,305</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(920,795)</u>	<u>11,806,680</u>	<u>(7,737,623)</u>	<u>3,148,262</u>
Other financing sources (uses):				
Transfers in	-	20,210,000	3,835,696	24,045,696
Transfers out	(19,000,000)	(5,045,696)	-	(24,045,696)
Total other financing sources (uses)	<u>(19,000,000)</u>	<u>15,164,304</u>	<u>3,835,696</u>	<u>-</u>
Net change in fund balances	(19,920,795)	26,970,984	(3,901,927)	3,148,262
Fund balances, beginning	<u>36,779,813</u>	<u>17,344,571</u>	<u>8,707,378</u>	<u>62,831,762</u>
Fund balances, ending	<u>\$ 16,859,018</u>	<u>\$ 44,315,555</u>	<u>\$ 4,805,451</u>	<u>\$ 65,980,024</u>

See Accompanying Notes to Financial Statements.

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2009**

Net changes in fund balances - total governmental funds \$ 3,148,262

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay and other capital projects as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 5,250	
Less current year depreciation	<u>(410,122)</u>	(404,872)

Incremental property tax not collected within 60 days after year-end is deferred in the funds but is recognized in the statement of activities on the accrual basis of accounting. 1,105,124

The repayment of the principal of the long-term debt consumes the current financial resources of governmental funds. This transaction, however, has no effect on net assets. This amount is the effect of the difference in the treatment of long-term debt and related amortization of premiums and deferred amounts on refunding. 6,536,900

Interest and other expenses reported in the statement of activities do not require the use of current financial resources and therefore are not accrued as expenses in governmental funds.

Accrued interest	\$ 137,188	
Current year interest accretion	(2,232,157)	
Change in postemployment obligation	(388,588)	
Change in accrued compensated absences	(262,620)	
Amortization of bond issuance costs	<u>(126,529)</u>	(2,872,706)

Certain loans are recorded as expenses in the governmental funds when issued. Repayment of these long-term loans are recorded as revenues in the governmental funds when collected. However, neither of these transactions have an effect on net assets. 3,639,843

Accrual of long-term tax sharing obligation. (1,676,476)

Changes in net assets of governmental activities \$ 9,476,075

See Accompanying Notes to Financial Statements.

#3.

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NOTES TO BASIC FINANCIAL STATEMENTS

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009**

(1) Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used in preparation of the basic financial statements of the Community Redevelopment Agency (Agency) of the City of Compton (City).

(a) Reporting Entity

The Agency was created by the City Council of the City in 1967. The Agency was established pursuant to the California Community Redevelopment Law, as codified in Part 1 of Division 24 of the State of California Health and Safety Code. Through the creation of designated project areas, the Agency is broadly empowered to engage in the general acquisition and development of property in those areas of the City determined to be in a declining state.

An organization is fiscally dependent on the oversight entity if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. In a blended presentation a component unit's balances and transactions are reported in a manner similar to the balances and transactions of the City. Component units are presented on a blended basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City. The City Council members are designated as Commissioners of the Agency; and thus, the City has a continuing accountability for fiscal matters of this the Agency. Accordingly, it has been included within the basic financial statements of the City in accordance with generally accepted accounting principles.

(b) Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Agency.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges for services and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Agency considers all of its funds as major governmental funds:

- Debt Service Fund - This fund was established to finance and account for the payment of interest and principal on the Agency's outstanding long-term indebtedness. The principal sources of revenue of this fund are tax increments and investment income.

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2009**

- Capital Projects Fund – This fund is used to account for all revenues and costs of implementing various projects in accordance with the California Community Redevelopment Law and Public Financing, including acquisition of properties, cost of site improvements, and other costs of benefits to the project areas as well as administrative expenditures incurred in sustaining project activities.
- Low/Moderate Income Housing Capital Projects Fund – This fund is used to account for all projects and their administration required under redevelopment law for low and moderate income housing. Funding for this activity is from tax increment funds designated for such purpose by State Law (Health and Safety Code Section 33334.2).

(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-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 at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from property taxes is recognized in the fiscal year from which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when they are measurable and available as net current assets. The primary revenue sources susceptible to accrual are property taxes, investment income and capital projects financing sources. The Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on long-term debt which is recognized when due.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, and then use unrestricted resources as needed.

(d) Incremental Property Taxes

Incremental Property Tax Revenues represent taxes collected in the Agency's redevelopment project areas from the excess of taxes levied and collected over that amount which was levied and collected in the base year (the inception year of redevelopment project areas) property tax assessment along with a provision for inflation.

The County of Los Angeles (the "County") assesses, bills, and collects property taxes on behalf of numerous special districts and incorporated cities, including the Community Redevelopment Agency of the City of Compton. The Agency's collections of current year's taxes are received through periodic apportionments from the County.

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2009**

The County's tax calendar is from July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on the 4th Monday of September of the tax year and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Since the passage of California's Proposition 13, beginning with fiscal year ended 1978 general property taxes are based either on a flat 1% rate applied to the 1975-76 full value of the property or on 1% of the sales price of any property sold or of the cost of any new construction after the 1975-76 valuation. Taxable values of properties (exclusive of increases related to sales and new construction) can rise a maximum of 2% per year. The Proposition 13 limitation on general property taxes does not apply to taxes levied to pay the debt service on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13). For fiscal year ended June 30, 2009, the Agency's general property taxes rate is 1.45%.

Property owners of the City can appeal the assessment of their property to the County Assessment Appeals Board. Property taxable values may be reduced as a result of a successful appeal of the taxable value of property determined by the County Assessor. An appeal may result in a reduction of the County Assessor's original taxable value and tax refund to the applicant property owner. The reduction in future Project Areas taxable values and the refund of taxes affects all taxing entities.

Property taxes are considered as revenues of the project area when notification is received from the County of Los Angeles and collected within 60 days after year-end. Such tax revenues are adjusted to their net realizable values by deducting any estimated uncollectible amounts reported to the Agency.

Under terms of the covenants of the Agency's refunding tax allocation bond issue agreements, all incremental property tax revenues arising from the project area are to be deposited when collected into a designated fund administered by an independent fiscal agent and pledged to the payment of the principal and interest on the bonds, subject to the terms of the Agency's bond agreements and resolutions.

(e) Tax Increment Financing

Incremental property tax revenues are collected pursuant to the California Community Redevelopment Law and represent the excess of taxes levied and collected each year in a designated project area over and above the amount which would have been produced from the original assessed value at current rates. This original assessed value is shown on the last equalized property tax assessment roll prior to the effective date of the City Council ordinance establishing the project area. Such funds are restricted to pay the principal and the interest on loans, monies advanced to or indebtedness incurred by the Agency to finance, or refinance the designated redevelopment project.

When such loans, advances, and indebtedness of the project area and interest thereon have been paid, all monies thereafter received from taxes upon the taxable property in the project area shall be paid into the funds of the respective taxing agencies.

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2009**

(f) Investments

Investments are stated at fair value, generally based on quoted market prices. The Agency's investment in the Local Agency Investment Fund (LAIF) is part of the State Treasurer's Investment Pool operated in accordance with the California Government Code Section 16429. The reported value of the pool is the same as the fair value of the pool shares. Investments in money market mutual funds are stated at fair value which as of the year end equals the cost of the investments in the money market mutual funds.

(g) Land Held for Resale

Land Held for Resale, purchased by the Agency, is reported in the government-wide and fund financial statements at the lower of cost or estimated realizable value. Estimated realizable value is determined upon the execution of a disposition and development agreement. If resale of the land is not anticipated in the near future, a corresponding portion of the fund balance, which is not available for current expenditure, is reserved in the governmental fund financial statement.

(h) Capital Assets

Capital assets, which include land, building, structures, and equipment (including furniture), are reported in the applicable governmental activities in the accompanying government-wide statement of net assets. Capital assets are defined using guidelines established by the City. Such guidelines assert that assets with an initial individual cost of more than \$5,000 (\$50,000 for infrastructure) and an estimated useful life in excess of one year are to be considered capital assets. Such capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation on capital assets within the Agency is computed on a straight-line method using these estimated useful lives:

Building and structures	40 years
Land improvements	20 years
Equipment	5-10 years

(i) Deferred Bond Issuance Costs

In the government-wide financial statements, Deferred Bond Issuance Costs represent the unamortized portion of bond issuance costs. These costs will be amortized over the life of the related bonds using a method which approximates the effective interest method.

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2009**

(j) Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, bond issuance costs and bond refunding gains and losses are amortized over the life of the bonds, using a method that approximates the effective interest method. Net bonds payable reflect amortized bond accretion and unamortized bond discounts, premiums and refunding gains and losses.

(k) Compensated Absences

All compensated balances are accrued when earned in the government-wide financial statements and proprietary fund financial statements. Compensated absences are recorded as a liability and expenditures in the governmental funds when due and payable.

(l) Net Assets and Fund Balances

In the government-wide financial statements net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets and unrestricted net assets.

- 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 the balance in this category.
- Restricted Net Assets - This category present external restriction imposed by creditors, grantors, contributors or law or regulations of other governments and restriction imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Assets - This category represents net assets of the Agency, not restricted for any project or other purpose.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are restricted by outside parties for use for specific purposes; encumbered under contracts or purchase orders and for assets which are not available for immediate spending. Unreserved amounts are available for the Agency's operations.

(m) Use of Estimates

The preparation of the accompanying financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenditures, as well as disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2009**

(2) Cash and Investments

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 848,073
Restricted investments	<u>33,782,689</u>
 Total cash and investments	 <u><u>\$ 34,630,762</u></u>

Cash and investments at June 30, 2009 are classified as follows:

Deposit with financial institutions	\$ 244,014
Investments	<u>34,386,748</u>
 Total cash and investments	 <u><u>\$ 34,630,762</u></u>

Investments Authorized by the City's Investment Policy

The Agency utilizes the City of Compton's statement of Investment Policy. The investment policy is more conservative and restrictive than the investment vehicles authorized by Section 53601 of the California Government Code. Investment vehicles not specifically mentioned in the City's investment policy are not authorized unless the policy is amended by the City Council or are approved as part of the provisions of the bond indentures.

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON**
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2009

Investments are limited to:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentages of Portfolio *</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Bills	5 years	None	None
U.S. Treasury Notes	5 years	None	None
Federal Agency Securities	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	15%
Bankers' Acceptances	180 days	40%	15%
Commercial Paper	270 days	15%	15%
Repurchase Agreements	90 days	None	15%
Reverse Repurchase Agreements	90 days	20%	15%
Time Deposits	5 years	25%	15%
Medium Term Corporate Notes	5 years	30%	15%
Money Market Funds	None	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	15%
Mutual Funds	5 years	20%	None

* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

Investments Authorized by Debt Agreements

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

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON**
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2009

Investments are limited to:

Authorized Investment Type	Maximum Maturity	Maximum Percentages of Portfolio	Maximum Investment In One Investor
U.S. Treasury Notes	5 years	30%	None
Federal Agency Securities	5 years	30%	None
Negotiable Certificates of Deposit	5 years	None	30%
Bankers' Acceptances	180 days	40%	15%
Commercial Paper	270 days	40%	None
Repurchase Agreements	90 days	None	None
Time Deposits	None	25%	None
Money Market Funds	None	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Guaranteed Investment Contracts	30 years	None	None

Disclosures Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months) 12 Months or Less
Held by Fiscal Agent:		
Money market mutual funds	\$ 33,782,689	\$ 33,782,689
State investment pool	604,059	604,059
Total	<u>\$ 34,386,748</u>	<u>\$ 34,386,748</u>

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON**
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2009

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 year-end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>AAA</u>	<u>Not Rated</u>
Held by Fiscal Agent:				
Money market mutual funds	\$ 33,782,689	AAA	\$ 33,782,689	\$ -
State investment pool	604,059	N/A	-	604,059
Total	<u>\$ 34,386,748</u>		<u>33,782,689</u>	<u>\$ 604,059</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. Investments issued explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are exempt. GAAP requires disclosure of certain investments in any one issuer that represent 5% or more of total investments. As of June 30, 2009, the Agency does not have such investment.

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2009**

Investment in State Investment Pool

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. 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 provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The total amount invested by all public agencies in LAIF as of June 30, 2009 was \$25.2 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2009 had a balance of \$50.7 billion, of that amount, 14.71% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 235 days as of June 30, 2009.

(3) Notes Receivable

The notes receivable as of June 30, 2009 are composed of the following:

<u>Borrower</u>	<u>Balance</u>	<u>Allowance</u>	<u>Balance, Net</u>
Bakewell and Bunkley Investment Company	\$ 3,500,000	\$ (3,172,028)	\$ 327,972
Other loans	80,885	(80,885)	-
	<u>\$ 3,580,885</u>	<u>\$ (3,252,913)</u>	<u>\$ 327,972</u>

In May 2006, outstanding notes receivable from Bakewell and Bunkley Investment Company, Compton Commercial Development Company, and Compton Commercial Plaza Company were relieved by a Mutual Release of Claims and Settlement Agreement. The Agreement relieved all parties involved from all existing debt obligations; however, it created the new debt obligation of \$3,500,000. The Agency expected to receive only the difference between the new and old loans. Therefore, the difference was transferred into an allowance for doubtful accounts.

#3.

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON**
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2009

(4) Interfund Receivables, Payables and Transfers

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Debt service fund	\$ -	\$ 17,592,155
Capital projects fund	24,741,869	6,238,515
Low/moderate income housing capital projects fund	<u>8,801</u>	<u>920,000</u>
	<u>\$ 24,750,670</u>	<u>\$ 24,750,670</u>

These interfund balances result from the time lag between the dates that reimbursable expenditures occur and payments between funds are made.

	<u>Transfers in</u>		
	<u>Low/Moderate</u>		
	<u>Capital Projects Fund</u>	<u>Income Housing Fund</u>	<u>Sub-Total</u>
Transfers out:			
Debt service fund	\$ 19,000,000	\$ -	\$ 19,000,000
Capital projects fund	<u>1,210,000</u>	<u>3,835,696</u>	<u>5,045,696</u>
Total	<u>20,210,000</u>	<u>3,835,696</u>	<u>24,045,696</u>

Interfund transfers were primarily used to fund capital improvements and debt service payments.

(5) Due from the City of Compton

The Agency reported due from the City of \$2,662,796 as of June 30, 2009. This outstanding balance results from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments from the City are made.

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON**
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2009

(6) Capital Assets

A summary of changes in capital assets for the year ended June 30, 2009 is as follows:

	Balance at July 1, 2008	Additions	Balance at June 30, 2009
Capital Assets, not Being Depreciated:			
Land	\$ 1,190,859	\$ -	\$ 1,190,859
Total Capital Assets, not Being Depreciated	<u>1,190,859</u>	<u>-</u>	<u>1,190,859</u>
Capital Assets, Being Depreciated:			
Buildings and structures	11,183,144	-	11,183,144
Land improvements	1,227,859	-	1,227,859
Equipment	<u>147,188</u>	<u>5,250</u>	<u>152,438</u>
Total Capital Assets, Being Depreciated	<u>12,558,191</u>	<u>5,250</u>	<u>12,563,441</u>
Less Accumulated Depreciation for:			
Buildings and structures	(3,153,860)	(261,916)	(3,415,776)
Land improvements	(913,892)	(133,085)	(1,046,977)
Equipment	<u>(64,175)</u>	<u>(15,121)</u>	<u>(79,296)</u>
Total Accumulated Depreciation	<u>(4,131,927)</u>	<u>(410,122)</u>	<u>(4,542,049)</u>
Total Capital Assets, Being Depreciated, Net	<u>8,426,264</u>	<u>(404,872)</u>	<u>8,021,392</u>
Governmental Activities			
Capital Assets, Net	<u>\$ 9,617,123</u>	<u>\$ (404,872)</u>	<u>\$ 9,212,251</u>

Depreciation expense of \$410,122 was reported within general government expense in the accompanying Statement of Activities for the year ended June 30, 2009.

#3.

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2009**

(7) Long-Term Debt

As of June 30, 2009, long-term debt consisted of the following:

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate/Yield</u>	<u>Amount of Issue</u>	<u>Outstanding at June 30, 2009</u>
1995 Series "C" refunding tax allocation capital appreciation bonds - taxable (The outstanding balance of \$29,797,303 includes \$19,659,773 of accreted value)	07/01/95	08/01/24	7.94%	\$ 10,137,530	\$ 29,797,303
2006 Series "A" refunding tax allocation bonds - tax exempt	07/06/06	08/01/13	5.00%	51,215,000	<u>38,540,000</u>
Total Bonds Outstanding					68,337,303
Less: Deferral on refunding					(1,305,332)
Add: Bond premium					1,112,929
Tax sharing indebtedness					1,676,476
Compensated absences					<u>262,620</u>
Total Long-Term Debt					<u>\$ 70,083,996</u>

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON**
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2009

The following is a summary of the changes in long-term debt outstanding for the year ended June 30, 2009:

	<u>Balance at July 1, 2008</u>	<u>Addition</u>	<u>Deletions</u>	<u>Balance at June 30, 2009</u>	<u>Amounts Due Within One Year</u>
2006 Series "A" refunding					
tax allocation bonds - tax exempt	\$ 45,125,000	\$ -	\$ (6,585,000)	\$ 38,540,000	\$ 6,935,000
Less: Deferral on refunding	(1,631,665)	-	326,333	(1,305,332)	-
Add: Bond premium	1,391,162	-	(278,233)	1,112,929	-
	<u>44,884,497</u>	<u>-</u>	<u>(6,536,900)</u>	<u>38,347,597</u>	<u>6,935,000</u>
1995 Series "C" refunding tax					
allocation capital appreciation					
bonds - taxable	10,137,530	-	-	10,137,530	-
Interest accretion	17,427,616	2,232,157	-	19,659,773	-
	<u>27,565,146</u>	<u>2,232,157</u>	<u>-</u>	<u>29,797,303</u>	<u>-</u>
Tax sharing obligations					
Tax sharing indebtedness	-	1,676,476	-	1,676,476	-
Compensated absences	<u>-</u>	<u>262,620</u>	<u>-</u>	<u>262,620</u>	<u>-</u>
Total Governmental					
Activities Long-Term					
Liabilities	<u>\$ 72,449,643</u>	<u>\$ 4,171,253</u>	<u>\$ (6,536,900)</u>	<u>\$ 70,083,996</u>	<u>\$ 6,935,000</u>

Compton Redevelopment Project Refunding Tax Allocation Bonds, Series 2006A

On July 6, 2006, the Agency issued \$51.2 million in Tax Allocation Bonds with an average interest rate of 5.0 percent to advance refund \$32 million of outstanding 1995A Series bonds, \$14.7 million of outstanding 1995B Series bonds, and \$9.3 million of outstanding 1995-1 Series bonds.

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2009, \$51 million of bonds outstanding are considered defeased.

The 2006A Tax Allocation bonds are special obligations of the Agency, which are secured by an irrevocable pledge of the tax revenues payable to the Agency. Total principal and interest remaining on the bonds is \$44,518,750, payable through August 2013.

For the current year, principal and interest paid and total incremental property tax revenues, were \$8,676,625 and \$27,564,991 respectively.

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2009**

1995 Series “C” Refunding Tax Allocation Capital Appreciation bonds

The 1995 Series “C” Refunding Tax Allocation Capital Appreciation bonds were issued in 1995 but repayment of the liability will commence in 2014 to end in 2024. During the grace period before loan payment commences, the interest on the bond is added as an accretion to the bond balance. The amount of the bond is \$10,137,530 while total accretion as of June 30, 2009 is \$19,659,773.

The 1995 Series “C” Tax Allocation Capital Appreciation bonds are special obligations of the Agency, which are secured by an irrevocable pledge of the tax revenues payable to the Agency. Total principal and interest remaining on the bonds is \$63,800,011, payable through August 2024. There were no principal and interest payments made during the year. For the current year, the total incremental property tax revenues were \$27,564,991.

The annual requirements to amortize all Agency bonds outstanding as of June 30, 2009 are as follows (accreted interest through June 30, 2009 is included in interest payments):

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 6,935,000	\$ 1,927,000
2011	7,305,000	1,580,250
2012	7,690,000	1,215,000
2013	8,090,000	830,500
2014	8,520,000	426,000
2015 - 2019	5,682,028	23,317,973
2020 - 2024	4,455,502	30,344,508
Total Debt Service Payments	48,677,530	<u>\$ 59,641,231</u>
Add: Accretion to date	19,659,773	
Total Principal, June 30, 2009	<u><u>\$ 68,337,303</u></u>	

Tax Sharing Obligation

The Agency received revenues from property taxes collected on its behalf by Los Angeles County. A portion of the property tax revenue is required to be deposited in a trust fund to be established by and administered for the Compton Unified School District unless the amount is spent on a mutually beneficial and agreed project between the Agency and the Compton Unified School District. As of the year end, the amount of the property tax sharing which has not been spent on a mutually agreed project, and which may be payable to the Compton Unified School District was \$1,676,476.

The Agency has an agreement with Los Angeles County regarding the County’s share of property taxes relating to a portion of the Agency’s redevelopment areas. The agreement indicated that this tax share (amounting to \$20.6 million as of the year-end) shall be utilized and will not be payable to the County if the Agency executes mutually agreed projects. The agreement also indicated that

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2009**

the amount shall be deferred and shall be subordinated to the indebtedness of the Agency in these financial statements. The amount has not been included as indebtedness of the Agency in these financial statements.

(8) First Time Home Buyers Assistance and Residential Rehabilitation Assistance Programs

The City's Community Redevelopment Agency provided assistance to residents and home owners of the community. This assistance was in the form of first time home buyers assistance and residential rehabilitation assistance programs.

First Time Home Buyers Assistance Program:

The First Time Home Buyers program consists of a second mortgage or mortgage subsidy, which reduces the price of a home to an affordable level, thus enabling a first time home buyer to qualify for the purchase of a home. The second mortgage is in the form of a silent second trust deed loan. The maximum loan amount is \$100,000 for moderate income borrowers and \$150,000 for low income borrowers. The loan is interest-free and does not require monthly repayment. After five years, the loan is reduced 10% annually. Ultimately, if the borrower lives in the property for 15 years consecutively, the loan is forgiven and treated as a grant to the borrower. Both the property and the applicant must meet certain criteria in order to be eligible to participate in the program. The total amount of the first time home buyers' assistance granted by the Agency during the year was \$4,268,407, the amount collected as loan repayment was \$181,573 and the amount treated as grant (written-off) was \$446,991. The loans receivable balance as of the year end was \$19,378,887.

Residential Rehabilitation Assistance Program:

This program comprises the Fix-It Repair Grant, Emergency Assistance Grant and Deferred Equity Loan. The Fix-It grant provides up to \$7,000 to assist low to moderate income, owner occupied households with minor repairs in their homes. No repayment or lien is required for this program as it is strictly a grant. The Emergency Assistance Grant is designed to assist low income, owner occupied households of single family homes within the City limits with extreme emergency repairs subject to a maximum of \$10,000. The beneficiary is required to repay the grant to the Agency only upon the sale, refinance, and transfer, foreclosure of the property or the death or relocation of the home owner from the property. The Deferred Equity Loan is provided to low / moderate-income home owners who meet the eligibility criteria subject to a maximum of \$25,000. The beneficiary is required to repay the loan only upon the sale, refinance, transfer or foreclosure of the property within 10 years of the loan. After 10 years, the loan is forgiven and treated as a grant. The total amount of the residential rehabilitation assistance granted during the year was \$735,167. This amount has been reported as expenditure in these financial statements as it is improbable that any of the grants or the deferred equity loan will become receivable.

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2009**

(9) Other Information

(a) Pension Plan Description

The pension plan described in the following paragraph relates to the City of Compton in which the Redevelopment Agency is a component unit. Information relating to the City applies to the Agency because the pension and post employment benefits are maintained by the City for all employees of the City including those of the component unit as a whole.

The City maintains three separate defined benefit pension plans for miscellaneous, safety-fire, and safety-police employees, which provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan for miscellaneous employees is an agent multi-employer public employee defined benefit plan, while the plan for safety-fire and safety-police employees are a cost-sharing multi-employer public employee defined benefit plan. The plans are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for the participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

The contribution paid during the year that relate to the Agency was \$998,618, which is allocated to the Agency by the City based on the payroll costs incurred by the Agency.

For further information related to the pension plan, please refer to the City's basic financial statements included in its Comprehensive Annual Financial Report (CAFR).

(b) Postemployment Benefits

The postemployment benefits described in the following paragraphs related to the City of Compton in which the Redevelopment Agency is a component unit. Information relating to the City applies to the Agency because the pension and postemployment benefits are maintained by the City for all employees of the City includes those of the component units as a whole.

The City provides retiree medical benefits under the CalPERS health plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

For year ended June 30, 2009, \$388,588 of postemployment benefits obligation is allocated to the Agency by the City based on the payroll costs incurred by the Agency.

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2009**

For further information related to postemployment benefits, please refer to the City's basic financial statements included in its Comprehensive Annual Financial Report (CAFR).

(10) Related Party Transactions

The Agency entered into an agreement with the City of Compton for the lease of the office space occupied by the Agency. The lease rental provides for the yearly payment of \$680,618 to the City of Compton by the Agency for the use of the office space.

Further, the City of Compton provides technical, administrative, and other support services to the Agency. Payments for such services by the Agency are based on direct cost of the particular services rendered to the Agency and on apportionment of indirect costs based on the City cost allocation plan. Specifically the direct costs were related to purchases and payments made to vendors by the City on behalf of the Agency and overtime cost of Park & Recreation personnel involved in the activities of the Agency. The total cost of the services during the fiscal year was \$3,421,555.

(11) Subsequent Event – SERAF

On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county "Supplemental" Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011.

The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Agency's share of this revenue shift is approximately \$8.3 million in fiscal year 2009-2010 and \$1.7 million in fiscal year 2010-2011. Payment is to be made on or before May 10 of the applicable year. In response to AB 26 4x, the Agency will fund this SERAF payment from its property tax revenues for the fiscal years 2009-2010 and 2010-2011.

The California Redevelopment Association (CRA) is the lead petitioner on a lawsuit to invalidate AB 26 4x, similar to last year's successful lawsuit challenging the constitutionality of AB 1389. CRA filed its lawsuit in October 2009. The lawsuit will assert that the transfer of property tax increment to the SERAF is not permitted under Article XVI, Section 16 of the California Constitution. The complaint will also assert impairment of contract and gift of public funds arguments. While the State made adjustments in AB 26 4x to address the constitutional issues raised by the Superior Court over last year's lawsuit challenging AB 1389, the Agency, along with the CRA and other California redevelopment agencies, believe that the SERAF remains unconstitutional.

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**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON
Debt Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2009**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Incremental property taxes	\$ 10,036,617	\$ 8,386,487	\$ (1,650,130)
Use of money and property	285,650	135,337	(150,313)
Total revenues	<u>10,322,267</u>	<u>8,521,824</u>	<u>(1,800,443)</u>
Expenditures:			
Current:			
Pass-through payments	-	302,709	(302,709)
Professional services	426,800	463,285	(36,485)
Debt service:			
Principal	7,803,843	6,585,000	1,218,843
Interest	2,091,625	2,091,625	-
Total expenditures	<u>10,322,268</u>	<u>9,442,619</u>	<u>879,649</u>
Deficiency of revenues under expenditures	<u>(1)</u>	<u>(920,795)</u>	<u>(920,794)</u>
Other financing uses:			
Transfers out	-	(19,000,000)	(19,000,000)
Total other financing uses	<u>-</u>	<u>(19,000,000)</u>	<u>(19,000,000)</u>
Net change in fund balance	(1)	(19,920,795)	(19,920,794)
Fund balance, beginning	<u>36,779,813</u>	<u>36,779,813</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 36,779,812</u></u>	<u><u>\$ 16,859,018</u></u>	<u><u>\$ (19,920,794)</u></u>

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**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON
Capital Projects Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2009**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Incremental property taxes	\$ 15,696,910	\$ 19,178,504	\$ 3,481,594
Use of money and property	200,000	214,796	14,796
Other	-	90,759	90,759
Gain on sale of land held for resale	-	119,651	119,651
	<u>15,896,910</u>	<u>19,603,710</u>	<u>3,706,800</u>
Total revenues			
Expenditures:			
Current:			
General government	8,074,641	3,973,994	4,100,647
Professional services	4,662,837	1,460,647	3,202,190
Environmental and human services	<u>24,358,165</u>	<u>2,362,389</u>	<u>21,995,776</u>
Total expenditures	<u>37,095,643</u>	<u>7,797,030</u>	<u>29,298,613</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(21,198,733)</u>	<u>11,806,680</u>	<u>33,005,413</u>
Other financing sources (uses):			
Transfers in	7,002,304	20,210,000	13,207,696
Transfers out	<u>-</u>	<u>(5,045,696)</u>	<u>(5,045,696)</u>
Total other financing sources (uses)	<u>7,002,304</u>	<u>15,164,304</u>	<u>8,162,000</u>
Net change in fund balance	<u>(14,196,429)</u>	<u>26,970,984</u>	<u>41,167,413</u>
Fund balance, beginning	<u>17,344,571</u>	<u>17,344,571</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 3,148,142</u></u>	<u><u>\$ 44,315,555</u></u>	<u><u>\$ 41,167,413</u></u>

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON
Low/Moderate Income Housing Capital Projects Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2009**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ 165,000	\$ 13,923	\$ (151,077)
Other	75,000	184,110	109,110
Total revenues	240,000	198,033	(41,967)
Expenditures:			
Current:			
General government	9,708,675	7,347,347	2,361,328
Professional services	722,171	588,309	133,862
Total expenditures	10,430,846	7,935,656	2,495,190
Excess (deficiency) of revenues over (under) expenditures	(10,190,846)	(7,737,623)	2,453,223
Other financing sources:			
Transfers in	2,665,692	3,835,696	1,170,004
Total other financing sources	2,665,692	3,835,696	1,170,004
Net change in fund balance	(7,525,154)	(3,901,927)	3,623,227
Fund balance, beginning	8,707,378	8,707,378	-
Fund balance, ending	\$ 1,182,224	\$ 4,805,451	\$ 3,623,227

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MACIAS GINI & O'CONNELL LLP
 Certified Public Accountants & Management Consultants

LOS ANGELES
 515 S. Figueroa Street, Suite 325
 Los Angeles, CA 90071
 213.286.6400

SACRAMENTO

OAKLAND

WALNUT CREEK

NEWPORT BEACH

SAN MARCOS

SAN DIEGO

The Urban Community Development Commission
 Of the City of Compton, California

**Independent Auditor's Report on Internal Control Over Financial Reporting
 and on Compliance and Other Matters Based on an Audit of Financial Statements
 Performed in Accordance with *Government Auditing Standards***

We have audited the financial statements of the governmental activities and each major fund of the Community Redevelopment Agency of the City of Compton (Agency), a component unit of the City of Compton, California, as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements, as listed in the table of contents, and have issued our report thereon dated February 25, 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of current year findings and recommendations as items 09-01, 09-02, 09-03, 09-04, 09-05, 09-06, 09-07, 09-08, 09-09, 09-10, 09-11, 09-12, 09-13, 09-14, 09-15, 09-16, 09-17, 09-18, 09-19, 09-20 and 09-21 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. Of the significant deficiencies described in the accompanying schedule of current year findings and recommendations, we consider items 09-01, 09-02, 09-03, 09-05, 09-08, 09-09, 09-10, 09-11, 09-12, 09-13, 09-14, 09-15, 09-16, 09-17, 09-18, 09-19, 09-20 and 09-21 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, 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's Office 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying current year findings and recommendations as item 09-22, 09-23, 09-24, 09-25, 09-26 and 09-27.

The Agency's response to the findings identified in our audit are described in the accompanying current year findings and recommendations. We did not audit the Agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Urban Community Development Commission, management of the Agency, and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Macias Tini & O'Connell LLP

Certified Public Accountants
Los Angeles, California

February 25, 2010

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Current Year Findings and Recommendations
For The Year Ended June 30, 2009**

The City Council members are designated as Commissioners of the Agency and City employees perform some services for the Agency; and thus, the City has a continuing accountability for fiscal matters of the Agency. The reference to City Council or City employees in the following findings is intended to reflect their respective roles for the Agency.

Financial Statement Findings

Finding Related to Finance and Treasurer:

Finding 09-01 - Lack of Budget Control

Criteria:

Per GAO Internal Control Standards issued in November 1999, "... all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination." Furthermore, per Resolution 21,925, "The City Manager may transfer budgeted amounts from one object to another object if they are within the same fund group, by no more than \$5,000 per object. A budgetary transfer of more than \$5,000 per object may only be authorized by a resolution of City Council."

Condition:

The budget is one of the key controls used by the Agency to ensure expenditures are properly authorized. The Agency requires budget modification forms to be submitted for budget changes that are less than \$5,000 or between budget line items. This budget modification form is to be approved by Department Head, City Controller, and City Manager. For budget increases in excess of \$5,000, a budget amendment is required. Budget amendments are to be approved by City Council. Approved budget changes are recorded by the Controller in IFAS by Senior Accountant upon the City Controller's review. During our review of budget modifications, we noted there was no evidence of the required approvals for budget modifications for amounts totaling \$9,733,438.

Effect:

Without proper budget control, the Agency has increased risks of misuse or unauthorized use of funds.

Recommendation:

We recommend the Agency develop, document, and implement policies and procedures to ensure all budget changes are properly authorized.

Management Response:

The Agency already has policies and procedures in the City's Financial Policies and Procedures Manual regarding approval of budget modification by the City Council.

The budget modifications will be listed and presented to the City Council for ratification / approval on a quarterly basis.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Current Year Findings and Recommendations (Continued)
For The Year Ended June 30, 2009**

Finding 09-02- Lack of basis for salary allocation

Criteria:

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, sets forth guidance for support of salaries and wages and standards regarding time distribution and payroll documentation. Such guidance, while not directly applicable to the Agency in a year where no amounts are charged to federal awards, provides a set of best practices standards:

1. Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
2. No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
3. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
4. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on: (a) More than one Federal award, (b) A Federal award and a non Federal award, (c) An indirect cost activity and a direct cost activity, (d) Two or more indirect activities which are allocated using different allocation bases, or (e) An unallowable activity and a direct or indirect cost activity.
5. Personnel activity reports or equivalent documentation must meet the following standards: (a) They must reflect an after the fact distribution of the actual activity of each employee, (b) They must account for the total activity for which each employee is compensated, (c) They must be prepared at least monthly and must coincide with one or more pay periods, (d) They must be signed by the employee and, (e) budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.
6. Substitute systems for allocating salaries and wages to Federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort. (a) Substitute systems which use sampling methods (primarily for Temporary Assistance to Needy Families (TANF), Medicaid, and other public

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Current Year Findings and Recommendations (Continued)
For The Year Ended June 30, 2009**

assistance programs) must meet acceptable statistical sampling standards including: (i) The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in subsection (c); (ii) The entire time period involved must be covered by the sample; and (iii) The results must be statistically valid and applied to the period being sampled. (b) Allocating charges for the sampled employees' supervisors, clerical and support staffs, based on the results of the sampled employees, will be acceptable. (c) Less than full compliance with the statistical sampling standards noted in subsection (a) may be accepted by the cognizant agency if it concludes that the amounts to be allocated to Federal awards will be minimal, or if it concludes that the system proposed by the governmental unit will result in lower costs to Federal awards than a system which complies with the standards.

7. Salaries and wages of employees used in meeting cost sharing or matching requirements of Federal awards must be supported in the same manner as those claimed as allowable costs under Federal awards.

Condition:

During our payroll testwork, we noted that salary expenses from various departments, such as City Attorney, City Controller, City Manager, Information Technology, Housing, Planning, and many more were allocated to the Agency's funds based on budget estimates, determined before the services are performed. There is no support of allocation of salaries and wages in accordance with standards regarding time distribution and payroll documentation as set forth in OMB A-87. The Agency subsequently identified eligible expenditures related to the Recreation and Parks departments incurred during the year ended June 30, 2009 to charge to the program in lieu of the budget allocation. The Agency also subsequently allocated overhead expenditures associated with City Central Service departments based on percentages previously identified in the 2007-2008 cost allocation plan prepared by a third party specialist. The remaining ineligible expenditures were absorbed by the City's General Fund.

Effect:

Costs may not be allocable to the Agency's funds in accordance with relative benefits received.

Recommendation:

We recommend the City develop, document, and implement policies and procedures to ensure salaries expenses are allocated in accordance with relative benefits received.

Management Response:

The City implemented a Cost Allocation Plan in the fiscal year 2009/2010 to ensure that the basis of allocation / apportionment of costs (including Salaries) is properly documented and consistently applied.

Finding 09-03 - Lack of Oversight in Financial Statements Preparation

Criteria:

Statement of Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation of the financial statements, including the notes to the financial statements in conformity with U.S. generally accepted accounting principles. The Agency's external auditor cannot be part of the system of internal control. The standards also define a

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Current Year Findings and Recommendations (Continued)
For The Year Ended June 30, 2009**

lack of oversight and understanding of the financial reporting process as a significant deficiency, which includes the selection and application of accounting principles that are in conformity with generally accepted accounting principles.

Condition:

The Agency did not have adequate internal controls to ensure accurate and complete financial statements. During our review of the Agency's prepared financial statements for its Redevelopment Agency, we noted several accruals and recognition of long-term receivables and payables which lacked adequate support. We also noted the Agency did not have an audit committee or its equivalent, who should have oversight responsibility for the financial statements.

Effect:

Inadequate oversight over financial statements preparation results in a material weakness over financial reporting process.

Recommendation:

We recommend the Agency develop, document, and implement internal control policies and procedures over financial statements preparation to ensure accurate and complete financial statements. We also recommend the Agency establish an audit committee or its equivalent to provide oversight over audit related matters including the financial statements and the system of internal controls over financial reporting.

Management Response:

Although the Agency does not have an Audit Committee, the oversight controls over financial statements preparation was provided by the City Controller. The Controller's Office will improve controls regarding validation of data obtained from other City departments and also strengthen controls over financial statement preparation.

Finding 09-04 - Notes Receivable - Lack of Supporting Documentation

Criteria:

According to the Standards for Internal Control in the Federal Government issued by the United States Government Accountability Office, "... all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation ... may be in paper or electronic form."

Condition:

The Agency has recorded notes receivable totaling \$80,855, for which there is no supporting documentation. However, the Agency has established an allowance for the entire balance at June 30, 2009.

Effect:

The lack of supporting documentation can impact the collectability of notes receivable.

Recommendation:

We recommend the Agency develop, document, and implement policies and procedures to ensure all

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Current Year Findings and Recommendations (Continued)
For The Year Ended June 30, 2009**

transactions and other significant events are clearly documented and readily available for examination.

Management Response:

The Agency is developing a policy and system to document, monitor and record all loans receivables due to the Agency.

The policy will be implemented January 2010. The responsible individuals are Dr. Kofi Sefa- Boayke, Director of Redevelopment and Michael Antwine, Deputy Director of Redevelopment.

Finding 09-05 - No Automatic Interface

Criteria:

According to the Standards for Internal Control in the Federal Government issued by the United States Government Accountability Office, "Financial information is needed for both external and internal uses. It is required to develop financial statements for periodic external reporting, and on a day-to-day basis, to make operating decisions, monitor performance, and allocate resources. Pertinent information should be identified, captured, distributed in a form and time frame that permits people to perform their duties efficiently."

Condition:

The City utilizes ADP for payroll system, IFAS for general ledger system, Springbrook for cash receipt and utility billing system, and Valley Oak System (VOS) for workers compensation and general liability claims. There is no automatic interface between these systems to IFAS, general ledger system. All interfaces were done manually and/or through journal entries. No automatic interface resulted in discrepancies noted in several financial statement areas, such as cash, receivables, prepayments, revenues, and expenditures. In addition, we also noted that sometimes there were difficulties in transferring cash receipt data from Springbrook to IFAS, which delayed information transmission to the general ledger.

Effect:

No automatic interface between critical information systems results in failure to deliver pertinent financial information accurately and timely.

Recommendation:

We recommend the City develop and implement automatic interfaces among critical information systems. We also recommend the City utilize an enterprise management system, which serves its financial reporting and operation needs.

Management Response:

The City is currently reviewing some ERP system for a possible replacement of the existing systems. Some of the factors being considered include fund availability and possibility of custom programs to link the existing disparate systems. The primary staff member responsible for this procedure is the Deputy City Controller (Stephen Ajobiewe), with oversight from the City Controller (Willie Norfleet). However, we noted the City has implemented mitigating controls. Currently, the City performs payroll reconciliations to ensure payroll expenses reported per ADP agreed to the general ledger.

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Finding 09-06 - No Cost Allocation Plan

Criteria:

Most governmental units provide certain services, such as motor pools, computer centers, purchasing, accounting, etc., to operating agencies on a centralized basis. Since federally-supported awards and other cost centers are performed within the individual operating agencies, there needs to be a process whereby these central service costs can be identified and assigned to benefitted activities on a reasonable and consistent basis. The central service cost allocation plan provides that process. All costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal awards and other cost objectives.

Condition:

During our audit, we noted the City did not have a cost allocation plan, which is used as documentation to identify, accumulate, and allocate or develop billing rates based on the allowable costs of services provided by a governmental unit on a centralized basis to its departments and agencies. The City either allocated these costs based on budget or did not allocate these costs to Federal award and other cost objectives.

Effect:

Costs may not be allocable to Federal award and other cost objectives in accordance with relative benefits received.

Recommendation:

We recommend the City develop, document, and implement a cost allocation plan to ensure costs are allocable to Federal awards and other cost objectives in accordance with relative benefits received.

Management Response:

The City has a cost allocation plan which will be implemented in the fiscal year 2009/10's budget process. The primary staff member responsible for this procedure is the Deputy City Controller (Stephen Ajobiewe), with oversight from the City Controller (Willie Norfleet).

Finding 09-07 - Treasurer's Investment Report

During our testing of cash and investments, we noted the following conditions:

- The Investment Reports for the period ended June 30, 2009 did not include investments held by third parties (fiscal agents) as required by Government Code Section 53646 (b) (1).
- The Investment Report for the period ended June 30, 2009 did not include investment ratings as required by Government Code Section 53646 (b) (1).

Recommendation:

We recommend that:

- The City establish and follow a policy to comply with all Government Code requirements relating to cash and investments.

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- Reconciled cash balances be reported in the Investment Report.

Management Response:

The City Treasurer will review the referenced Sections of the California Government Code to determine their applicability. If they are applicable, the Treasurer will comply with the requirements.

Findings Related to Information Technology:

Finding 09-08 - Outdated IT Job Descriptions

Condition:

Updated position descriptions are a critical element of an effective management and serves to set clear expectations about job performance for employees. Generally, position descriptions should be updated every three to five years. Our review found that the job descriptions for the Information and Technology Systems Department (IT) were outdated; one of the IT position description dating back to 1995. Outdated job descriptions could create misunderstanding of job expectations.

Currently, IT management has reported that City job descriptions have been drafted and are under review by the Human Resources Department. The Human Resources Department has reported that there are currently ongoing discussions with the City bargaining unit about them and after completion of discussions and agreement with the City bargaining unit, City job descriptions must then be approved by City Council. There is no expected date at which the job descriptions will be approved.

Recommendation:

The City Information Systems Director, working in conjunction with City Human Resources (HR) Department, should continue to formalize the adoption of updated job descriptions and determine a timeframe for their completion.

Management Response:

IT management is in agreement with the above recommendation. The IT Job Descriptions are currently under review with the HR Department and City Manager. Once adopted, they will be implemented.

Finding 09-09 - An IT Strategic Plan Has Not Been Developed

Condition:

IT industry standards recommend that sound IT organizations should have an IT strategic plan in place that addresses the goals and objectives of the Department and how those goals and objectives will be met and measured. The City Information Systems Director had prepared an internal 2009 IT Strategic Plan, but the Plan did not include input from City department heads or City executive management. In developing the plan, the Information Systems Director considered the IT needs of the City and its respective departments. The Information Systems Director reported that cuts in the budget have adversely affected IT related planning. Further, the City had not yet formed an IT Steering Committee.

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Recommendation:

The City should continue with the development and implementation of the draft IT Strategic Plan and also form IT Steering Committee that will provide oversight to the Plan. In conjunction with this development, the City IT Department should also institute plans and procedures to ensure that the plan is periodically reviewed and updated and the status of the project is communicated to the City Manager.

Management Response:

IT management is in agreement with the above recommendation and will have an IT Steering Committee. All City Directors have been a part of the City's new ERP application project and have been a part of the team that sets the requirements needed for all programming related to the City. IT management will include Directors as necessary, when changes affects their department. The Strategic Plan has been developed and will give be given consideration by City Management.

Finding 09-10 - No Formal IT Risk Management Program Has Been Implemented

Condition:

IT industry standards recommend the implementation of IT risk assessments, which serve as a basic internal control to identify potential threats and other vulnerabilities of the City's information network. Our review found that the City has not had an independent IT risk assessment performed of its IT infrastructure. Without a risk assessment, the City has no formal means to identify high risks areas for intrusion, fraud, and other malicious or internal threats that would need remediation.

The City Information Systems Director reported that an IT risk assessment, to be performed by an external firm, has been scheduled for February 2010.

Recommendation:

The City IT Department should conduct an IT risk assessment to ensure that IT risks are properly identified and addressed. After implementing any recommended corrective actions, the City should conduct periodic evaluations to assess the effectiveness of the risk mitigation measures.

Management Response:

IT management is in agreement with above recommendation. The Information Systems Department has already commenced the bidding process for the risk assessment test. Once awarded and the purchase order is processed, the assessment will be completed within 90 days.

Finding 09-11 - The City Lacks Proper Segregation of Duty Controls within the Financial Application

Condition:

IT industry standards require access controls to financial management systems to be strictly monitored and granted to selected employees. We noted that the City does not formally review access rights to ensure that user accounts are up to date, are appropriate for their job duties, and a proper segregation of duties has been established and maintained. As a result, we could not determine whether five persons in the City Controller's Office (Controller) should have full access within the IFAS financial management system. Additionally, other persons in the Controller's Office may have access beyond what is required for their current duties and responsibilities. We also noted that the Human Resources (HR) and Payroll

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personnel inappropriately have access to both human resources data and payroll data of ADP payroll system. Inadequate segregation of duties could lead to misstatements of the City's financial information due to abuse, error, or fraud.

Recommendation:

The City's IT Manager, working with the application and data owners, should develop and implement procedures to ensure that the authorization roles within the financial and HR applications are periodically reviewed by the application owners to ensure they are up to date and enforce a proper segregation of duties.

Management Response:

IT management has been working with the owners of the software and has made recommendations but is waiting for final approval from the Directors. This process is in request for over 90 days old.

Finding 09-12 - Network Password Configuration Requirements are Inadequate

Condition:

Network password configuration controls serve as a critical defense against unauthorized access for internal and external threats. Although there has been no formal approval by the City Manager, password configuration requirements are in effect for the City's network. We determined the current password requirements for accessing the City's network are configured for:

- 8 character minimum password length
- 90 day expiration period
- Minimum password age of 3 days
- 6 password history remembered
- Password must meet complexity requirements
- Account lockout after five invalid logon attempts

The password requirement settings within the network environment meet all the best practices requirements except for the number of password histories remembered. Best practices recommend at least 12, while current network settings are for six.

The City did not provide information on password configuration settings for access to its financial application. Without this information, we are unable to provide verification of appropriate password configuration settings for the City's financial system.

Recommendation:

The City's Information Systems Director, working in conjunction with the City Manager's office or IT Steering Committee, should develop and implement password configuration requirements for accessing the City financial applications. These electronic policies should be consistent with the paper policies previously identified. Per best practices, the financial applications will be configured to require user account passwords to adhere to the following standards:

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- Length of between 7 and 14 characters
- Expiration period of between 30 and 90 days
- A minimum password age of 1 day before a password can be changed
- A password history of at least 12, meaning a password must be changed at least 12 times before it can be reused
- An account lockout threshold of between 3 and 5, meaning 3 to 5 failed logons will lock a user's account and require the IT department to re-set the password for the user

As for the City's network, the City's IT Department manager should strengthen the password requirement settings for password history remembered from 6 to at least 12.

Management Response:

IT management is in agreement with the above recommendation. The IT Department has made formal policy that is pending in the HR Department and City Attorney's office. Once approved, the IT Department will make the necessary changes except for the financial software which is incompatible with the requested recommendation. Once the new ERP application is installed, the recommended changes can be administered.

Finding 09-13 - The City Lacks a Formal Policy and Procedure for Granting Network Administrator Access

Condition:

The City does not have formal policies and procedures defining which positions or duties would require administrator access to the City network environment: Enterprise Schema and Domain Administrative groups within MS Active Directory. This requirement should ensure that only a minimum number of personnel are granted network administrator authorizations within the network environment and that they are properly approved for access. Without a formal review of this type of administrator access within the network, an undue number of personnel may be granted this high level of authority within the network, increasing the risk of unauthorized activities or changes being made to the network.

The City Information Systems Director reported that formal policies and procedures defining which positions or duties would require administrator access to the City network environment are currently under review with the Human Resources Department and the bargaining units.

Recommendation:

The City Information Systems Director and City Human Resources department should continue to work to adopt and implement a formal policy defining which positions or duties should be granted access to the network environment at the Administrator level. This guideline or policy should ensure that only a minimal amount of personnel are allowed access and that the access is critical to the performance of their duties and properly approved by the Information Systems Director.

Management Response:

IT management is in agreement with the above recommendation. Once the draft policy that has been submitted is approved by the City Attorney's office, it will become a part of the City's Standard Operating Procedure.

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Finding 09-14 - The City Lacks Formal Policy and Procedures for User Access Termination

Condition:

The City does not currently have formally adopted policies and procedures to ensure that terminated employees, contractors, temps, or interns are removed from network, application and database access as soon as the departure is recognized. Without assurance that terminated personnel are removed from network, application and database access, the City is at increased risk of malicious activity occurring within the network. The Information Systems Director reported that the Human Resources Department has drafted policies and procedures and they are under review by the City's bargaining unit. After completion of discussions and agreement with the City bargaining unit, the policies and procedures must be approved by City Council.

Recommendation:

The City Information Systems Director, working in conjunction with City Human Resources Department, should work to adopt and implement policies and procedures as soon as possible to ensure that departing employees, temps, interns and contractors are removed from network, application and database access as soon the departure is recognized.

Management Response:

IT management is in agreement with the above recommendation. Once the draft policy that has been submitted is approved by the City Attorney's office, it will become a part of the City's Standard Operating Procedure.

Finding 09-15 - Formal Data and Application Owners have not been Assigned

Condition:

Formal data and application owners for the financial applications and information managed within the applications have not been established. It is the formal data and application owners who should be the final authorization for granting personnel user accounts to the applications and reviewing user authorization roles. Without this formal assignment of responsibility, it cannot be assured that the proper authorizing authority is providing the needed oversight over who is granted access to the applications and data.

Recommendation:

The City Manager, working in conjunction with the Information Systems Director, should establish formal data and application owners for all of the financial applications used by the City. User account setups should ultimately be approved by the formal data and application owner (or a formal designee) as well as the user's authorization roles within the application.

Management Response:

IT management is in agreement and has implemented the recommendation above.

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Finding 09-16 - There is no Audit Trail for New User Account Authorizations and Creation

Condition:

The City has not formally adopted policies and procedures that would ensure all users that have been granted access to the network, applications and databases are properly approved. The City Information Systems Director reported that some policies and procedures have been drafted and provided to the Human Resources Department which is in negotiations with City Bargaining Units.

Recommendation:

The City Information Systems Director, working in conjunction with the City Human Resources Department, should adopt and implement policy and procedures to ensure that all users granted access to the network, applications and databases are properly approved and that the authorization audit trail is maintained.

Management Response:

IT management is in agreement with the above recommendation. Once the draft policy that has been submitted is approved by the City Attorney's office, it will become a part of the City's Standard Operating Procedure.

Finding 09-17 - The City Lacks a Formal Computer Usage Policy

Condition:

While policies and procedures regarding the City's Computer Usage Policy have been drafted and provided to the Human Resources Department which is in negotiations with City Bargaining Units, they are still being reviewed by the City Bargaining Units and there is no expected date at which the policies and procedures will be approved.

The draft "City of Compton Preliminary Security and Procedures" provided to us does not address the following IT-related issues identified in our 2008 audit:

- Physical security of IT assets. Personnel should be made aware of City expectations that computer assets assigned an individual will be maintained and secured appropriately (i.e. not left unattended or unsecured, not left in a car, etc.).
- Ownership of information, data and software on City IT assets. Users should be made aware that all software and data on City IT assets are the sole property of the City.
- City Access to Computer Information and Hardware: Personnel should be made aware that the City may inspect or monitor any City owned, leased, or controlled equipment including inspection of email and internet usage.

Recommendation:

The City Information Systems Director should update the current draft of the City Computer Usage Policy to include the additional IT-related areas noted above and work with the City Manager to have it adopted as soon as possible.

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Management Response:

IT management is in agreement with the above recommendation. Once the draft policy that has been submitted is approved by the City Attorney's office, it will become a part of the City's Standard Operating Procedure.

Finding 09-18 - No Logging for Database Changes is being Accomplished

Condition:

Proper system controls allow the ability to track and identify when changes are made to financial system tables or other configurations. Currently, the City does not have controls in place to track and monitor coding and configuration changes to the HR/Payroll and Financial systems. Without the controls in place, the City is at risk of undetectable fraud or abuse.

Recommendation:

The Information Systems Director, working in conjunction with the City Manager, should investigate the feasibility of implementing logging of changes being made to the database. These logs should be periodically reviewed for malicious or unauthorized activity. Alternatively, the City could consider other types of database monitoring systems or software.

Management Response:

IT management is in agreement with the above recommendation. The IT Department has made recommendations to address this issue but lacks the authority from the governing Departments to implement changes. Recommendations have been sent to the City Manager for approval.

Finding 09-19 - The IT Department does not have Formal Policy and Procedure for Monitoring or Reviewing Security Logs

Condition:

The City does not currently have formally adopted policies and procedures that would help ensure that unauthorized access control systems are properly monitored within the City's IT network. The City Information Systems Director has reported that policies and procedures have been drafted and provided to the Human Resources Department which is in negotiations with City Bargaining Units. There is no expected date at which the policies and procedures will be approved.

In practice there is no regular and structured review of the security logs currently being conducted.

Recommendation:

The City Information Systems Director should immediately adopt and implement policies and procedures to ensure that security logs are reviewed at frequent intervals for timely identification of unauthorized access attempts and corrective actions are immediately taken to address the risk.

Management Response:

IT management is in agreement with the above recommendation. Once the draft policy that has been submitted is approved by the City Attorney's office, it will become a part of the City's Standard Operating Procedure.

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Finding 09-20 - Segregation of Duties on Payroll Jobs is Lacking

Condition:

Policies and procedures that would help ensure a proper segregation of duties on payroll jobs have not been formally adopted. The City Information Systems Director reported that policies and procedures have been drafted and provided to the Human Resources Department which is in negotiations with City Bargaining Units. The content of policies and procedures is subject to review by the Bargaining Units, and possible change. There is no expected date at which the policies and procedures will be approved.

We were provided with access request forms for the payroll function which show roles and responsibilities for 3 employees. However, the forms were not signed by a designated data or application owner.

We were provided with evidence of current levels of access to the City's financial system; however, they were not developed pursuant to formal policies and procedures nor through discussion with the Controller's Office.

Recommendation:

The City should adopt and implement policies and procedures to ensure a proper segregation of duties on payroll jobs. Job functions should be defined in such a way as to require manager approval over all transactions and inputs from clerical staff. No single person should have the ability to conduct all steps in the payroll transaction process.

Management Response:

IT management is in agreement with the above recommendation. Once the draft policy that has been submitted is approved by the City Attorney's office, it will become a part of the City's Standard Operating Procedure.

General Finding:

Finding 09-21 - Non-compliance with the City's procurement policies and procedures

Criteria:

The City Council members are designated as Commissioners of the Agency; and thus, the City has a continuing accountability for fiscal matters of this the Agency.

According to the City Council Resolution No. 22,271 adopted on April 10, 2007, a purchase order in an amount greater than \$25,000 requires adoption of City Council Resolution prior to being executed; in addition, the following purchase order procedures are required:

1. Purchase Orders for the same vendor, for the acquisition of related goods/services, and occurring in the same fiscal year shall be treated as one combined Purchase Order for purpose of determining if the \$25,000 threshold is met.
2. A new addition to an existing Purchase Order shall be combined with the original Purchase Order and any previous additions to the Purchase Order for purpose of determining if the \$25,000 threshold is met.

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3. Purchase Orders will not be split in order to avoid the \$25,000 threshold, including splits near the cutoff between fiscal years.

Condition:

Of sixty vendors with payments in excess of \$25,000 tested for fiscal year 2009, four did not have the proper approval from the City Council.

Effect:

The City is not in compliance with its own procurement policies and procedures. The situation above could also lead to creation of and payment to fraudulent vendors.

Recommendation:

We recommend the City enforce procurement policies and procedures to ensure all payments in excess of \$25,000 are properly authorized by the Council. We also recommend the City implement a centralized purchasing system to ensure multiple payments to the same vendor without Council Resolutions or warrants do not exceed \$25,000 limit.

Management Response:

The City will strengthen monitoring controls to ensure that the \$25,000 rule is strictly adhered to.

Compliance Findings

Finding 09-22 - Noncompliance with Conflict of Interest Requirement

Criteria:

According to California Code of Regulations Title 2 §18700 – 18753 and Government Code §87207, public disclosure statements should require disclosure of financial interests in real property, investments, and other business income sources or positions. In addition, public disclosure statements should be filed annually. The submission deadline is April 1 the following year.

Condition:

In accordance with the City Council Resolution No. 12,121, officials are required to submit annual public disclosure statements (Form 700) for the period January 1 to December 31, 2008. Of 6 required officials tested, we noted 2 officials submitted Form 700 after the deadline.

Effect:

The Agency was not in compliance with California Code of Regulations Title 2 §18700 – 18753 and Government Code §87207.

Recommendation:

The Agency should develop, document, and implement policies and procedures to ensure all officials submit annual public disclosure statements timely.

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Management Response:

The designated filing officer of the City Clerk's Office will continue to notify all filers of their filing obligation. All non-compliance issues will be referred to the Office of the City Attorney.

The City Attorney's Office will increase its efforts to ensure that timely compliance is achieved among its officials that are required to complete Form 700. Significant improvement should be obtained by the next fiscal year.

Finding 09-23 – Non-Compliance in Reporting

Criteria:

Pursuant to Health & Safety Code §33080, the Agency is required to submit the following reports within 6 months after the fiscal year end date (December 31 for fiscal year end date June 30):

- a) Independent auditor's report on financial statements
- b) Independent auditor's report on legal compliance
- c) Annual Report of Financial Transactions of Community Redevelopment Agencies (Fiscal Statement), Health & Safety Code §33080.5
- d) Housing activities report, Health & Safety Code §33080.4 and §33080.7
- e) Blight progress report (specifies actions and expenditures made in the previous fiscal year to alleviate blight). Health & Safety Code §33080.4
- f) Loan report (identifies loans [receivable] which equal or exceed \$50,000 and that were found by the Agency during the previous fiscal year to have either defaulted or not complied with the terms of agreements approved by the agency), Health & Safety Code §33080.4
- g) Property report (describes properties owned by the Agency and those acquired in the previous fiscal year). Health & Safety Code §33080.4

Condition:

The Agency did not prepare and submit the required reports on a timely basis. The independent auditor's report on financial statements and the independent auditor's report on compliance for the year ended June 30, 2008 were submitted on April 20, 2009, 110 days past the due date of December 31, 2008. In addition, the Agency also submitted late the required State Controller's Report (SCR) and the HCD Schedules for the year ended June 30, 2008.

Effect:

The Agency was not in compliance with Health & Safety Code §33080.

Questioned Costs:

Not applicable

Recommendation:

We recommend the Agency develop, document, and implement policies and procedures to ensure required reports are submitted timely. In the case an audit has not been completed, the Agency should submit unaudited financial statements and indicate that since the financial report included unaudited information/data, the information/data could change when the audit is completed.

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Management Response:

The Agency has developed a procedure and policy for submitting all State mandated reports timely. In addition, the Agency has incorporated a process into our procedure that will allow for the submission of unaudited financial statements. This policy was implemented in December 2009. The responsible individuals are Dr. Kofi Sefa-Boakye, Director of Redevelopment and Michael Antwine, Deputy Director of Redevelopment.

Finding 09-24 - No Physical Development for Acquired Property

Criteria:

Health & Safety Code §33334.16 states that if physical development of the property has not begun by the end of the extended period or 10 years, or if the Agency does not comply with this requirement, the property shall be sold and the moneys from the sale, less reimbursement to the Agency for the cost of the sale, shall be deposited in the Agency's Low and Moderate Income Housing Fund.

Condition:

During our review of four properties acquired, using \$5,328,000 of Housing funds, we noted that physical development of property had not begun by an extended period or 10 years.

Effect:

The Agency was not in compliance with Health & Safety Code §33334.16.

Questioned Costs:

\$5,328,000

Recommendation:

The Agency should develop, document, and implement policies and procedures to ensure all properties acquired using Housing funds are developed before the end of extended periods or 10 years. The Agency should initiate action to comply with the requirements of Health and Safety Code §33334.16 described in the criteria section of this finding above.

Management Response:

The Agency implemented a policy derived from the Health and Safety Code §33334.16 that develops a policy to ensure that properties acquired with Housing Funds are developed within a 10 year period.

This policy was implemented in January 2010. In addition, the Agency has worked a repayment schedule with the City and Controller's Office. The repayment of parks to the Agency's Low Cost Housing fund will occur prior to June 2010. The responsible individuals are Dr. Kofi Sefa-Boayke, Director of Redevelopment and Michael Antwine, Deputy Director of Redevelopment.

Finding 09-25 - Lack of evidence of public notification of hearings

Criteria:

Redevelopment agencies must ensure that the general public is provided access to meetings, in accordance with the Ralph M. Brown Act (Open Meetings Law, *Government Code §54950 et seq.*).

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Condition:

We were unable to obtain documentation of the Agency's public notification of hearings.

Effect:

The Agency was not in compliance with Government Code §54950.

Questioned Costs:

Not applicable

Recommendation:

We recommend the Agency develop, document, and implement policies and procedures to ensure that the general public is provided access to meetings, in accordance with the Ralph M. Brown Act (Open Meetings Law, *Government Code §54950 et seq.*).

Management Response:

The Agency has developed a policy to document and record copies and proof of all notifications of public hearings. This policy was coordinated in conjunction with the City Clerk's Office.

The policy was implemented in December 2009. The responsible individuals are Dr. Kofi Sefa-Boayke, Director of Redevelopment and Michael Antwine, Deputy Director of Redevelopment.

Finding 09-26 - No Affordable Housing Monitoring

Criteria:

According to Health & Safety Code §33418, the Agency is required to monitor the level of affordable housing provided to low and moderate income households. In accordance with the law, the Agency shall require property owners or managers of such housing to submit an annual report to the Agency. For rentals, this report must include the rental rate, income, and family size of occupants for each rental unit. For each owner-occupied unit, the report must include information as to whether there was an ownership change from the prior year and, if so, the income and family size of the owners. The income information shall be supplied by the tenant in a certified statement on a form provided by the Agency. This statute also requires that information obtained by the Agency in this regard be reported annually to the State Department of Housing and Community Development and to the State Controller's Office.

Condition:

During our testwork of affordable housing, we noted that the Agency did not monitor the level of affordable housing for low and moderate income households. We also noted that the Agency did not submit the annual report regarding level of affordable housing for the year ended June 30, 2008 to the Department of Housing and Community Development and to the State Controller's Office.

Effect:

The Agency was not in compliance with Health & Safety Code §33418.

Questioned Costs:

Not applicable

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Recommendation:

The Agency should develop, document, and implement policies and procedures to monitor the level of affordable housing for low and moderate income households and submit the annual report to the Department of Housing and Community Development and to the State Controller's Office.

Management Response:

The Agency has developed a policy and system to ensure that all State mandated reports are submitted timely.

The policy was implemented in December 2009. The responsible individuals are Dr. Kofi Sefa-Boayke, Director of Redevelopment and Michael Antwine, Deputy Director of Redevelopment.

Finding 09-27 - Inaccurate Statement of Indebtedness

Criteria:

Pursuant to Health & Safety Code §33675, the Agency is required to submit a Statement of Indebtedness (SOI) no later than October 1 for each year. Furthermore, Health & Safety Code §33675 (c) (1) states that the statement of indebtedness shall contain all of the following:

- (i.) Date the loan, advance, or indebtedness was incurred or entered into.
- (ii.) The principal amount, term, purpose, interest rate, and total interest of each loan, advance, or indebtedness.
- (iii.) The principal amount and interest due in the fiscal year in which the statement of indebtedness is filed for each loan, advance, or indebtedness.
- (iv.) The total amount of principal and interest remaining to be paid for each loan, advance, or indebtedness.

Condition:

The Agency reported \$267,472,260 of total debt outstanding as of June 30, 2009 on the SOI for fiscal year 2008-2009. Changes in indebtedness reported in the reconciliation statement section did not agree to the Agency's financial records. In addition, approximately \$4.7 million reported as City of Compton Lease Agreement was not supported by any documentation.

Effect:

The Agency was not in compliance with Health & Safety Code §33675.

Questioned Costs:

Not applicable

Recommendation:

We recommend the Agency develop, document, and implement policies and procedures to ensure outstanding debt reported in the SOI is accurately stated and supported by the Agency's records. We also recommend the Agency prepare and submit a revised SOI to appropriate parties.

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Management Response:

The Agency has implemented a policy to ensure that all debt recorded on the SOI are valid and accurate. This policy was implemented in December 2009. In addition, the Agency is in the process of working out the terms of a lease agreement between the City and the Community Redevelopment Agency.

That agreement should be entered into during fiscal year 2009-2010. The responsible individuals are Dr, Kofi Sefa-Boayke, Director of Redevelopment and Michael Antwine, Deputy Director of Redevelopment.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Status of the Prior Year Findings and Recommendations
For The Year Ended June 30, 2009**

Financial Statement Findings

Finding Related to Finance and Treasurer:

Finding 08-01 - Lack of Control in Cash Disbursement – Adding New Vendors

Criteria:

According to the Standards for Internal Control in the Federal Government issued by the United States Government Accountability Office, “Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.”

Condition:

During our review of the cash disbursement process, we noted that there is no segregation of duties between adding new vendors and processing accounts payable. In addition, the City’s policy requires a signed Form W-9 and the initiating department head’s signature before adding a new vendor to IFAS. However, we noted that accounts payable personnel can input new vendor information without any approval or review.

Effect:

Lack of segregation of duties could lead to creation of and payment to fraudulent vendors.

Recommendation:

We recommend the City segregate the duties of adding new vendors to non-accounts payable personnel. In addition, we recommend the City develop, document, and implement policies and procedures to require signed Forms W-9 and the initiating department head’s approval before adding a new vendor.

Current Status:

Fully implemented.

Finding 08-02 - No Automatic Interface

Criteria:

According to the Standards for Internal Control in the Federal Government issued by the United States Government Accountability Office, “Financial information is needed for both external and internal uses. It is required to develop financial statements for periodic external reporting, and on a day-to-day basis, to make operating decisions, monitor performance, and allocate resources. Pertinent information should be identified, captured, distributed in a form and time frame that permits people to perform their duties efficiently.”

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For The Year Ended June 30, 2009**

Condition:

The City utilizes ADP for payroll system, IFAS for general ledger system, Springbrook for cash receipt and utility billing system, and Valley Oak System (VOS) for workers compensation and general liability claims. There is no automatic interface between these systems to IFAS, general ledger system. All interfaces were done manually and/or through journal entries. No automatic interface resulted in discrepancies noted in several financial statement areas, such as cash, receivables, prepayments, revenues, and expenditures. In addition, we also noted that sometimes there were difficulties in transferring cash receipt data from Springbrook to IFAS, which delayed information transmission to the general ledger.

Effect:

No automatic interface between critical information systems results in failure to deliver pertinent financial information accurately and timely.

Recommendation:

We recommend the City develop and implement automatic interfaces among critical information systems. We also recommend the City utilize an enterprise management system, which serves its financial reporting and operation needs.

Current Status:

Not implemented. Please see Finding 09-05.

Finding 08-03 - Lack of Segregation of Duties between Payroll and Human Resources Function

Criteria:

According to the Standards for Internal Control in the Federal Government issued by the United States Government Accountability Office, "Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event."

Condition:

The City requires any change in personnel status and/or payroll to be documented through a personnel action form (PA 101). PA 101 is to be approved by the Department Manager, Human Resources Director, City Controller, and City Manager. The approved PA 101 will be given to the Payroll Division at the City Controller's Office (Payroll), who will initiate personnel changes, including salary rates in the payroll system. However, there is no review or comparison performed against PA 101 by non-Payroll personnel to ensure the accuracy and validity of changes made in the payroll system.

Effect:

No segregation of duties between changing personnel information and processing payroll results in greater error and fraud risks.

Recommendation:

We recommend the City have Human Resources or other non-Payroll related personnel review the accuracy of personnel changes in the payroll system.

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Current Status:

Fully implemented.

Finding 08-04 - Lack of Control of Safeguard of Cash and Check Stocks

Criteria:

According to the Standards for Internal Control in the Federal Government issued by the United States Government Accountability Office, "An agency must establish physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment which might be vulnerable to risk of loss or unauthorized use. Such assets should be periodically counted and compared to control records."

Condition:

During our review of the cash receipt process, we noted that there is no limit on how much cash that cashiers may hold in their drawers before they transfer cash to the vault. In addition, during our review of the cash disbursement process we noted that the City's blank checks related to Risk Management are kept in a locked cabinet. However, all accounting staff at the City Controller's Office has access to the locked cabinet.

Effect:

Vulnerable assets, such as cash and blank checks have higher exposure to risk of loss or unauthorized use.

Recommendation:

We recommend the City develop, document, and implement policies and procedures to establish physical control to secure and safeguard vulnerable assets. For cash, we recommend the City set limits of how much cash may be in cashiers' drawers throughout the day. The amount of cash in excess of the limit should be transferred to the vault. For check stock, we recommend that the City periodically account for check numbers used and unused as an additional control over the safeguard of the checks.

Current Status:

Fully implemented.

Finding 08-05 - Lack of Control in Cash and Investment Process

Criteria:

According to the Standards for Internal Control in the Federal Government issued by the United States Government Accountability Office, "Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. " In addition, the Standards for Internal Control in the Federal Government issued by the United States Government Accountability Office also mentions, "Transactions and other significant events should be authorized and executed only by persons acting within the scope of their authority. This is the principal means of assuring that only valid transactions to exchange, transfer, use, or commit resources and other events are initiated or entered into. Authorizations should be clearly communicated to managers and employees."

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Condition:

During our review of the cash and investment process, we noted that the Treasurer's Office utilized online banking systems to obtain cash balances for the day. The Treasurer's Office did not maintain a record of cash receipts and disbursements to track its cash balances, sources, and purposes. For example, we noted that there was approximately \$1 million in three bank accounts that have been inactive for more than ten years. Furthermore, we noted that all bank balances in excess of \$2 million would be directly invested in various investment vehicles, such as the Local Agency Investment Fund (LAIF), certificates of deposit (CDs), etc. These investments were made by the Deputy Treasurer without any review or approval.

Effect:

Without maintaining its own records, the Treasurer is not able to track its cash balances. Since the Treasurer did not know the City's "true" cash balance, the City could be in a position to not be able to fulfill its obligations timely. Cash needed could be in non-liquid or unauthorized investments.

Recommendation:

We recommend the Treasurer's Office coordinate with the Controller's Office to establish a record keeping system to account for all cash received and disbursed. We also recommend the Treasurer's Office develop, document, and implement policies and procedures to ensure all investments are properly reviewed and approved. In addition, we recommend the Treasurer and Controller's Office develop cash flow projections assessing cash needs, and relate those needs to the availability of invested funds.

Current Status:

Fully implemented.

Finding 08-06 - No Cost Allocation PlanCriteria:

Most governmental units provide certain services, such as motor pools, computer centers, purchasing, accounting, etc., to operating agencies on a centralized basis. Since federally-supported awards and other cost centers are performed within the individual operating agencies, there needs to be a process whereby these central service costs can be identified and assigned to benefitted activities on a reasonable and consistent basis. The central service cost allocation plan provides that process. All costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal awards and other cost objectives.

Condition:

During our audit, we noted the City did not have a cost allocation plan, which is used as documentation to identify, accumulate, and allocate or develop billing rates based on the allowable costs of services provided by a governmental unit on a centralized basis to its departments and agencies. The City either allocated these costs based on budget or did not allocate these costs to Federal award and other cost objectives.

Effect:

Costs may not be allocable to Federal award and other cost objectives in accordance with relative benefits received.

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CITY OF COMPTON
Status of the Prior Year Findings and Recommendations (Continued)
For The Year Ended June 30, 2009**

Recommendation:

We recommend the City develop, document, and implement a cost allocation plan to ensure costs are allocable to Federal awards and other cost objectives in accordance with relative benefits received.

Current Status:

Not implemented. Please see Finding 09-06.

Finding 08-07 - Inaccurate Interest Income Allocation

Criteria:

Pursuant to SAS No. 106, there are four relevant assertions related to presentation and disclosure:

- *Occurrence and Rights and Obligations.* Disclosed events have occurred and pertain to the entity
- *Completeness.* All disclosures that should have been included in the financial statements have been included.
- *Classification and Understandability.* Financial information is appropriately presented and described and disclosures are clearly expressed.
- *Accuracy and Valuation.* Financial information is disclosed fairly and at appropriate amounts.

Condition:

The City has 146 separate funds. 24 out of 146 funds have their own bank accounts. The remaining funds are deposited to the City's general account. Upon review of the interest income allocation worksheet prepared by the City Controller's Office, we noted the City did not allocate interest income received by the City's general account proportionally. The City allocated interest income only to 9 out of 146 funds. 24 federal grants related funds were not allocated interest income.

Effect:

Funds which do not have separate bank accounts were not allocated interest income.

Recommendation:

We recommend the City develop, document, and implement policies and procedures to allocate interest income proportionately to each fund.

Current Status:

Fully implemented.

Finding 08-08 - Inadequate Year End Closing Process

Condition:

We noted several accounts whose balance had not been evaluated as part of year end closing procedures resulting in several proposed adjusting journal entries related primarily to accounts payable, accrued liabilities, due to other funds, and due from other funds.

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Effect:

Inadequate year end closing process resulted in numerous audit adjustments and contributed to a delay in issuance of the financial statements.

Recommendation:

We recommend the City develop, document, and implement policies and procedures to complete the analysis of the general ledger, such as accounts payable and accrued liabilities, prior to closing the general ledger to assure the financial statement account balances are accurately reported. This enhancement to the closing process should result in at least reduction in the number of audit adjustments required.

Current Status:

Fully implemented.

Finding 08-09 - Treasurer's Investment Report

During our testing of cash and investments, we noted the following conditions:

- The Investment Reports for the period ending June 30, 2008 did not include investments held by third parties (fiscal agents) as required by Government Code Section 53646 (b) (1).
- The Investment Report for the period ending June 30, 2008 did not include investment ratings as required by Government Code Section 53646 (b) (1).

Recommendation:

We recommend that:

- The City establish and follow a policy to comply with all Government Code requirements relating to cash and investments.
- Reconciled cash balances be reported in the Investment Report.

Current Status:

Not implemented. Please see Finding 09-07.

Findings Related to Information Technology:***Finding 08-10 - Outdated IT Job Descriptions***Condition:

Updated position descriptions are a critical element of an effective management and serves to set clear expectations about job performance for employees. Generally, position descriptions should be updated every three to five years. Our review found that the job descriptions for the Information and Technology Systems Department (IT) job descriptions were outdated; one of the IT position description dating back to 1995. Outdated job descriptions could create misunderstanding of job expectations.

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CITY OF COMPTON
Status of the Prior Year Findings and Recommendations (Continued)
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Recommendation:

The City IT Department, working in conjunction with City Human Resources (HR) Department, should update its position descriptions to the current IT roles and responsibilities carried out by staff.

Current Status:

City job descriptions have been drafted and are under review by the Human Resources Department, who reported ongoing discussions with the City bargaining unit about them. After completion of discussions and agreement with the City bargaining unit, City job descriptions must be approved by City Council. There is no expected date at which the job descriptions will be approved. Please see Finding 09-08.

Finding 08-11 - An IT Strategic Plan Has Not Been Developed

Condition:

IT industry standards recommend that sound IT organizations should have an IT strategic plan in place that addresses the goals and objectives of the Department and how those goals and objectives will be met and measured. The City of Compton is in the process of developing a formalized IT strategic plan. In conjunction with this, an IT Steering Committee is also being formed. The draft IT Strategic Plan will be presented to the City Manager for official review and approval by August 1, 2009.

Recommendation:

The City should continue with the finalization and implementation of the draft IT Strategic Plan. In conjunction with this development, the City IT Department should also institute plans and procedures to ensure that the plan is periodically reviewed and updated and the status of the project is communicated to the City Manager.

Current Status:

The City had not yet formed an IT Steering Committee.

The City Information Systems Director had prepared an internal 2009 IT Strategic Plan, but the Plan did not include input from City department heads or City executive management. In developing the plan, the Information Systems Director considered the IT needs of the City and its respective departments. The Information Systems Director reported cuts in the budget adversely affected IT related planning. Please see Finding 09-09.

Finding 08-12 - No Formal IT Risk Management Program Has Been Implemented

Condition:

IT industry standards recommend the implementation of IT risk assessments, which serve as a basic internal control to identify potential threats and other vulnerabilities of the City's information network. Our review found that the City has not had an independent IT risk assessment performed of its IT infrastructure. Without a risk assessment, the City has no formal means to identify high risks areas for intrusion, fraud, and other malicious or internal threats that would need remediation.

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Status of the Prior Year Findings and Recommendations (Continued)
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Recommendation:

The City IT Department should conduct an IT risk assessment to ensure that IT risks are properly identified and addressed. Upon implementing any recommended corrective actions, the City should conduct periodic evaluations to assess the effectiveness of the risk mitigation measures.

Current Status:

An IT risk assessment, to be performed by an external firm, has been rescheduled by the City's IT Director for February 2010. Please see Finding 09-10.

Finding 08-13 - The City Lacks Proper Segregation of Duty Controls within the Financial Application

Condition:

IT industry standards require access controls to financial management systems to be strictly monitored and granted to selected employees. We noted that the City does not formally review access rights to ensure that user accounts are up to date, are appropriate for their job duties, and a proper segregation of duties has been established and maintained. As a result, we could not determine whether five persons in the City Controller's Office (Controller) should have full access within the IFAS financial management system. Additionally, other persons in the Controller's Office may have access beyond what is required for their current duties and responsibilities. We also noted that the Human Resources (HR) and Payroll personnel inappropriately have access to both human resources data and payroll data of ADP payroll system. Inadequate segregation of duties could lead to misstatements of the City's financial information due to abuse, error, or fraud.

Recommendation:

The City's IT Manager, working with the application and data owners, should develop and implement procedures to ensure that the authorization roles within the financial and HR applications are periodically reviewed by the application owners to ensure they are up to date and enforce a proper segregation of duties.

Current Status:

The City does not conduct testing of authorization roles or provide review to ensure user roles and accounts are up to date. Other matters have required the attention to the Information Systems Director. There are no plans at this time to implement this testing. Please see Finding 09-11.

Finding 08-14 - Network Password Configuration Requirements are Inadequate

Condition:

Network password configuration controls serve as a critical defense against unauthorized access for internal and external threats. Although IT industry standards have established generally accepted protocols for password and network access controls, the City has not yet implemented them. We determined the current password requirements for accessing the City's network are configured for:

- A length of at least 6 characters in comparison to IT industry standards that require a length of between 7 to 14 characters.
- An expiration period of 180 days in comparison to IT industry standards that require an expiration period of between 30 and 90 days.

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Status of the Prior Year Findings and Recommendations (Continued)
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- No minimum password aging period in comparison to IT industry standards that require a minimum password age of 1 day before a password can be changed.
- Password history: The prior six passwords are invalid in comparison to IT industry standards that require the last 12 to 24 passwords.
- Lockout threshold of five attempts with a lockout duration of 60 minutes for failed logons in comparison to IT industry standards that require system administrator intervention after three to five failed logon attempts.

Recommendation:

The City's IT Department manager, working in conjunction with the City Manager's office or IT Steering Committee, should develop and implement password configuration requirements for accessing the City network, applications and databases. These electronic policies should be consistent with the paper policies previously identified. Per best practices, the network, applications and databases will be configured to require user account passwords to adhere to the following standards:

- Length of between 7 and 14 characters
- Expiration period of between 30 and 90 days
- A minimum password age of 1 day before a password can be changed
- A password history of at least 12, meaning a password must be changed at least 12 times before it can be reused
- An account lockout threshold of between 3 and 5, meaning 3 to 5 failed logons will lock a user's account and require the IT department to re-set the password for the user

Current Status:

Partially Implemented For Network Access

Not Implemented for the City's Financial Application

Although there has been no formal approval by the City Manager, password configuration requirements are in effect for the City's network. We were provided with a screen shot of GPO settings for the City's IT network, which included:

- 8 character minimum password length
- 90 day expiration period
- Minimum password age of 3 days
- 6 password history remembered
- Password must meet complexity requirements: Enabled
- Account lockout after five invalid logon attempts

The password requirement settings within the network environment meet all the best practices requirements except for the number of password histories remembered. Best practices recommend at least 12, while current network settings are for six.

The City did not provide information on password configuration settings for access to its financial application. Without this information, we are unable to provide verification of appropriate password configuration settings for the City's financial system. Please see Finding 09-12.

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Status of the Prior Year Findings and Recommendations (Continued)
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Finding 08-15 - The City Lacks a Formal Policy and Procedure for Granting Network Administrator Access

Condition:

The City does not have formal policies and procedures defining which positions or duties would require administrator access to the City network environment: Enterprise Schema and Domain Administrative groups within MS Active Directory. This requirement should ensure that only a minimum number of personnel are granted network administrator authorizations within the network environment and that they are properly approved for access. Without a formal review of this type of administrator access within the network, an undue number of personnel may be granted this high level of authority within the network, increasing the risk of unauthorized activities or changes being made to the network.

Recommendation:

The City's IT Department manager should develop and implement a formal policy defining which positions or duties should be granted access to the MS Active Directory network environment at the Administrator level. This guideline or policy should ensure that only a minimal amount of personnel are allowed access and that the access is critical to the performance of their duties and properly approved by the IT Department manager.

Current Status:

Formal policy regarding network administrator access is under review with Human Resources and the bargaining units. The City does not have an expected date of completion. Please see Finding 09-13.

Finding 08-16 - The City Lacks Formal Policy and Procedures for User Access Termination

Condition:

The City does not have formal policies and procedures to ensure that terminated employees, contractors, temps, or interns are removed from network, application and database access as soon as the departure is recognized. Without assurance that terminated personnel are removed from network, application and database access, the City is at increased risk of malicious activity occurring within the network.

Recommendation:

The City's IT Department, working in conjunction with City HR department, should develop and implement policies and procedures to ensure that departing employees, temps, interns and contractors are removed from network, application and database access as soon the departure is recognized.

Current Status:

The HR Department drafted policies and procedures that are under review by the City's bargaining unit. After completion of discussions and agreement with the City bargaining unit, policies and procedures must be approved by City Council. There is no expected date at which they will be approved. Please see Finding 09-14.

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Status of the Prior Year Findings and Recommendations (Continued)
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Finding 08-17 - Formal Data and Application Owners have not been Assigned

Condition:

Formal data and application owners for the financial applications and information managed within the applications have not been established. It is the formal data and application owners who should be the final authorization for granting personnel user accounts to the applications and reviewing user authorization roles.

Recommendation:

The City Manager, working in conjunction with the IT manager, should establish formal data and application owners for all of the financial applications used by the City. User account setups should ultimately be approved by the formal data and application owner (or a formal designee) as well as the user's authorization roles within the application.

Current Status:

In process.

The City Controller is reviewing a data and application owners list, which is expected to be completed by the end of the calendar year 2009. Please see Finding 09-15.

Finding 08-18 - There is no Audit Trail for New User Account Authorizations and Creation

Condition:

There is no audit trail available to ensure that new user accounts are properly approved and that only minimal authorizations are granted within the network and applications.

Recommendation:

The City IT department, working in conjunction with the City HR department, should develop and implement policy and procedures to ensure that all users granted access to the network, applications and databases are properly approved and that the authorization audit trail is maintained.

Current Status:

Policies and procedures have been drafted and provided to the Human Resources Department which is in negotiations with City Bargaining Units. The content of policies and procedures is subject to review by the Bargaining Units, and possible change. There is no expected date at which the policies and procedures will be approved. Please see Finding 09-16.

Finding 08-19 - The City Lacks a Formal Computer Usage Policy

Condition:

No formal Computer Usage Policy has been adopted. A City Computer Usage Policy draft is currently pending for approval; however, the current draft of the Computer Usage Policy does not address the following IT-related issues:

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Status of the Prior Year Findings and Recommendations (Continued)
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- Physical security of IT assets. Personnel should be made aware of City expectations that computer assets assigned an individual will be maintained and secured appropriately (i.e. not left unattended or unsecured, not left in a car, etc.).
- Ownership of information, data and software on City IT assets. Users should be made aware that all software and data on City IT assets are the sole property of the City.
- City Access to Computer Information and Hardware: Personnel should be made aware that the City may inspect or monitor any City owned, leased, or controlled equipment including inspection of email and internet usage.

Recommendation:

The City IT Department should update the current draft of the City Computer Usage Policy and work with the City Manager to have it adopted as soon as possible.

Current Status:

Not implemented.

Policies and procedures have been drafted and provided to the Human Resources Department which is in negotiations with City Bargaining Units. The content of policies and procedures is subject to review by the Bargaining Units. There is no expected date at which the policies and procedures will be approved.

The draft "City of Compton Preliminary Security and Procedures provided does not address the following IT-related issues identified in 2008:

- Physical security of IT assets. Personnel should be made aware of City expectations that computer assets assigned an individual will be maintained and secured appropriately (i.e. not left unattended or unsecured, not left in a car, etc.).
- Ownership of information, data and software on City IT assets. Users should be made aware that all software and data on City IT assets are the sole property of the City.
- City Access to Computer Information and Hardware: Personnel should be made aware that the City may inspect or monitor any City owned, leased, or controlled equipment including inspection of email and internet usage.

Please see Finding 09-17.

Finding 08-20 - No Logging for Database Changes is being Accomplished

Condition:

Proper system controls allow the ability to track and identify when changes are made to financial system tables or other configurations. Currently, the City does not have controls in place to track and monitor coding and configuration changes to the HR/Payroll and Financial systems. Without the controls in place, the City is at risk of undetectable fraud or abuse.

Recommendation:

The City Manager, working in conjunction with the IT Department manager, should investigate the feasibility of implementing logging of changes being made to the database. These logs should be

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periodically reviewed for malicious or unauthorized activity. Alternatively, the City could consider other types of database monitoring systems or software.

Current Status:

The Information Systems Director reported no progress on establishing a history of application changes. A completion date has not been established. Please see Finding 09-18.

Finding 08-21 - The IT Department does not have Formal Policy and Procedure for Monitoring or Reviewing Security Logs

Condition:

The City IT department does not have formal policies or procedures to ensure that unauthorized access control systems are properly monitored within the City's IT network.

Recommendation:

The City IT department should develop, document, and implement policies and procedures to ensure that security logs are reviewed at frequent intervals for timely identification of unauthorized access attempts and corrective actions are immediately taken to address the risk.

Current Status:

In progress.

Policies and procedures have been drafted and provided to the Human Resources Department which is in negotiations with City Bargaining Units. The content of policies and procedures is subject to review by the Bargaining Units, and possible change. There is no expected date at which the policies and procedures will be approved.

In practice there is no regular and structured review of security logs.

Please see Finding 09-19.

Finding 08-22 - Segregation of Duties on Payroll Jobs is Lacking

Condition:

During our review of routine jobs on payroll and cash receipts, we noted that there was not an adequate segregation of duties on payroll jobs or tasks. Payroll is responsible to transmit payroll data to ADP for processing. Then, ADP will transmit the result to Payroll for review. If an error is found, Payroll will revise or change the data and transmit revised payroll data to ADP. In other words, Payroll has the ability to revise or change and transmit the payroll data without proper management oversight over the changes. Inadequate segregation of duties on payroll jobs could result of misstatements of financial information due to abuse, error, and fraud.

Recommendation:

The City should develop, document, and implement policies and procedures to ensure a proper segregation of duties on payroll jobs. Job functions should be defined in such a way as to require manager approval over all transactions and inputs from clerical staff. No single person should have the ability to conduct all steps in the payroll transaction process.

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Current Status:

Partially implemented.

Policies and procedures have been drafted and provided to the Human Resources Department which is in negotiations with City Bargaining Units. The content of policies and procedures is subject to review by the Bargaining Units, and possible change. There is no expected date at which the policies and procedures will be approved.

We were provided with access request forms for the payroll function which show roles and responsibilities for 3 employees. However, the forms were not signed by a designated data or application owner.

We were provided with evidence of current levels of access to the City's financial system; however, they were not developed pursuant to formal policies and procedures nor through discussion with the Controller's Office.

Please see Finding 09-20.

Findings Related to General City:***Finding 08-23- Lack of Oversight in Financial Statements Preparation***Criteria:

Statement of Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation of the financial statements, including the notes to the financial statements, in conformity with U. S. generally accepted accounting principles. The City's external auditor cannot be part of the internal control. The standards also define a lack of oversight and understanding of the financial reporting process as a significant deficiency, which includes the selection and application of accounting principles that are in conformity with generally accepted accounting principles.

Condition:

For the current year, the City has assumed increased responsibility by preparing its own financial statements. However, the City did not have adequate internal controls to ensure accurate and complete financial statements. Some of required notes to the financial statements were not presented. We also noted the City did not have an audit committee or its equivalent, who should oversee the preparation of audited financial statements.

Effect:

Inadequate oversight over financial statements preparation results in a significant deficiency or material weakness over financial reporting process.

Recommendation:

We recommend the City develop, document, and implement internal control policies and procedures over financial statements preparation to ensure accurate and complete financial statements. We also recommend the City establish an audit committee or its equivalent to provide oversight over audit related matters

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Status of the Prior Year Findings and Recommendations (Continued)
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including audited financial statements preparation.

Current Status:

Not implemented – Please see Finding 09-03.

Finding 08-24 - Lack of Fraud Prevention Policies and Procedures

Criteria:

Pursuant to Management Antifraud Programs and Controls issued by AICPA, the entities can implement the following three fundamental elements to prevent, deter, and detect fraud:

- Create and maintain a culture of honesty and high ethics;
- Evaluate the risks of fraud and implement the processes, procedures, and controls needed to mitigate the risks and reduce the opportunities for fraud;
- Develop an appropriate oversight process.

Condition:

Upon interview with the City's management and review of employee handbook, we noted the City's management is required to complete ethic exams periodically. However, there is no periodic employee training on ethical challenges related to fraud, abuse, kickbacks, and other relevant issues. We also noted the City did not have a comprehensive written fraud prevention policy. The City's code of conduct does not address how the employees should report any fraud allegation. There was no fraud hotline available as a mechanism for employees to report allegations without any fear of retaliation. In addition, there were control deficiencies in regard to segregation of duties in the City, such as in the risk management, cash disbursement, cash receipt, and payroll related areas.

Effect:

Lack of adequate fraud prevention policies and procedures could result in abuse, fraud, and misstatement of the City's assets and financial activity.

Recommendation:

As recommended by the Association of Certified Fraud Examiners (ACFE), the City should develop, document, and implement fraud prevention policies and procedures, which include the following:

- Instituting a hotline;
- Setting the principled tone at the top;
- Developing a code of conduct and a confirmation process;
- Creating a positive environment;
- Hiring and promoting appropriate employees;
- Instituting continuous training;
- Having fair and balanced discipline;
- Identifying and measuring fraud risks;
- Implementing and monitoring internal controls;
- Having a strong and independent audit committee;
- Hiring effective internal auditors and Certified Fraud Examiners;

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For The Year Ended June 30, 2009

- Contracting independent external auditors;
- Constructing a Fraud Investigation/Financial Integrity Unit;
- Using case management and technology tools; and
- Emphasizing cross-group collaboration.

Current Status:

Fully implemented.

Compliance Findings

Finding 08-25 - Noncompliance in Reporting

Criteria:

Pursuant to Health & Safety Code §33080, the Agency is required to submit the following reports within 6 months after the fiscal year end date (December 31 for fiscal year end date June 30):

- Independent auditor's report on financial statements
- Independent auditor's report on legal compliance
- Annual Report of Financial Transactions of Community Redevelopment Agencies (Fiscal Statement), Health & Safety Code §33080.5
- Housing activities report, Health & Safety Code §33080.4 and §33080.7
- Blight progress report (specifies actions and expenditures made in the previous fiscal year to alleviate blight). Health & Safety Code §33080.4
- Loan report (identifies loans [receivable] which equal or exceed \$50,000 and that were found by the agency during the previous fiscal year to have either defaulted or not complied with the terms of agreements approved by the agency), Health & Safety Code §33080.4
- Property report (describes properties owned by the agency and those acquired in the previous fiscal year). Health & Safety Code §33080.4

Condition:

The Agency submitted the State Controller's Report (SCR) and Housing Activities Report (HCD Schedules) for the year ended 2007 on October 14, 2008 or 288 days late. In addition, we noted that the HCD Schedule C, housing activities report, described in Health & Safety Code §33080.4 and §33080.7 for fiscal year ended 2007 did not agree to the Agency's financial records. There was no financial record available for \$9,463,462 reported as pass thru payments and \$44,066 reported as U.S. State & other long-term debt principal payments.

Effect:

The Agency was not in compliance with Health & Safety Code §33080.

Recommendation:

We recommend the Agency develop, document, and implement policies and procedures to ensure required reports are submitted timely and that financial data agree to its financial records. In the case an audit has not been completed, the Agency could submit unaudited financial statements and indicate that

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Status of the Prior Year Findings and Recommendations (Continued)
For The Year Ended June 30, 2009**

since the financial report included unaudited information/data, the information/data could change when the audit is completed.

Current Status:

Not implemented – Please see Finding 09-23.

Finding 08-26 - Inaccurate Statement of Indebtedness

Criteria:

Pursuant to Health & Safety Code §33675, the Agency is required to submit Statement of Indebtedness (SOI) no later than October 1 for each year. Furthermore, Health & Safety Code §33675 (c) (1) states that the statement of indebtedness shall contain all the following:

- Date the loan, advance, or indebtedness was incurred or entered into.
- The principal amount, term, purpose, interest rate, and total interest of each loan, advance, or indebtedness.
- The principal amount and interest due in the fiscal year in which the statement of indebtedness is filed for each loan, advance, or indebtedness.
- The total amount of principal and interest remaining to be paid for each loan, advance, or indebtedness.

Condition:

The Agency reported \$201,005,436 total debts outstanding as of June 30, 2008 on the SOI for fiscal year 2008-2009. Changes in indebtedness reported in the reconciliation statement section did not agree to the Agency's financial records. In addition, approximately \$23 million reported as due to the City of Compton and City of Compton Lease Agreement was not supported by any documentation.

Effect:

The Agency was not in compliance with Health & Safety Code §33675.

Recommendation:

We recommend the Agency develop, document, and implement policies and procedures to ensure outstanding debts reported in the SOI are accurately stated and supported by the Agency's records. We also recommend the Agency prepare and submit a revised SOI to appropriate parties.

Current Status:

Not implemented – Please see Finding 09-27.

Finding 08-27 - Lack of Justification of Planning and Administrative Expenditures

Criteria:

According to Appendix A, Section C.1.j. of 2 CFR Part 225, Cost Principles for State, Local, and Indian Tribal Governments, (OMB Circular A-87), costs must be adequately documented to be allowable under Federal awards. In addition, Health and Safety Code §33334.3 d) states that the Legislature would like to have the Low and Moderate Income Housing Fund be used to the maximum extent possible to defray the costs of production, improvement, and preservation of low- and moderate-income housing and that the

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Status of the Prior Year Findings and Recommendations (Continued)
For The Year Ended June 30, 2009**

amount of money spent for planning and general administrative activities associated with the development, improvement, and preservation of that housing not be disproportionate to the amount actually spent for the costs of production, improvement, or preservation of that housing. Therefore, the Agency shall determine annually that the planning and administrative expenses are necessary for the production, improvement, or preservation of low- and moderate-income housing.

Condition:

During our review of personnel costs, we noted that the Agency's personnel costs allocated to Housing funds were not supported by personnel activity reports or equivalent documentation. In addition, the Agency also did not have documentation evidencing a determination that planning and administrative expenditures were necessary for the production, improvement, or preservation of low- and moderate-income housing.

Effect:

The Agency's planning and administration expenditure could be disallowed or questioned because of lack of documentation and no written determination as to necessity of the expenditures.

Questioned Costs:

Approximately \$1,407,022

Recommendation:

The Agency should develop, document, and implement policies and procedures for preparation of the support for personnel costs allocated to the Housing funds. The Agency should develop, document, and implement a policy and procedure to ensure compliance with the requirement for an annual determination of planning and administrative expenses necessary for the production, improvement, or preservation of low- and moderate-income housing.

Current Status:

Not implemented – Please see Finding 09-02.

Finding 08-28 - No Physical Development for Acquired Property

Criteria:

Health & Safety Code §33334.16 states that if physical development of the property has not begun by the end of the extended period or 10 years, or if the agency does not comply with this requirement, the property shall be sold and the moneys from the sale, less reimbursement to the Agency for the cost of the sale, shall be deposited in the Agency's Low and Moderate Income Housing Fund.

Condition:

During our review of four properties acquired using Housing funds, we noted that land for development (the Burrell-McDonald property) was acquired on December 16, 1997 for \$2,500,000. However, there has been no physical development for the above mentioned property.

Effect:

The Agency was not in compliance with Health & Safety Code §33334.16.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Status of the Prior Year Findings and Recommendations (Continued)
For The Year Ended June 30, 2009**

Recommendation:

The Agency should develop, document, and implement policies and procedures to ensure all properties acquired using Housing funds are developed before the end of extended periods or 10 years. The Agency should initiate action to comply with the requirements of Health and Safety Code §33334.16 described in the criteria section of this finding above.

Current Status:

Not implemented – Please see Finding 09-24.

Finding 08-29 - No Affordable Housing Monitoring

Criteria:

According to Health & Safety Code §33418, the Agency is required to monitor the level of affordable housing provided to low and moderate income households. In accordance with the law, the Agency shall require property owners or managers of such housing to submit an annual report to the Agency. For rentals, this report must include the rental rate, income, and family size of occupants for each rental unit. For each owner-occupied unit, the report must include information as to whether there was an ownership change from the prior year and, if so, the income and family size of the owners. The income information shall be supplied by the tenant in a certified statement on a form provided by the Agency. This statute also requires that information obtained by the agency in this regard be reported annually to the Department of Housing and Community Development and to the State Controller's Office.

Condition:

During our testwork of affordable housing, we noted that the Agency did not monitor the level of affordable housing for low and moderate income households. We also noted that the Agency did not submit the annual report regarding level of affordable housing for the year ended June 30, 2007 to the Department of Housing and Community Development and to the State Controller's Office.

Effect:

The Agency was not in compliance with Health & Safety Code §33418.

Recommendation:

The Agency should develop, document, and implement policies and procedures to monitor the level of affordable housing for low and moderate income households and submit the annual report to the Department of Housing and Community Development and to the State Controller's Office.

Current Status:

Not implemented – Please see Finding 09-26.

Finding 08-30 - Noncompliance with Conflict of Interest Requirement

Criteria:

According to California Code of Regulations Title 2 §18700 – 18753 and Government Code §87207, public disclosure statements should require disclosure of financial interests in real property, investments, and other business income sources or positions. In addition, public disclosure statements should be filed annually. The submission deadline is April 1 the following year.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Status of the Prior Year Findings and Recommendations (Continued)
For The Year Ended June 30, 2009**

Condition:

In accordance with the City Council Resolution No. 12,121, there are 125 officials required to submit annual public disclosure statements (Form 700) for the period January 1 to December 31, 2007. Of 125 required officials, we noted 17 officials submitted Form 700 after the deadline and 22 officials did not submit Form 700.

Effect:

The Agency was not in compliance with California Code of Regulations Title 2 §18700 – 18753 and Government Code §87207.

Recommendation:

The Agency should develop, document, and implement policies and procedures to ensure all officials submit annual public disclosure statements timely.

Current Status:

Not implemented – Please see Finding 09-22.

Finding 07-08 - Redevelopment Agency State Controller's Report

During our review of the State Controller's Report (SCR) filed for 2006, we noted that the total assets, revenues and expenditures for the Debt Service fund and total assets, liabilities and revenues for the Capital Projects fund on the 2006 SCR do not agree to the June 30, 2006 Agency financial statements. We understand this resulted from the 2006 SCR being prepared prior to the release of the June 30, 2006 Agency financial statements. In addition, during our review of the HCD Schedules, we noted that activity related to housing assets did not agree to the Agency's financial records.

Recommendation:

We recommend, that prior to submission, the Agency compare the State Controller's Report and the HCD schedules to the Agency Financial Statements and other related financial information, respectively, to ensure the amounts agree.

Current Status:

Not fully implemented. Please see Findings 08-25 and 09-23.

Finding 07-10 - Treasurer's Investment Report

During our testing of cash and investments we noted the following conditions:

- The City did not submit the June 30, 2007 Investment Report within 30 days of the end of the month. Per California Government Code Section 53646(2)(b), if a City prepares and submits an Investment Report to City Council, it must be submitted within 30 days of the month end.
- The Investment Reports for the period ending June 30, 2007 did not include investments held by third parties (fiscal agents) as required by Government Code Section 53646 (b) (1).
- The Investment Report for the period ending June 30, 2007 did not include investment ratings as required by Government Code Section 53646 (b) (1).

#3.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Status of the Prior Year Findings and Recommendations (Continued)
For The Year Ended June 30, 2009**

Recommendation:

We recommend that:

- The City establish and follow a policy to comply with all Government Code requirements relating to cash and investments.
- Reconciled cash balances be reported in the Investment Report.

Current Status:

The City has submitted the Investment Report within 30 days of the end of the month. However, the rest of recommendation remains to be fully implemented. Please see Finding 08-09 and 09-07.

RESOLUTION SIGN-OFF FORM

DEPARTMENT: Community Redevelopment

RESOLUTION TITLE: A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON PROVIDING GUIDELINES FOR ONGOING ADMINISTRATIVE, ACCOUNTING, MONITORING, AND REPORTING REQUIREMENTS OF THE AGENCY, AND ESTABLISHING AND APPOINTING AN ADMINISTRATIVE COMMITTEE IN CONNECTION WITH SUCH ACTIVITIES

<ManagersName>
DEPARTMENT MANAGER’S SIGNATURE

<ManagersDate>
DATE

REVIEW / APPROVAL

<LegalName>
CITY ATTORNEY

<LegalDate>
DATE

<ControllerName>
CITY CONTROLLER

<ControllerDate>
DATE

<CityManager>
CITY MANAGER

<CityManagerDate>
DATE

Use when:	
Public Works:	When contracting for Engineering Services.
City Attorney:	When contracting for legal services; contracts that require City Attorney’s review.
Controller/Budget Officer:	Amending Budget; appropriating and/or transferring funds; adding and/or deleting positions; any resolution having account numbers.
Asst. City Manager/OAS:	All personnel actions.

MAY 18, 2010

TO: CHAIRMAN AND COMMISSIONERS

FROM: EXECUTIVE SECRETARY

SUBJECT: A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON MAKING A FINDING OF FISCAL RESPONSIBILITY, APPROVING A PLAN FOR FULL REPAYMENT OF DEFERRED TAX SHARING AMOUNTS UNDER A 1992 AGREEMENT OF COOPERATION WITH THE COUNTY OF LOS ANGELES, AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO

BACKGROUND:

Pursuant to former Section 33401 of the Community Redevelopment Law, the Agency previously entered into a Tax-Sharing Agreement, dated as of June 9, 1992 (the "Cooperation Agreement"), with the County of Los Angeles, to alleviate financial effects upon the County relating to the Redevelopment Plan for the Agency's Compton Redevelopment Project Area (the "Project Area") by providing for tax sharing payments to the County from redevelopment tax increment.

Pursuant to the Cooperation Agreement, the County has subordinated its right to payment under the Cooperation Agreement to any Agency pledge of all or any portion of tax increment of all or any portion of the tax increment revenues otherwise payable to the County under the Cooperation Agreement. The County Deferral Amount at the rate of seven percent (7%) per annum is compounded annually. The current County Deferral Amount is calculated to be approximately \$20.6 million. In connection with the County subordination, the Agency has agreed in the Cooperation Agreement that it shall responsibly incur debt with the consideration for the full repayment of the County Deferral Amount with interest, by calendar year 2031.

With respect to the Agency's obligations under the Cooperation Agreement for repayment of the County Deferral Amount, the underwriter for the Series 2010 Bonds, Grigsby & Associates, has prepared a table illustrating (i) the estimated debt service coverage (based on the Fiscal Consultant's projections) of projected tax increment revenues over the Agency's debt service requirements of the 1995 Bonds and the 2006 Bonds and projected debt service requirements of the 2010 Bonds, and (ii) taking into account such projections, a possible payment schedule for repayment of the County Deferral Amount by calendar year 2031 (including additional deferred annual payments through Fiscal Year ended 2011), is attached hereto as Exhibit "A" and incorporated herein by reference.

#4.

STATEMENT OF THE ISSUE:

In accordance with the Agency's agreement to incur debt responsibly, the Agency will propose to issue second lien bonds in 2010 secured by a pledge of certain tax increment revenues (collectively, the "2010 Bonds"). The Basic Deferral Repayment Option, attached hereto as Exhibit "A" and incorporated herein by reference, demonstrates the Agency's ability to pay projected debt service payments on the 2010 Bonds and debt service payments on the Agency's outstanding senior bonds, together with a possible payment schedule for repayment of the County Deferral Amount in full by calendar year 2031 and payment of projected ongoing annual undeferred tax sharing payments to the County under the Cooperation Agreement.

If a Deferral and Repayment Plan is negotiated with the County after the Executive Secretary selects an alternate repayment plan, the repayment plan set forth in the negotiated and approved Deferral and Repayment Plan will replace the alternate repayment plan.

If no Deferral and Repayment Plan results from negotiations with the County within one (1) year of the date of issuance of the 2010 Bonds, the attached resolution also directs the Executive Secretary to review the Adjusted Basic Deferral Repayment Option in connection with the final debt service schedule for the 2010 Bonds and in light of assessed valuation changes. If at such time the Executive Secretary determines that an alternate repayment plan is preferable to the Agency than the Adjusted Basic Deferral Repayment Option, and still achieves repayment of the County Deferral Amount by 2031, the Executive Secretary may select such alternate repayment plan for the County Deferral Amount, so long as the Executive Secretary's review and selection is completed within 1 month after the first anniversary of the date of issuance of the 2010 Bonds.

RECOMMENDATION

Staff respectfully recommends that the Commission adopt a resolution approving a full repayment plan and schedule as set forth in the attached resolution for the 1992 Deferral Tax Sharing Agreement with Los Angeles County and direct the Executive Secretary and Agency staff to negotiate with the County a revision to the current terms of that agreement.

DR. KOFI SEFA-BOAKYE
DIRECTOR OF REDEVELOPMENT

CHARLES EVANS
EXECUTIVE SECRETARY

Attachment(s): EXHIBIT "A" - BASIC DEFERRAL REPAYMENT OPTION

RESOLUTION NO. _____

A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON MAKING A FINDING OF FISCAL RESPONSIBILITY, APPROVING A PLAN FOR FULL REPAYMENT OF DEFERRED TAX SHARING AMOUNTS UNDER A 1992 AGREEMENT OF COOPERATION WITH THE COUNTY OF LOS ANGELES, AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO

WHEREAS, the Urban Community Development Commission (the “Commission”) is a public body, corporate and politic, duly created and authorized to transact business and exercise its powers pursuant to Part 1.7 of Division 24 (commencing with Section 34100) of the Health and Safety Code of the State of California (the “Health and Safety Code”) and the powers of such Commission include the power to operate, govern and exercise all of the power, authority, functions and jurisdiction of the Community Redevelopment Agency of the City of Compton, California (the “Agency”); and

WHEREAS, the Commission exercises as a governing body the powers of the Agency, a public body, corporate and politic, duly created and authorized to transact business and exercise its powers, under and pursuant to the Community Redevelopment Law set forth in Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code (the “Law”) and the powers of the Agency include the power to issue bonds and refunding bonds; and

WHEREAS, a redevelopment plan (the “Redevelopment Plan”) for a redevelopment project area of the Agency known and designated as the “Compton Redevelopment Project Area” (the “Project Area”) has been adopted and approved and all requirements of law for, and precedent to, the adoption and approval of said plan have been duly complied with; and

WHEREAS, the Redevelopment Plan contemplates that the Agency will issue bonds from time to time to finance or refinance a portion of the costs of the redevelopment of the Project Area; and

WHEREAS, for the purpose of financing costs of the Project Area, the Agency issued its (i) Compton Redevelopment Project Tax Allocation Capital Appreciation Bonds, Series 1995C (Taxable) (the “1995 Bonds”), pursuant to a Master Trust Agreement, dated as of June 1, 1995 (the “Master Trust Agreement”), as supplemented by a Third Supplemental Trust Agreement, dated as of June 1, 1995, each by and between the Agency and Seattle-First National Bank, as succeeded by U.S. Bank National Association, as trustee (the “Trustee”), and (ii) Compton Redevelopment Project Refunding Tax Allocation Bonds, Series 2006A (the “2006 Bonds”), pursuant to the Master Trust Agreement, as supplemented by a Fifth Supplemental Trust Agreement, dated as of July 1, 2006, by and between the Agency and the Trustee; and

WHEREAS, in order to finance additional redevelopment activities with respect to the Project Area, including without limitation additional low and moderate income housing redevelopment activities, the Agency’s obligation to make statutory tax sharing payments with respect to tax increment received in Fiscal Year 2008-09 to non-local educational agencies, certain tax sharing amounts payable to the Compton Unified School District under an Agreement for Cooperation with the Compton Unified School District, and the Agency’s obligation to deposit moneys in the Supplemental Educational Revenue Augmentation Fund in fiscal years 2010-10 and 2010-11 (pending the outcome to be determined by the Superior Court of the Court of Sacramento in *California Redevelopment Association et al. v. Genest et al.*, Case No. 34-2009-80000359-CU-WM-GDS (*CRA v. Genest*) as to any right of the Agency to withhold such SERAF payments), the Agency will propose by separate resolution to issue its (i) Compton Redevelopment Project Second Lien Tax Allocation Bonds (Housing), Series 2010A (the “2010A Bonds”), (ii) its Compton Redevelopment Project Second Lien Tax Allocation Bonds, Series 2010B (the “2010B Bonds”), and (iii) its Compton Redevelopment Project Second Lien Tax Allocation Bonds (Taxable), Series 2010C (the “2010C Bonds”; and collectively with the 2010A Bonds and the 2010B Bonds, the “2010 Bonds”), with each proposed series of 2010 Bonds being payable on a subordinate basis to the 1995 Bonds and the 2006 Bonds; and

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WHEREAS, pursuant to former Section 33401 of the Law, the Agency previously entered into an Agreement for Cooperation, dated as of June 9, 1992 (the "Cooperation Agreement"), with the County of Los Angeles (the "County"), to alleviate financial effects upon the County relating to the Redevelopment Plan for the Project Area by provided for taxing sharing payments to the County from redevelopment tax increment; and

WHEREAS, to provide for additional redevelopment activities of the Agency in the years following execution of the Cooperation Agreement, the Cooperation Agreement provides for the County's deferral of its receipt of the County Share (as defined therein) of tax increment for an unspecified period of time (the "County Deferral Amount"), including the accrual of interest on the County Deferral Amount at the rate of seven percent (7%) per annum, compounded annually, and the current County Deferral Amount is calculated to be approximately \$20.6 million; and

WHEREAS, pursuant to the Cooperation Agreement, the County has subordinated its right to payment under the Cooperation Agreement to any Agency pledge of all or any portion of tax increment of all or any portion of the tax increment revenues otherwise payable to the County under the Cooperation Agreement in order to secure repayment of Agency long-term indebtedness (term exceeding 5 years) incurred for the Project Area; provided, in connection with such County subordination, the Agency has agreed in the Cooperation Agreement that it shall responsibly incur debt with the consideration for the full repayment of the County Deferral Amount with interest, by calendar year 2031; and

WHEREAS, due to permitted and duly adopted amendments to the Redevelopment Plan, presently the Redevelopment Plan limitation as to the last date on which the Agency may receive tax increment from a constituent project area of the Project Area and repay indebtedness with such tax increment occurs in calendar year 2042, which is later than calendar year 2031; and

WHEREAS, in connection with the proposed issuance of the 2010 Bonds, the fiscal consultant firm Katz Hollis (the "Fiscal Consultant") has been working with the Agency to prepare a report of projected tax increment revenues for the Project Area, and with respect to the Agency's obligations under the Cooperation Agreement for repayment of the County Deferral Amount, the underwriter for the Series 2010 Bonds, Grigsby & Associates, Inc., has prepared a table illustrating (i) the estimated debt service coverage (based on the Fiscal Consultant's projections) of projected tax increment revenues over the Agency's debt service requirements of the 1995 Bonds and the 2006 Bonds and projected debt service requirements of the 2010 Bonds, and (ii) taking into account such projections, a possible payment schedule for repayment of the County Deferral Amount by calendar year 2031 (including additional deferred annual payments through Fiscal Year ended 2011), together with projected ongoing undeferred payments payable to the County each subsequent year under the Cooperation Agreement (the "Basic Deferral Repayment Option"); and

WHEREAS, the Cooperation Agreement provides that subsequent to the execution of the Cooperation Agreement, the County and the Agency shall develop and approve a Deferral and Repayment Plan (the "Deferral and Repayment Plan") to carry out the intent of the parties to fully repay the County the County Deferral Amount, but to date, no such Deferral and Repayment Plan has been entered into; and

WHEREAS, the Basic Deferral Repayment Option does not include any repayments on the County Deferral Amount prior to calendar year 2012 and continues to defer amounts payable to the County through Fiscal Year ended 2011, and in the meantime, the Agency wishes to direct the Executive Secretary of the Agency to negotiate with the County the specific terms of the Deferral and Repayment Plan, on terms that achieve repayment of the County Deferral Amount by 2031 (or such later date as agreed to by the County) and on terms no less favorable to the Agency as the Basic Deferral Repayment Option (subject to certain adjustments described herein), and contemplating a final Deferral and Repayment Plan to be executed by the Agency and the County within one year after the date of issuance of the 2010 Bonds; and

RESOLUTION NO. _____

WHEREAS, in any event, the Agency may wish to further modify the adjusted Basic Deferral Repayment Option to account for the final debt service schedule on the 2010 Bonds, after the 2010 Bonds are issued; and

WHEREAS, in connection with the proposed issuance of the 2010 Bonds and the Agency's reasonable and responsible incurrence of the indebtedness represented thereby, the Agency wishes to approve the Basic Deferral Repayment Option (a copy of which is on file with the Clerk of the Agency) as adjusted for assessed valuation as set forth in this Resolution, and subject to any final Deferral and Repayment Plan that is negotiated by the Executive Secretary with the County in accordance with the requirements of this Resolution to replace the Basic Deferral Repayment Option, or in the absence of a negotiated Deferral and Repayment Plan with the County, subject to any alternate deferral repayment option selected by the Executive Secretary in accordance with the requirements of this Resolution.

NOW, THEREFORE, THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON HEREBY FINDS, DETERMINES, RESOLVES AND ORDERS AS FOLLOWS:

Section 1. Recitals. The foregoing recitals, and each of them, are true and correct.

Section 2. Finding. The Agency hereby finds and determines, based on (i) the demonstration shown in the Basic Deferral Repayment Option of projected debt service coverage and of the Agency's ability to repay the County Deferral Amount by calendar year 2031 and (ii) the plan for repayment of the County Deferral Amount set forth in this Resolution, that the incurrence of the indebtedness represented by the proposed 2010 Bonds will be reasonably and responsibly incurred within the meaning of the Cooperation Agreement, with consideration for the full repayment of the County Deferral Amount, with interest compounded annually at a rate of 7% per annum, by calendar year 2031.

Section 3. Approval of Adjusted Basic Deferral Repayment Option.

(a) The repayment of the County Deferral Amount, in such amounts set forth in column "AU" of the Basic Deferral Repayment Option, as adjusted for Fiscal Years ended 2010 and 2011 by the following sentence (the "Adjusted Basic Deferral Repayment Option"), is hereby approved. With respect to Fiscal Year ended 2010 and Fiscal Year ended 2011, the Agency shall pay to the County no later than the August 1 immediately following the applicable Fiscal Year, an amount calculated as the difference between (i) the amount of the annual payment obligation to the County calculated in accordance with the Cooperation Agreement, based on actual assessed valuation for the applicable Fiscal Year, less (ii) the projected annual payment obligation for such Fiscal Year, as set forth in column "AR" of the Basic Deferral Repayment Option. (No payment shall be required to be made to the County pursuant to the foregoing sentence if the calculation for the subject Fiscal Year results in a negative number.)

Each payment to reduce the County Deferral Amount shall be made no later than the August 1 immediately following the applicable Fiscal Year. In addition, the Agency shall not defer any additional amounts under the Cooperation Agreement commencing the Fiscal Year ended 2012, and shall pay to the County the required annual payment calculated in accordance with the Cooperation Agreement, commencing with the annual payment for Fiscal Year ended 2012.

(b) If, however, subsequent to the adoption of this resolution any repayment schedule is determined and approved by the Executive Secretary of the Agency in accordance with Section 4 hereof (which shall have repayment terms no less favorable to the Agency than the Adjusted Basic Deferral Repayment Option), the terms of the Adjusted Basic Deferral Repayment Option shall be replaced by such repayment schedule determined and approved in accordance with Section 4 hereof.

RESOLUTION NO. _____

Page 4

(c) The approvals set forth in this Section 3 shall be irrevocable and may not be rescinded or revoked by any subsequent action of the Agency, and may only be modified in accordance with Section 4 hereof.

Section 4. Negotiation of Deferral and Repayment Plan.

(a) The Executive Secretary of the Agency, with the assistance of such Agency staff as determined by the Executive Secretary as appropriate, is hereby directed to negotiate with the County the specific terms of the Deferral and Repayment Plan contemplated by the Cooperation Agreement, on terms that achieve repayment of the County Deferral Amount by 2031, or such other date as agreed to by the County, and on repayment terms no less favorable to the Agency than the Adjusted Basic Deferral Repayment Option.

(b) After negotiation of the Deferral and Repayment Plan pursuant to paragraph (a) above, the form and language of such Deferral and Repayment Plan shall be subject to the approval of the Commission, acting as the legislative body of the Agency; provided, per the delegation contained herein, the Executive Secretary shall approve the final repayment schedule for the County Deferral Amount to be included in the Deferral and Repayment Plan in accordance with the requirements of this Resolution (including but not limited to this Section 4), which approval shall be conclusively evidenced by the Executive Secretary's execution and delivery of the final Deferral and Repayment Plan in the form approved by the Commission.

(c) If no Deferral and Repayment Plan has been approved by the Agency and the County within one (1) year after the date of issuance of the 2010 Bonds, the Executive Secretary, with the assistance of such Agency staff as determined by the Executive Secretary as appropriate, is hereby directed to review the Adjusted Basic Deferral Repayment Option in connection with the final debt service schedule for the 2010 Bonds and in light of assessed valuation changes. If at such time the Executive Secretary determines that an alternate repayment plan for the County Deferral Amount is preferable to the Agency than the Adjusted Basic Deferral Repayment Option, and still achieves repayment of the County Deferral Amount by 2031, the Executive Secretary may select such alternate repayment plan for the County Deferral Amount (the "Alternate Deferral Repayment Option"). The Executive Secretary shall complete the review and any selection of an Alternate Deferral Repayment Option per this paragraph (c) within one (1) month after the first anniversary of the date of issuance of the 2010 Bonds.

(d) If an Alternate Deferral Repayment Option has been selected by the Executive Secretary pursuant to paragraph (c) of this Section 4 and subsequent to such selection a Deferral and Repayment Plan is negotiated by the Executive Secretary with the County in accordance with the requirements of paragraphs (a) and (b) of this Section 4, the repayment schedule for the County Deferral Amount set forth in the negotiated Deferral and Repayment Plan, if approved by the Commission, as legislative body of the Agency, and the County, shall replace the Alternate Deferral Repayment Option.

Section 5. Other Acts. The Executive Secretary and Agency staff is hereby directed to commence repayment of the County Deferral Amount in accordance with the repayment plan determined in accordance with this Resolution, and all other officers of the Agency are hereby authorized and directed, jointly and severally, to take such actions and execute and deliver any and all documents and instruments which they may deem necessary or proper to effectuate the purposes of this Resolution, each document approved hereby, and any such actions previously taken by such officers are hereby ratified, confirmed and approved.

Section 6. Effective Date. This Resolution shall take effect immediately upon adoption.

ADOPTED this _____ day of _____ 2010.

RESOLUTION NO. _____

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CHAIRMAN OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION

ATTEST:

CLERK OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION

STATE OF CALIFORNIA
CITY OF LOS ANGELES
CITY OF COMPTON

I, Alita Godwin, Clerk of the Urban Community Development Commission of the City of Compton, hereby certify that the forgoing resolution was adopted by the Commission, signed by the Chairman, and attested by the Clerk at a regular meeting thereof held on the ____ day of _____ 2010.

That said resolution was adopted by the following vote, to wit:

AYES: COMMISSIONERS-
NOES: COMMISSIONERS-
ABSENT: COMMISSIONERS-
ABSTAIN: COMMISSIONERS-

CLERK OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION

Version 12 Deferral Reduction R041210

RESOLUTION SIGN-OFF FORM

DEPARTMENT: Community Redevelopment

RESOLUTION TITLE: A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON MAKING A FINDING OF FISCAL RESPONSIBILITY, APPROVING A PLAN FOR FULL REPAYMENT OF DEFERRED TAX SHARING AMOUNTS UNDER A 1992 AGREEMENT OF COOPERATION WITH THE COUNTY OF LOS ANGELES, AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO

<ManagersName>
DEPARTMENT MANAGER’S SIGNATURE

<ManagersDate>
DATE

REVIEW / APPROVAL

<LegalName>
CITY ATTORNEY

<LegalDate>
DATE

<ControllerName>
CITY CONTROLLER

<ControllerDate>
DATE

<CityManager>
CITY MANAGER

<CityManagerDate>
DATE

Use when:	
Public Works:	When contracting for Engineering Services.
City Attorney:	When contracting for legal services; contracts that require City Attorney’s review.
Controller/Budget Officer:	Amending Budget; appropriating and/or transferring funds; adding and/or deleting positions; any resolution having account numbers.
Asst. City Manager/OAS:	All personnel actions.

May 18, 2010

TO: CHAIRMAN AND COMMISSIONERS

FROM: EXECUTIVE SECRETARY

SUBJECT: A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON AUTHORIZING THE SALE, ISSUANCE AND DELIVERY BY THE AGENCY OF TAX ALLOCATION BONDS, AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION WITH SUCH BONDS, MAKING FINDINGS PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 33445 WITH RESPECT THERETO, AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO

SUMMARY

Staff is presenting a resolution for Commission approval authorizing the sale, issuance and delivery by the Community Redevelopment Agency of Tax Allocation Bonds.

BACKGROUND

The Commission has authorized the Agency to commence redevelopment activities and projects located within the Compton redevelopment project area. The Agency's Five-Year Implementation plan approved by the Council in January 2010 contemplates that the Agency will issue bonds from time to time to finance or refinance a portion of the costs of the redevelopment of the Project Area.

On January 26, 2010, pursuant to Resolution No. 1,774, the Commission approved Amendment no. 1 to the Agency's five-year implementation plan. On March 25, 2010, the City Council, pursuant to Resolution No. 23,078, certified Mitigated Negative Declaration No. CRA-001, dated October 2009, pursuant to the California Environmental Quality Act, which analyzes in detail the various environmental effects of all of the projects added to the Agency's implementation plan by Resolution No. 1,774. The projects analyzed in Mitigated Negative Declaration No. CRA-001 includes all of the projects proposed to be financed by the Tax Allocation Bonds. If approved, the Tax Allocation Bonds will provide a financing mechanism for projects on the five-year implementation plan which include the Performing Arts Center, MLK Transit Center, City-wide Street lighting Project, streetscape improvements – Greenleaf Blvd., Willowbrook Avenue, Compton Blvd., Alameda Blvd., the Jackie Robinson Sports Complex and Learning Center, the Senior Activity Center, a 4-level parking structure, a

#5.

Community Center, various land acquisitions, site remediation of land proposed for development, and affordable housing projects required under the Community Redevelopment Law. A partial list of the projects identified in the Mitigated Negative Declaration document was available in the Summary Report on file with the City Clerk in connection with the public hearing.

The proposed tax allocation bonds also will finance (i) the Agency's obligation under California law to deposit moneys in the Supplemental Educational Revenue Augmentation Fund ("SERAF") in fiscal years 2009-10 and 2010-11, (as reimbursement to the Agency for its remittance made by the May 10, 2010 deadline from other authorized and available funds) (ii) its obligation under California law to make statutory tax sharing payments with respect to tax increment received in fiscal year 2008-09 to non-local educational agencies, and (iii) certain tax sharing amounts payable to the Compton Unified School District under an Agreement for Cooperation with the Compton Unified School District.

STATEMENT OF THE ISSUE

In order to finance redevelopment and economic development activities with respect to the Project Area, including the tax sharing and SERAF payments described within this report, the Agency desires to issue its Compton Redevelopment Project Second Lien Tax Allocation Bonds, Series 2010B and Series 2010C (taxable), (the "2010B Bonds" and "2010C Bonds"). In addition, in order to finance additional low and moderate income housing redevelopment activities and projects with respect to the Project Area, the Agency desires to issue its Compton Redevelopment Project Second Lien Tax Allocation Bonds (Housing), Series 2010A (the "2010A Bonds").

FISCAL IMPACT

There is no General Fund impact as a result of issuing Agency tax allocation bonds. Costs of issuance will be paid from bond proceeds.

The Agency has adequate tax increment revenues to pay the annual debt service costs for a proposed tax allocation bond, not to exceed a total of \$103 million for all bond series. As shown in the attached coverage table prepared by underwriters for the bonds, Grigsby & Associates, Inc. the Agency has placed safeguard measures in place as a cushion (or coverage component) of 84% or higher with respect to the housing bonds and 50% or higher with respect to the series of bonds for non-housing uses, together with a reserve fund to be established under the Trust Agreement will be in place to allow flexibility for the Agency in the event of any economic downturns in assessed valuation, which would result in decreased revenues to the Agency.

RECOMMENDATION

Staff is respectfully requesting that the Commission perform the following actions:

1. The Commission conducts the joint public hearing duly noticed for May 18, 2010.

2. Adopt the attached resolution authorizing the sale, issuance, and delivery by the Agency of tax allocation bonds, authorizing the execution and delivery of certain documents in connection with such bonds, and making findings pursuant to California Health and Safety Code Section 33445 with respect thereto, and authorizing certain other matters relating thereto.

FUTURE ACTION

If the Commission approves the issuance of the proposed Tax Allocation Bond, and the City Council approves the Tax Allocation Bond issuance, pursuant to section 33640 of the Community Redevelopment Law, the Compton Public Finance Authority will be asked at its May 25, 2010 meeting to approve and adopt a resolution approving the Authority's execution and delivery of the bond purchase contract, as attached to this report and approved by the Commission. The proposed Public Finance Authority resolution will also establish a committee to provide quarterly reports regarding continuing disclosures and project status reports in connection with the bonds.

DR. KOFI SEFA-BOAKYE
DIRECTOR OF REDEVELOPMENT

CHARLES EVANS
EXECUTIVE SECRETARY

RESOLUTION NO. _____

A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON AUTHORIZING THE SALE, ISSUANCE AND DELIVERY BY THE AGENCY OF TAX ALLOCATION BONDS, AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION WITH SUCH BONDS, MAKING FINDINGS PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 33445 WITH RESPECT THERETO, AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO

WHEREAS, the Urban Community Development Commission (the “Commission”) is a public body, corporate and politic, duly created and authorized to transact business and exercise its powers pursuant to Part 1.7 of Division 24 (commencing with Section 34100) of the Health and Safety Code of the State of California (the “Health and Safety Code”) and the powers of such Commission include the power to operate, govern and exercise all of the power, authority, functions and jurisdiction of the Community Redevelopment Agency of the City of Compton, California (the “Agency”); and

WHEREAS, the Commission exercises as a governing body the powers of the Agency, a public body, corporate and politic, duly created and authorized to transact business and exercise its powers, under and pursuant to the Community Redevelopment Law set forth in Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code (the “Law”) and the powers of the Agency include the power to issue bonds and refunding bonds; and

WHEREAS, a redevelopment plan (the “Redevelopment Plan”) for a redevelopment project area of the Agency known and designated as the “Compton Redevelopment Project Area” (the “Project Area”) has been adopted and approved and all requirements of law for, and precedent to, the adoption and approval of said plan have been duly complied with; and

WHEREAS, the Redevelopment Plan contemplates that the Agency will issue bonds from time to time to finance or refinance a portion of the costs of the redevelopment of the Project Area; and

WHEREAS, for the purpose of financing costs of the Project Area, the Agency issued its (i) Compton Redevelopment Project Tax Allocation Capital Appreciation Bonds, Series 1995C (Taxable) (the “1995 Bonds”), pursuant to a Master Trust Agreement, dated as of June 1, 1995 (the “Master Trust Agreement”), as supplemented by a Third Supplemental Trust Agreement, dated as of June 1, 1995, each by and between the Agency and Seattle-First National Bank, as succeeded by U.S. Bank National Association, as trustee (the “Trustee”), and (ii) Compton Redevelopment Project Refunding Tax Allocation Bonds, Series 2006A (the “2006 Bonds”), pursuant to the Master Trust Agreement, as supplemented by a Fifth Supplemental Trust Agreement, dated as of July 1, 2006, by and between the Agency and the Trustee; and

WHEREAS, in order to finance additional low and moderate income housing redevelopment activities with respect to the Project Area, the Agency desires to issue its Compton Redevelopment Project Second Lien Tax Allocation Bonds (Housing), Series 2010A (the “2010A Bonds”), pursuant to the Master Trust Agreement, as supplemented by a Sixth Supplemental Trust Agreement, dated as of April 1, 2010, by and between the Agency and the Trustee (the “Sixth Supplement”), by and between the Agency the Trustee, and payable on a subordinate basis to the 1995 Bonds and the 2006 Bonds; and

WHEREAS, in order to finance redevelopment activities with respect to the Project Area, the Agency desires to issue its Compton Redevelopment Project Second Lien Tax Allocation Bonds, Series 2010B (the “2010B Bonds”), pursuant to the Master Trust Agreement, as supplemented by a Seventh Supplemental Trust Agreement, dated as of April 1, 2010, by and between the Agency and the Trustee (the “Seventh Supplement”), and payable on a subordinate basis to the 1995 Bonds and the 2006 Bonds; and

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WHEREAS, in order to finance (i) the Agency's obligation to make statutory tax sharing payments with respect to tax increment received in Fiscal Year 2008-09 to non-local educational agencies, (ii) certain tax sharing amounts payable to the Compton Unified School District under an Agreement for Cooperation with the Compton Unified School District, and (iii) the Agency's obligation to deposit moneys in the Supplemental Educational Revenue Augmentation Fund in fiscal years 2009-10 and 2010-11, or alternatively, if subsequent to the sale of the 2010C Bonds (as defined herein), an order or judgment is issued by the Superior Court of the County of Sacramento in *California Redevelopment Association et al. v. Genest et al.*, Case No. 34-2009-80000359-CU-WM-GDS (*CRA v. Genest*) or if the provisions of the California Health and Safety Code requiring such SERAF payments are declared invalid by any court of competent jurisdiction, are repealed or otherwise become void or unenforceable, in order to finance additional redevelopment activities of the Agency with respect to the Project Area, the Agency desires to issue its Compton Redevelopment Project Second Lien Tax Allocation Bonds (Taxable), Series 2010C (the "2010C Bonds;" and collectively with the 2010A Bonds and the 2010B Bonds, the "2010 Bonds"), pursuant to the Master Trust Agreement, as supplemented by a Eighth Supplemental Trust Agreement, dated as of April 1, 2010, by and between the Agency and the Trustee (the "Eighth Supplement"), and payable on a subordinate basis to the 1995 Bonds and the 2006 Bonds and on a parity with the 2010B Bonds; and

WHEREAS, the 2010 Bonds will be issued to finance the costs of certain projects of benefit to the Project Area; and

WHEREAS, Section 33445 of the Law authorizes the Agency, with the consent of the City Council, to, among other things, pay all or a part of the cost of installation and construction of certain public improvements, which are or will, upon completion, become publicly owned, upon the making of certain findings; and

WHEREAS, pursuant to Section 33679 of the California Health and Safety Code, after notice duly published in accordance with law, the Agency and City Council have held a joint public hearing on April 13, 2010 and duly continued to this date, with respect to use of tax increment revenues for the facilities to be financed by the issuance of the Bonds (collectively, the "Facilities") and received evidence concerning the public benefits there from; and

WHEREAS, there has been made available in the office of the City Clerk for two weeks prior to such public hearing for public inspection and copying, at a cost not to exceed the cost of duplication, a summary report (as updated on May 5, 2010, the "Summary Report") which includes all of the following: (i) an estimate of the amount of tax increment revenues allocated to the Agency which the Agency proposes to use to pay for all or part of the cost of the Facilities, including interest payments; (ii) the facts supporting the determinations required to be made by the Agency pursuant to California Health and Safety Code Section 33445; and (iii) the redevelopment purpose for which such tax increment revenues will be used to pay for Facilities; and

WHEREAS, the City Council, pursuant to Resolution No. 23,078, adopted on March 25, 2010, has reviewed and certified Mitigated Negative Declaration No. CRA-001, dated October 2009, relating to certain redevelopment projects added on January 26, 2010 to the Agency's five-year implementation plan by Resolution No. 1774 of the Commission (the "Mitigated Negative Declaration"), pursuant to the California Environmental Quality Act (commencing with Section 21000 of the Public Resources Code of the State of California) ("CEQA") and its implementing guidelines (Article 5 of Chapter 3 of Division 6 of Title 14 of the California Code of Regulations, commencing with Section 15000) (the "Guidelines"); and

WHEREAS, in connection with its approval and certification of the Mitigated Negative Declaration, the City Council has directed Agency staff to prepare a Notice of Determination, to file that Notice with the Clerk of Los Angeles County in accordance with Section 15075(d) the Guidelines, and to pay the applicable Fish and Game filing fee, and such Notice was filed with the County and the Fish and Game filing fee paid on March 31, 2010; and

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WHEREAS, the project descriptions contained in the Mitigated Negative Declaration include all of the Facilities proposed to be financed by the 2010 Bonds, and the various environmental effects of such Facilities are analyzed in detail in the Mitigated Negative Declaration and therefore, the issuance of the 2010 Bonds for the purpose of funding the construction of the Facilities, described in the Summary Report, constitutes a financing mechanism and does not constitute a project for purposes of the CEQA and the Guidelines; and

WHEREAS, the Agency wishes to enter an escrow agreement with U.S. Bank National Association, as escrow agent (the “Escrow Agreement”), to provide for the set aside, escrow, and proper and timely application of the monies deposited into said escrow by the Agency with respect to (i) its statutory tax sharing obligations to affect taxing entities under the Law, specifically Sections 33607.5 and 33607.7 thereof, as amended from time to time, (ii) its tax sharing payment obligations to the County of Los Angeles pursuant to that certain Agreement for Cooperation, dated as of June 9, 1992, by and between the County and the Agency with respect to a portion of the Project Area, (iii) its tax sharing payment obligations to the Compton Unified School District pursuant to that certain Agreement for Cooperation, effective as of January 11, 1994, by and between the school district and the Agency with respect to a portion of the Project Area, and (iv) its tax sharing payment obligations to the Compton Community College District pursuant to that certain Agreement for Cooperation, dated as of December 29, 1993, by and between the college district and the Agency with respect to a portion of the Project Area (as interpreted by a 2007 settlement and release agreement), in coordination with the administration and release of monies pursuant to the Master Trust Agreement, as amended and supplemented, for debt service and related obligations on the 1995 Bonds, the 2006 Bonds, the 2010 Bonds and any other bonds from time to time outstanding authorized and issued pursuant to the Master Trust Agreement, as amended and supplemented; and

WHEREAS, there has been presented to the Agency the form of a Bond Purchase Contract (the “Purchase Contract”), pursuant to which the Agency will sell the 2010 Bonds to the Compton Public Financing Authority (the “Authority”) for resale to Grigsby & Associates, Inc., as the underwriter for the 2010 Bonds (the “Underwriter”); and

WHEREAS, in order to effect the issuance of the 2010 Bonds, the Agency desires to approve the form of a Preliminary Official Statement for the 2010 Bonds and to approve the forms of, and authorize the execution and delivery of the Sixth Supplement, the Seventh Supplement, the Eighth Supplement, the Purchase Contract, a Continuing Disclosure Agreement for the 2010 Bonds, and the Escrow Agreement, the forms of which are on file with the Clerk of the Agency.

NOW, THEREFORE, THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON HEREBY FINDS, DETERMINES, RESOLVES AND ORDERS AS FOLLOWS:

- Section 1.** Recitals. The foregoing recitals, and each of them, are true and correct.
- Section 2.** Findings Relating to Facilities. The Agency hereby finds and determines, based on the Summary Report and other information presented to the Agency, as follows:
- (i) each of the Facilities is located within the Project Area, and the acquisition of land therefor or the installation or construction thereof, is of benefit to the Project Area by helping to eliminate blight within the Project Area or by providing housing for low- or moderate-income persons;
 - (ii) the payment of funds for the cost of such land acquisition and public capital improvements will assist in the elimination of one or more blighting conditions inside the Project Area;
 - (iii) the payment of funds for the cost of the Facilities is consistent with the Agency’s implementation plan adopted pursuant to Health and Safety Code Section 33490; and
 - (iv) no other reasonable means of financing the acquisition of the land or installation or construction of such improvements is available to the City.

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Section 3. 2010 Bonds; Supplemental Trust Agreements. Each of the Sixth Supplement, the Seventh Supplement, and the Eighth Supplement, in the forms presented and on file with the Clerk of the Agency, is hereby approved. The issuance of the 2010A Bonds, in the aggregate principal amount not to exceed \$31,500,000, pursuant to the terms of the Master Trust Agreement as supplemented by the Sixth Supplement, is hereby authorized. The issuance of the 2010B Bonds, in the aggregate principal amount not to exceed \$52,500,000, pursuant to the terms of the Master Trust Agreement as supplemented by the Seventh Supplement, respectively, is hereby authorized. The issuance of the 2010C Bonds, in the aggregate principal amount not to exceed \$19,000,000, pursuant to the terms of the Master Trust Agreement as supplemented by the Eighth Supplement, is hereby authorized. Subject to the parameters set forth in Section 6 below, each of the Chairman, the Vice-Chairman, and the Executive Secretary (each, an “Authorized Officer”), acting singly, is hereby authorized and directed to execute and deliver, for and in the name of the Agency, each of the Sixth Supplement, the Seventh Supplement, and the Eighth Supplement, in substantially said form, with such changes therein as the Authorized Officer executing the document may approve (such approval to be conclusively evidenced by such Authorized Officer’s execution and delivery thereof).

Section 4. Appointment of U.S. Bank National Association, as Trustee. The appointment of U.S. Bank National Association, to act as Trustee with respect to the 2010 Bonds is hereby approved.

Section 5. Purchase Contract. The form of Purchase Contract, proposed to be entered into by and among the Agency, the Authority, and the Underwriter, in the form presented and on file with the Clerk of the Agency, is hereby approved. Subject to the parameters set forth in Section 7, each Authorized Officer, acting singly, is hereby authorized and directed to execute and deliver, for and in the name of the Agency, the Purchase Contract in substantially said form, with such changes therein as the Authorized Officer executing the document may approve (such approval to be conclusively evidenced by such Authorized Officer’s execution and delivery thereof).

Section 6. Certain Parameters Relating to Sale of 2010 Bonds. The authorization set forth in this Resolution regarding the issuance and sale of the 2010 Bonds are subject to the following parameters: (a) the aggregate principal amount of (i) the 2010A Bonds shall not exceed \$31,500,000, (ii) the 2010B Bonds shall not exceed \$52,500,000, and (iii) the 2010C Bonds shall not exceed \$19,000,000; (b) the average interest cost with respect to (i) the 2010A Bonds shall not exceed 6.95 percent, (ii) the 2010B Bonds shall not exceed 6.95 percent, and (iii) the 2010C Bonds shall not exceed 9.95%; and (c) the Underwriter’s compensation (*i.e.*, underwriter’s discount), with respect to the sale of each series of the 2010 Bonds shall not exceed \$12.50 per \$1,000 initial principal amount. In addition, the authorization and powers delegated to the Authorized Officers by Section 6 of this Resolution shall be valid for a period of 180 days from the date of adoption of this Resolution.

Section 7. Official Statement. The preliminary Official Statement (the “Preliminary Official Statement”) relating to the 2010 Bonds, substantially in the form on file in the office of the Clerk of the Agency, is hereby approved. Each Authorized Officer, acting singly, is hereby authorized and directed, for and in the name and on behalf of the Agency, to cause the Preliminary Official Statement in substantially said form, with such additions or changes therein as such Authorized Officer may approve, to be deemed final for the purposes of Rule 15c2-12 of the Securities and Exchange Act of 1934. The Underwriter is hereby authorized to distribute copies of the Preliminary Official Statement to persons who may be interested in the purchase of the 2010 Bonds. Each Authorized Officer, acting singly, is hereby authorized and directed, for and in the name and on behalf of the Agency, to cause the Preliminary Official Statement to be brought into the form of a final Official Statement and to execute the final Official Statement and such additional documents prior to or concurrently with the signing of the final Official Statement as such Authorized Officer may deem necessary or appropriate to verify the accuracy thereof. The distribution and use of the Official Statement by the Underwriter in connection with the sale of the 2010 Bonds are hereby approved.

Section 8. **Continuing Disclosure Agreement.** The form of Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) with respect to the 2010 Bonds, to be entered into by and between the Agency and U.S. Bank National Association, as dissemination agent, and on file in the office of the Clerk of the Agency, is hereby approved. Each Authorized Officer, acting singly, is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver the Continuing Disclosure Agreement in substantially the form hereby approved, with such additions or changes as the Authorized Officer executing the same may approve, such approval to be conclusively evidenced by his execution and delivery thereof.

Section 9. **Appointments of Financial Advisor, Bond Counsel, Fiscal Consultant, Underwriter, and Redevelopment Consultant.** In connection with the issuance of the 2010 Bonds, the appointments of Fieldman, Rolapp & Associates as Financial Advisor, Richards, Watson & Gershon, A Professional Corporation, as Bond Counsel, Katz Hollis as Fiscal Consultant, Grigsby & Associates, Inc. as Underwriter, and The Omoteotl Group as Redevelopment Consultant, are hereby approved and affirmed.

Section 10. **Escrow Agreement.** The form of the Escrow Agreement, to be entered into by and between the Agency and U.S. Bank National Association, as escrow agent, with respect to certain tax sharing payment obligations of the Agency and on file in the office of the Clerk of the Agency, is hereby approved. Each Authorized Officer, acting singly, is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver the Escrow Agreement in substantially the form hereby approved, with such additions or changes as the Authorized Officer executing the same may approve, such approval to be conclusively evidenced by his execution and delivery thereof. The appointment of U.S. Bank National Association, to act as Escrow Agent under the Escrow Agreement, is hereby approved

Section 11. **Other Acts.** The Authorized Officers and all other officers of the Agency are hereby authorized and directed, jointly and severally, to take such actions (including the negotiating and obtaining of one or more municipal bond insurance policies or debt service reserve surety bonds) and execute and deliver any and all documents and instruments which they may deem necessary or proper in connection with the issuance, sale and delivery of the 2010 Bonds, or otherwise to effectuate the purposes of this Resolution, each document approved hereby, and any such actions previously taken by such officers are hereby ratified, confirmed and approved.

Section 12. **Effective Date.** This Resolution shall take effect immediately upon adoption.

ADOPTED this _____ day of _____, 2010.

CHAIRMAN OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION

ATTEST:

CLERK OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON: ss

RESOLUTION NO. _____

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I, Alita Godwin, Clerk of the Urban Community Development Commission of the City of Compton, hereby certify that the foregoing resolution was adopted by the Commission, signed by the Chairman, and attested by the Clerk at the regular meeting thereof held on the _____ day of _____, 2010.

That said resolution was adopted by the following vote, to wit:

AYES: COMMISSIONERS-
NOES: COMMISSIONERS-
ABSENT: COMMISSIONERS-
ABSTAIN: COMMISSIONERS-

CLERK OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION

SUMMARY REPORT REGARDING PAYMENT BY THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON FOR ALL OR A PORTION OF THE COST OF THE ACQUISITION OF LAND AND THE INSTALLATION AND CONSTRUCTION OF CERTAIN PUBLIC CAPITAL IMPROVEMENTS OF BENEFIT TO THE COMPTON REDEVELOPMENT PROJECT AREA

DATED: MAY 5, 2010

While this summary report ("Summary Report") reflects the current expectation of the Community Redevelopment Agency of the City of Compton (the "Agency"), it is possible that the projects and costs actually financed by the bond proceeds will differ from those presented in this Summary Report. The amounts set forth in this report are based upon the currently available estimates and the anticipated availability of other funds that Agency believes are reasonable. Such amounts may vary depending on the actual costs, fund availability and compliance with applicable requirements of the Community Redevelopment Law of California, being part 1 of Division 24 (commencing with Section 33000) of the California Health and Safety Code (the "Law"), including but not limited to Section 33678 thereof.

The Summary Report and list of proposed projects set forth herein is provided in connection with the public hearing requirements of Sections 33679 and 33445 of the Law, relating to the proposed payment by the Agency of all or part of the value of the land for, and the cost of the installation of and construction of, any publicly owned buildings (with certain exceptions) with tax increment revenues allocated to the Agency under the Law. The proposed publicly owned buildings, or land acquisitions there for, are expected to be financed by proceeds of a bond issuance as described herein, together with other projects that are not subject to Sections 33679 and 33445. For an overall depiction of the financing, such other proposed projects that are not subject to Sections 33679 and 33445 but that are proposed also to be financed by bond proceeds are also included in this Summary Report. Projects eligible for funding from proceeds of the bonds may include other projects than those listed in this Summary Report, and if the actual projects funded from bond proceeds differ from the projects included in this Summary Report, pursuant to the Law they will be selected from the Agency's five-year implementation plan and also they must meet all other eligibility criteria for bond financing.

Proposed Redevelopment Projects

The Agency proposes to issue bonds to finance the cost of the acquisition of land for and the installation and construction of public capital improvements of benefit to the Compton Redevelopment Project Area (the "Project Area"). Such projects to be financed, in whole or in part, by bond proceeds are currently expected to include some or all of the following:

<u>Acquisition / Improvement</u>	<u>Estimated Agency cost to be paid in whole or in part from bond proceeds*</u>
Performing Arts Center – construction of a 2,000 to 5,000 seat performing arts center / arena venue, a public facility to be located next to the Gateway Towne Center	\$25,000,000

Acquisition / Improvement	Estimated Agency cost to be paid in whole or in part from bond proceeds*
Street lighting, design and construction of various streetscape improvements (including street light upgrades, decorative lighting elements, tree replacement, street fixtures (benches, bollards, trash receptacles), and median modifications and construction) including but not limited to Alameda Corridor, Compton Blvd., Rosecrans Ave., Willowbrook Ave., and Greenleaf Blvd.)	\$18,000,000
MLK Transit Center – reconstruction of the MLK Transit Center, a public bus and rail transit station, and associated street improvements and bus cuing modifications	\$14,500,000
Seniors Activities Center 300 N. Tamarind Avenue – approximately 20,000 sq. ft. public senior citizen activities center situated on two floors, new center to enhance indoor-outdoor relationships by promoting natural heating and cooling, as well as natural ventilation and sun penetration.	\$7,400,000
Parking Structure – 600 space public parking structure, with 1 subterranean level and 3 above ground levels (150 spaces per floor)	\$19,800,000
Community Center – approximately 20,000 sq. ft. public community center situated on two floors	\$16,000,000
Jackie Robinson Sports Complex & Learning Center – land acquisition and funding assistance for the development of a sports park, including but not limited to a minor league baseball stadium (approx. 5,000-7,000 capacity) and little league baseball diamonds	\$2,000,000
School District Site, North McKinley (approx. 6.7 acres) – project assistance and site remediation to facilitate development of approx. 145,000 sq. ft. retail. Development assistance is expected to be grants or the economic equivalent of grants.	\$2,500,000
Affordable housing acquisitions, expected to be grants or the economic equivalent of grants	\$10,000,000
First Time Homebuyer Program – provision of silent second trust deed loans up to \$150,000, based on HUD affordable income criteria and expected to be grants or the economic equivalent of grants	\$6,700,000
Alondra Blvd. and Atlantic Ave. (157,270 sq. ft.) – land acquisition of a site to facilitate the housing component for development of an approximately 160,000 sq. ft. horizontal housing and retail mixed-use facility, with approximately 90,000 sq. ft. of retail and 65 housing units. Development assistance is expected to be grants or the economic equivalent of grants.	\$3,000,000
Alondra Blvd. and Grandee Ave. (18,225 sq. ft.) – land acquisition of a site to facilitate the housing component for development of a mixed-use facility, with approximately 4,000 sq. ft. of retail and 6-8 housing units. Development assistance is expected to be grants or the economic equivalent of grants.	\$3,000,000

Acquisition / Improvement	Estimated Agency cost to be paid in whole or in part from bond proceeds*
McDonald/Chevron Site 1117 Long Beach (56,609 sq. ft.) – capital improvements and infrastructure improvements to facilitate the housing component for development of a mixed-use facility, with approximately 30,000 sq. ft. of retail and 6-8 housing units. Development assistance is expected to be grants or the economic equivalent of grants.	\$1,500,000
SWC Compton/Central Project (86,332 sq. ft.) – land acquisition of a site to facilitate the housing component for development of a commercial and retail with housing mixed-use facility, with approximately 40,000 sq. ft. of retail and 35-50 housing units. Development assistance is expected to be grants or the economic equivalent of grants.	\$10,000,000
Morris Site, 1434 W. Compton Blvd. (32,538 sq. ft.) – land acquisition of a site to facilitate the housing component for development of a mixed-use facility, with approximately 20,000 sq. ft. of retail and 3-4 housing units. Development assistance is expected to be grants or the economic equivalent of grants.	\$1,465,000
1716 East Rosecrans (approx. 7.33 acres) – land acquisition of a site to facilitate the housing component for development of a mixed-use facility, with approximately 100,000 sq. ft. of retail and 100-150 housing units. Development assistance is expected to be grants or the economic equivalent of grants.	\$1,000,000
Supplemental Educational Revenue Augmentation Fund Payment (SERAF) for Fiscal Years 2009-2010 and FY 2010-2011	\$10,700,000

* The amounts listed represent only the Agency's portion of the total project costs. The remaining cost of each project will be funded by other sources available to the City.

The Agency will pay debt service on the proposed bonds from taxes ("tax increment revenues") allocated to the Agency pursuant to Section 33670(b) of the Law with respect to the Project Area. The total estimated amount of tax increment revenues allocated to the Agency from the Project Area necessary to pay debt service on the proposed bonds would be approximately \$199.376 million (assuming an aggregate initial principal amount of approximately \$93.485 million, an overall interest rate of 6.82 percent, and a term of the bonds of 32 years). To the extent that the proceeds of such bonds issued by the Agency are not sufficient to pay for all of the indicated costs of the above-described land and public capital improvements, the balance of such costs will be paid for using other funds available to the Agency or the City of Compton (the "City").

Facts Supporting Determinations

The Project Area is an area in which there exists a combination of conditions of blight that it causes a reduction of, or lack of, proper utilization of the area to such an extent that it constitutes a physical, social and economic burden on the community which cannot reasonably

be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment. There exist buildings and structures in the Project Area that are used or intended to be used for living, commercial, industrial, or other purposes, but are unfit or unsafe to occupy for such purposes and are conducive to crime because of, among other things, inadequate provision for community facilities. The Project Area contains vacant and underutilized properties and properties which suffer from economic dislocation, deterioration or disuse, including depreciated or stagnant property values and impaired investments, and deteriorated, aged and obsolete buildings. The existence of inadequate public improvements and public facilities in the Project Area cannot be remedied by private or governmental action without redevelopment. The lack of adequate public improvements hinders economic development opportunities and contributes to the existence of depreciated and stagnant property values and impaired investments in the Project Area.

The proposed performing arts center, which includes ancillary facilities and associated parking, will address a lack of adequate community facilities in the Project Area and will provide an attractive place for cultural enrichment, the fine arts, and community social activities. Additionally, a performing arts center will enhance business development opportunities in the area and generate community pride, encouraging home and community investment and raising the standard of living for the community.

The north downtown masterplan includes several elements to improve the community facilities available in the north downtown area. Reconstruction of the MLK transit center, a public bus and rail transit station, and construction of related street improvements will facilitate the quality, efficiency, and safety of the public in accessing public transit and will decrease the risk for collision and injuries. This project will improve the quality of life for the residents and business near the transit center and make the surrounding areas better places to live and work, enhance property value and attract development. The senior activities center and community center will provide seniors in the community a place to gather and facilities to enhance their mental and physical health and improved community facilities for the residents of all ages in the Project Area to gather and engage in social activities. The development of community facilities would attract private investment because the quality of life and standard of living are often among key factors in businesses' decision to locate in the Project Area. The proposed 4 level parking structure would additionally facilitate business development and help to alleviate a critical need for adequate parking in the north downtown area.

The expansion and improvements to the various streets in the Project Area will accommodate the changing traffic demands and reduce safety concerns. These projects will improve access and traffic circulation, as well as visual appearance, making the Project Area a more desirable place to visit and conduct business and thereby enhancing its redevelopment.

The sports complex and park will provide community facilities and a place to gather socially for residents in the Project Area. Acquisition of a site to enable development of a minor league baseball stadium and little league baseball diamonds will provide give the residents, particularly youths, the opportunity to participate in sports and recreational activities within the community. Juvenile crime would decline because of the reduction of the available idle time and the refocusing of youthful energies. Additionally, the creation of a physically attractive

environment for community sports activities would result in community pride which would spur home and community investment, and ultimately, raise the standard of living for everyone.

The existence of hazardous substances causes health concerns. It also diminishes the value of a property, as well as surrounding land and uses. Environmental remediation is often a costly endeavor for private property owners and the process may be prolonged or not undertaken at all without assistance from public agencies. The assistance to be provided by the Agency in environmental remediation will alleviate some of this burden and potentially speed up the clean-up process, thereby improving public health and welfare, preserving or increasing property value and promoting the retention of residents and businesses in the Project Area.

There are vacant and underutilized properties and properties which have fallen into deterioration or disuse throughout the Project Area. The Agency's acquisition and rehabilitation of such properties will encourage private sector investment and enhance residential and commercial development to address a lack of commercial facilities and affordable housing in the Project Area.

The budget constraints of the City and the extraordinary voter approval requirements applicable to traditional methods of financing (such as general obligation bonds and community facilities district special tax bonds) as a practical matter prevent the City from financing the above-described acquisition of land and installation and construction of improvements by any other means. No moneys of the City were, are or are reasonably expected to be available on a long-term basis under the budget of the City to pay for such acquisition, installation and construction. Traditional methods of financing such as the issuance of general obligation bonds are unavailable as a practical matter because of the extraordinary majority voter approval requirements of two-thirds of the electorate. Assessment financing or special tax financing could overburden benefiting properties with assessments or special taxes and, in addition, special taxes require a two-thirds vote and assessments are subject to a majority protest.

The above-described acquisition of property and construction and installation of public improvements are all consistent with the Agency's implementation plan.

Redevelopment Purpose; Elimination of Blight

The above-described acquisition of property and construction and installation of public improvements will serve a basic purpose of redevelopment. Redevelopment includes the provision of structures as may be appropriate or necessary in the interest of the general welfare. A fundamental purpose of redevelopment is to expand employment opportunities and to provide an environment for the social, economic and psychological growth and well-being of all citizens.

The above-described acquisition of property and construction and installation of public improvements will assist in the elimination of blight in the Project Area, which is caused by the lack of adequate public improvements, and will assist in the revitalization of the Project Area, improve the quality of life, help to reverse depreciated or stagnant property values and impaired investments, encourage private sector investment, create job opportunities, promote the economic viability of businesses in the Project Area, attract new businesses, assist in retaining

existing businesses, and encourage business expansion, all for the health, safety and welfare of the residents and taxpayers of the Project Area and the City.

COMPTON REDEVELOPMENT AGENCY
0% Growth Coverage Table

			Revenues for Senior Debt					2nd Lien Senior Non-Housing TI					2nd Lien Senior Housing Fund						
					Revenues	Existing 1st			Proposed		Total Non-	Remaining		Available	Proposed			Remaining	
Fiscal	Non-	Housing	Non-	Housing	Pledged to	Lien	Coverage	Available	2nd Lien	Coverage	Housing TI +	Non-Housing	TI after	Housing TI	2nd Lien	Coverage	Total Housing	Housing Fund	
Year	to Agency	Fund	to Agency	Fund	1st Lien	Debt Service		Non-	Net TI		Portion of	TI	payment	for Debt	Housing		TI Debt	Service	
		(20% of GTI)			Bonds			Housing TI	Debt		Housing TI*	of 1st and 2nd	Lien Bonds	Service	Debt		Service		
6/30/2010	19,358,000	5,249,000	19,358,000	444,263	19,802,263	8,885,250	2.229	10,917,013	1,501,417	7.27	10,386,667	1.91	9,415,596	4,804,738	4,804,738	541,631	8.87	985,893	
6/30/2011	19,675,000	5,234,000	19,675,000	445,250	20,120,250	8,905,000	2.259	11,215,250	4,504,250	2.49	13,409,250	1.50	6,711,000	4,788,750	4,788,750	2,389,500	2.00	2,399,250	
6/30/2012	19,675,000	5,234,000	19,675,000	446,025	20,121,025	8,920,500	2.256	11,200,525	4,504,250	2.49	13,424,750	1.50	6,696,275	4,787,975	4,787,975	2,388,750	2.00	2,399,225	
6/30/2013	19,675,000	5,234,000	19,675,000	447,300	20,122,300	8,946,000	2.249	11,176,300	4,504,250	2.48	13,450,250	1.50	6,672,050	4,786,700	4,786,700	2,390,725	2.00	2,395,975	
6/30/2014	19,675,000	5,234,000	19,675,000		19,675,000	5,800,000	3.392	13,875,000	6,179,250	2.25	11,979,250	1.64	7,695,750	5,234,000	5,234,000	2,615,100	2.00	2,618,900	
6/30/2015	19,675,000	5,234,000	19,675,000		19,675,000	5,800,000	3.392	13,875,000	6,180,250	2.25	11,980,250	1.64	7,694,750	5,234,000	5,234,000	2,612,250	2.00	2,621,750	
6/30/2016	19,675,000	5,234,000	19,675,000		19,675,000	5,800,000	3.392	13,875,000	6,180,450	2.24	11,980,450	1.64	7,694,550	5,234,000	5,234,000	2,615,825	2.00	2,618,175	
6/30/2017	19,675,000	5,234,000	19,675,000		19,675,000	5,800,000	3.392	13,875,000	6,179,050	2.25	11,979,050	1.64	7,695,950	5,234,000	5,234,000	2,615,175	2.00	2,618,825	
6/30/2018	19,675,000	5,234,000	19,675,000		19,675,000	5,800,000	3.392	13,875,000	6,180,250	2.25	11,980,250	1.64	7,694,750	5,234,000	5,234,000	2,615,300	2.00	2,618,700	
6/30/2019	19,675,000	5,234,000	19,675,000		19,675,000	5,800,000	3.392	13,875,000	6,177,850	2.25	11,977,850	1.64	7,697,150	5,234,000	5,234,000	2,615,875	2.00	2,618,125	
6/30/2020	19,675,000	5,234,000	19,675,000		19,675,000	5,800,000	3.392	13,875,000	6,176,050	2.25	11,976,050	1.64	7,698,950	5,234,000	5,234,000	2,616,575	2.00	2,617,425	
6/30/2021	19,675,000	5,234,000	19,675,000		19,675,000	5,800,000	3.392	13,875,000	6,178,650	2.25	11,978,650	1.64	7,696,350	5,234,000	5,234,000	2,612,075	2.00	2,621,925	
6/30/2022	19,675,000	5,234,000	19,675,000		19,675,000	5,800,000	3.392	13,875,000	3,389,050	4.09	9,189,050	2.14	10,485,950	5,234,000	5,234,000	2,612,375	2.00	2,621,625	
6/30/2023	19,675,000	5,234,000	19,675,000		19,675,000	5,800,000	3.392	13,875,000	3,393,900	4.09	9,193,900	2.14	10,481,100	5,234,000	5,234,000	2,611,825	2.00	2,622,175	
6/30/2024	19,675,000	5,234,000	19,675,000		19,675,000	5,800,000	3.392	13,875,000	3,392,125	4.09	9,192,125	2.14	10,482,875	5,234,000	5,234,000	2,615,100	2.00	2,618,900	
6/30/2025	19,012,000	5,055,000	19,012,000		19,012,000			19,012,000	8,879,050	2.14	8,879,050	2.14	10,132,950	5,055,000	5,055,000	2,526,550	2.00	2,528,450	
6/30/2026	19,012,000	5,055,000	19,012,000		19,012,000			19,012,000	8,882,825	2.14	8,882,825	2.14	10,129,175	5,055,000	5,055,000	2,526,700	2.00	2,528,300	
6/30/2027	10,078,000	2,620,000	10,078,000		10,078,000			10,078,000	4,706,575	2.14	4,706,575	2.14	5,371,425	2,620,000	2,620,000	1,304,700	2.01	1,315,300	
6/30/2028	10,078,000	2,620,000	10,078,000		10,078,000			10,078,000	4,705,375	2.14	4,705,375	2.14	5,372,625	2,620,000	2,620,000	1,309,525	2.00	1,310,475	
6/30/2029	10,078,000	2,620,000	10,078,000		10,078,000			10,078,000	4,708,775	2.14	4,708,775	2.14	5,369,225	2,620,000	2,620,000	1,306,100	2.01	1,313,900	
6/30/2030	10,078,000	2,620,000	10,078,000		10,078,000			10,078,000	4,705,800	2.14	4,705,800	2.14	5,372,200	2,620,000	2,620,000	1,304,750	2.01	1,315,250	
6/30/2031	8,847,000	2,280,000	8,847,000		8,847,000			8,847,000	4,131,125	2.14	4,131,125	2.14	4,715,875	2,280,000	2,280,000	1,135,150	2.01	1,144,850	
6/30/2032	8,847,000	2,280,000	8,847,000		8,847,000			8,847,000	4,131,150	2.14	4,131,150	2.14	4,715,850	2,280,000	2,280,000	1,138,025	2.00	1,141,975	
6/30/2033	8,847,000	2,280,000	8,847,000		8,847,000			8,847,000	4,130,125	2.14	4,130,125	2.14	4,716,875	2,280,000	2,280,000	1,137,650	2.00	1,142,350	
6/30/2034	4,817,000	1,204,000	4,817,000		4,817,000			4,817,000	2,247,400	2.14	2,247,400	2.14	2,569,600	1,204,000	1,204,000	599,025	2.01	604,975	
6/30/2035	4,817,000	1,204,000	4,817,000		4,817,000			4,817,000	2,249,525	2.14	2,249,525	2.14	2,567,475	1,204,000	1,204,000	596,925	2.02	607,075	
6/30/2036	4,817,000	1,204,000	4,817,000		4,817,000			4,817,000	2,246,125	2.14	2,246,125	2.14	2,570,875	1,204,000	1,204,000	598,525	2.01	605,475	
6/30/2037	4,817,000	1,204,000	4,817,000		4,817,000			4,817,000	2,247,200	2.14	2,247,200	2.14	2,569,800	1,204,000	1,204,000	598,500	2.01	605,500	
6/30/2038	4,817,000	1,204,000	4,817,000		4,817,000			4,817,000	2,247,100	2.14	2,247,100	2.14	2,569,900	1,204,000	1,204,000	596,850	2.02	607,150	
6/30/2039	4,817,000	1,204,000	4,817,000		4,817,000			4,817,000	2,250,500	2.14	2,250,500	2.14	2,566,500	1,204,000	1,204,000	598,575	2.01	605,425	
/2040	4,817,000	1,204,000	4,817,000		4,817,000			4,817,000	2,246,750	2.14	2,246,750	2.14	2,570,250	1,204,000	1,204,000	598,350	2.01	605,650	
/2041	4,817,000	1,204,000	4,817,000		4,817,000			4,817,000	2,245,850	2.14	2,245,850	2.14	2,571,150	1,204,000	1,204,000	601,175	2.00	602,825	
/2042	4,817,000	1,204,000	4,817,000		4,817,000			4,817,000	2,247,150	2.14	2,247,150	2.14	2,569,850	1,204,000	1,204,000	601,725	2.00	602,275	

Using TI is equal to 5% of Senior Debt Service through and including Fiscal 2013

COMPTON URBAN COMMUNITY DEVELOPMENT COMMISSION,
ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON, CALIFORNIA

and

U.S. BANK NATIONAL ASSOCIATION

as Trustee

SIXTH SUPPLEMENTAL TRUST AGREEMENT

Dated as of June 1, 2010

Relating to

\$ _____
Compton Redevelopment Project
Second Lien Tax Allocation Bonds (Housing),
Series 2010A

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Sixth Supplemental Trust Agreement

This Sixth Supplemental Trust Agreement, dated as of June 1, 2010 (this “Sixth Supplemental Trust Agreement”), is entered into by and between the Compton Urban Community Development Commission, acting as the Community Redevelopment Agency of the City of Compton, a public body, corporate and politic organized and existing under the laws of the State of California (the “Agency”), and U.S. Bank National Association, a national banking association duly organized and existing under laws of the United States of America and authorized to accept and execute trusts of the character herein set forth, as trustee (the “Trustee”).

Recitals

A. The Agency is a redevelopment agency, a public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers, all under and pursuant to Part 1 of Division 24 (commencing with Section 33000) of the California Health and Safety Code (the “Law”), and the powers of the Agency include the power to issue bonds for any of its corporate purposes.

B. A redevelopment plan (the “Plan”) for a redevelopment project area known and designated as the “Compton Redevelopment Project Area” (the “Project Area”) has been adopted and approved and all requirements of law for, and precedent to, the adoption and approval of said plan have been duly complied with.

C. The Plan contemplates that the Agency would issue bonds from time to time to finance a portion of the costs of redevelopment of the Project Area.

D. The Agency is authorized under the Law to issue bonds or notes for any of its corporate purposes.

E. To further provide for the issuance of bonds from time to time and set forth certain terms pertaining thereto, the Agency has entered into the Master Trust Agreement, dated as of June 1, 1995 (the “Master Trust Agreement”), by and between the Agency and Seattle-First National Bank, the prior trustee (the “Prior Trustee”).

F. The Agency has previously issued its Compton Redevelopment Project Refunding Tax Allocation Bonds, Series 1995A (the “Series 1995A Bonds”) under the Master Trust Agreement, as supplemented by the First Supplemental Trust Agreement, dated as of June 1, 1995, by and between the Agency and the Prior Trustee.

G. The Agency has previously issued its Compton Redevelopment Project Refunding Tax Allocation Bonds, Series 1995B (Taxable) (the “Series 1995B Bonds”) under the Master Trust Agreement, as supplemented by the Second Supplemental Trust Agreement, dated as of June 1, 1995, by and between the Agency and the Prior Trustee.

H. The Agency has previously issued its Compton Redevelopment Project Tax Allocation Capital Appreciation Bonds, Series 1995C (Taxable) (the “Series 1995C Bonds”) under the Master Trust Agreement, as supplemented by the Third Supplemental Trust

Agreement, dated as of June 1, 1995 (the “Third Supplemental Trust Agreement”), by and between the Agency and the Prior Trustee.

I. The Agency has previously issued its Compton Redevelopment Project Subordinate Refunding Tax Allocation Bonds, Series 1995-1 (the “Series 1995-1 Bonds”) under the Master Trust Agreement, as supplemented by the Fourth Supplemental Trust Agreement, dated as of June 1, 1995, by and between the Agency and the Prior Trustee.

J. The Agency has previously issued its Compton Redevelopment Project Refunding Tax Allocation Bonds, Series 2006A (the “Series 2006A Bonds”) pursuant to the Master Trust Agreement, as supplemented and amended by the Fifth Supplemental Trust Agreement, dated as of July 1, 2006, by and between the Agency and the Trustee, as successor trustee under the Master Trust Agreement and the Third Supplemental Trust Agreement, and used the proceeds thereof, together with certain other funds available to the Agency, to refund all of its remaining outstanding Series 1995A Bonds, Series 1995B Bonds and Series 1995-1 Bonds.

K. The Agency desires to issue an additional series of bonds designated as the Agency’s Compton Redevelopment Project Second Lien Tax Allocation Bonds (Housing), Series 2010A (the “Series 2010A Bonds”) pursuant to the Master Trust Agreement, as supplemented and amended by this Sixth Supplemental Trust Agreement, for the purpose of financing low and moderate income housing projects of the Agency.

L. The Series 2010A Bonds will be primarily payable from, and secured by a pledge of, certain tax increment revenues of the Agency and on a subordinate basis to the Series 1995C Bonds and the Series 2006A Bonds, to the extent such bonds are outstanding and payable from Housing Tax Revenues (as defined in the Trust Agreement), in the manner prescribed by the Master Trust Agreement, as heretofore amended and as supplemented by this Sixth Supplemental Trust Agreement.

M. The execution and delivery of this Sixth Supplemental Trust Agreement have been duly authorized and all things necessary to make the Series 2010A Bonds, when executed by the Agency and authenticated by the Trustee, valid and binding legal obligations of the Agency and to make this Sixth Supplemental Trust Agreement a valid and binding legal instrument for the security of the Series 2010A Bonds, have been done.

NOW THEREFORE, THIS SIXTH SUPPLEMENTAL TRUST AGREEMENT WITNESSETH, that in order to secure the payment of the principal of, and the interest and premium, if any, on, all of the Series 2010A Bonds at any time issued and Outstanding under the Master Trust Agreement, as amended and supplemented by this Sixth Supplemental Trust Agreement, according to their tenor, and to secure the performance and observance of all the covenants and conditions set forth therein and herein, and to declare the terms and conditions upon and subject to which the Series 2010A Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Series 2010A Bonds by the owners thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, the Agency does hereby covenant and agree with the Trustee, for the benefit of the respective holders from time to time of the Series 2010A Bonds, as follows:

ARTICLE I AUTHORITY AND DEFINITIONS

SECTION 1.01. Authority for Sixth Supplemental Trust Agreement. This Sixth Supplemental Trust Agreement is executed and delivered pursuant to the provisions of the Law and Section 53570 et seq. of the California Government Code.

SECTION 1.02. Definitions. Except as provided by this Sixth Supplemental Trust Agreement, all terms which are defined in Section 1.01 of the Master Trust Agreement shall have the same meanings, respectively, in this Sixth Supplemental Trust Agreement. The following terms shall, for all purposes of the Trust Agreement, have the following meanings.

“Closing Date” means, with respect to the Series 2010A Bonds, June __, 2010, which is the date of their initial issuance and delivery.

“Fifth Supplemental Trust Agreement” means the Fifth Supplemental Trust Agreement, dated as of July 1, 2006, by and between the Agency and the Trustee, as successor to the Prior Trustee, with respect to the Series 2006A Bonds, as heretofore amended and/or supplemented pursuant to the terms thereof and the Master Trust Agreement.

“Housing Fund” means the low and moderate income housing fund with respect to the Project Area established pursuant to Section 33334.3 of the Law and held by the Agency.

“Housing Parity Second Lien Bonds” shall mean any tax allocation bonds, loans, and any other indebtedness payable from the Housing Tax Revenues on a parity with the Series 2010A Bonds pursuant to the terms of Section 3.02 of this Sixth Supplemental Trust Agreement and Sections 2.09 and 2.11 of the Master Trust Agreement, as further amended by Article IV of this Sixth Supplemental Trust Agreement (Section 2.11 having been previously amended by the Fifth Supplemental Trust Agreement).

“Housing Second Lien Debt Service Fund” means the fund by that name created and established pursuant to Section 4.10 of the Master Trust Agreement and Section 3.03(a) hereof.

“Housing Second Lien Reserve Fund” means the fund by that name created and established pursuant to Section 4.10 of the Master Trust Agreement and Section 3.03(b) hereof.

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Mergent’s “Municipal and Government,” 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attention: Called Bond Department; and Kenny S&P, 55 Water Street, 45 Floor, New York, New York 10041, Attention: Notification Department; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the Agency may designate in writing to the Trustee.

“Interest Payment Date” means, with respect to the Series 2010A Bonds, February 1 and August 1 of each year, commencing August 1, 2010.

“Master Trust Agreement” means that Master Trust Agreement, dated as of June 1, 1995, by and between the Agency and Seattle-First National Bank, as succeeded by U.S. Bank National Association, as Trustee, as heretofore amended and/or supplemented pursuant to the terms thereof.

“Permitted Investments” means, with respect to the Housing Second Lien Reserve Fund or any other fund or account relating to the Series 2010A Bonds established and maintained pursuant to the Trust Agreement, any of the obligations described in the definition of “Permitted Investments” set forth in the Fifth Supplemental Trust Agreement, if and to the extent that they are permissible investments of funds of the Agency held in the manner described therein.

“Pledged Tax Revenues” means, for each Bond Year, with respect to the Series 2010A Bonds, all Housing Tax Revenues received by the Agency for such Bond Year, excluding an amount equal to the sum of all transfers of and payments from Housing Tax Revenues required by any Senior Debt Instrument.

Notwithstanding the foregoing, in any Bond Year, if the amount of Pledged Tax Revenues transferred to the Trustee is sufficient to (i) pay the principal and interest coming due in such Bond Year on the Series 2010A Bonds and any other Housing Parity Second Lien Bonds then Outstanding and (ii) if necessary, bring the balance in the reserve fund(s) for the Housing Parity Second Lien Bonds to the applicable Reserve Fund Requirement, then Housing Tax Revenues received by (or on behalf of) the Agency thereafter during such Bond Year shall no longer be “Pledged Tax Revenues” for the purposes of the Series 2010A Bonds.

“Project Parity Second Lien Bonds” shall mean any Bonds issued under a Supplemental Trust Agreement and secured by and payable from Project Tax Revenues after all transfers of and payments from Project Tax Revenues required by any Senior Debt Instrument.

“Record Date” means, with respect to the Series 2010A Bonds, the 15th day of the month (regardless whether such day is a Business Day) immediately preceding an Interest Payment Date.

“Remittance Advice Summary” shall mean a remittance advice summary provided by the County Auditor-Controller to the Agency with respect to each payment of Tax Revenues made by the County to, or for the benefit of, the Agency. Currently, the County makes payments of Tax Revenues with respect to the Redevelopment Project Area, and provides to the Agency a Remittance Advice Summary as to each such payment, approximately 10 times a year.

“Second Lien Bonds” shall mean (i) the Series 2010A Bonds, (ii) any Housing Parity Second Lien Bonds, and (iii) any Project Parity Second Lien Bonds.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 50th Floor, New York, New York 10041, Attn: Call Notification Department, Fax (212) 855-7232 and, in accordance with then current guidelines of the Securities and Exchange

Commission, such other addresses and/or such other securities depositories as the Agency may designate in writing to the Trustee.

“Second Lien Reserve Account” means an account relating to a Series of Second Lien Bonds either in the Housing Second Lien Reserve Fund or the Project Second Lien Reserve Fund established under the Trust Agreement.

“Senior Debt Instrument” means any resolution, loan agreement, indenture, trust agreement or other instrument authorizing the Senior Bonds, which pursuant to the covenant and limitation set forth in Section 5.01 hereof shall consist solely of the Series 1995C Bonds and the Series 2006A Bonds Outstanding at the time.

“Series 1995C Bonds” means the Agency’s Compton Redevelopment Project Tax Allocation Capital Appreciation Bonds, Series 1995C (Taxable), issued on July 27, 1995 in aggregate initial principal amount of \$10,137,530.

“Series 2006A Bonds” means the Agency’s Compton Redevelopment Project Refunding Tax Allocation Bonds, Series 2006A, issued on July 6, 2006 in aggregate initial principal amount of \$51,215,000.

“Series 2010A Bonds” means the Agency’s Compton Redevelopment Project Second Lien Tax Allocation Bonds (Housing), Series 2010A, issued pursuant to this Sixth Supplemental Trust Agreement.

“Series 2010A Tax Certificate” means the Certificate Regarding Compliance with Certain Tax Matters (or similar document) pertaining to the use and investment of proceeds of the Series 2010A Bonds, executed and delivered by a duly authorized officer of the Agency and of the City on the related Closing Date, including any and all exhibits and attachments thereto.

“Series 2010A Term Bonds” means the Series 2010A Bonds maturing on August 1, 20__ and August 1, 20__.

“Sixth Supplemental Trust Agreement” means this Sixth Supplemental Trust Agreement, as may be amended from time to time pursuant to the terms hereof and the Master Trust Agreement.

“Tax-exempt” means, with respect to interest on any obligations of a state or local government, including the interest on the Bonds, that such interest is excluded from gross income for federal income tax purposes whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating tax liabilities, including any alternative minimum tax, under the Code.

“Third Supplemental Trust Agreement” means the Third Supplemental Trust Agreement, dated as of June 1, 1995, by and between the Agency and Seattle-First National Bank, as succeeded by U.S. Bank National Association, as Trustee, with respect to the Series 1995C Bonds, as heretofore amended and/or supplemented pursuant to the terms thereof and the Master Trust Agreement.

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“Trust Agreement” means the Master Trust Agreement, as amended and supplemented by the Third Supplemental Trust Agreement, the Fifth Supplemental Trust Agreement, and this Sixth Supplemental Trust Agreement.

“Trust Office” means the corporate trust office of the Trustee at 1420 5th Avenue, 7th Floor, Seattle, Washington 98101 (facsimile: 206-344-4630); provided, however, for transfer, registration, exchange, payment and surrender of Bonds, “Trust Office” means the corporate trust office of U.S. Bank National Association in St Paul, Minnesota, or such other office designated by the Trustee from time to time.

ARTICLE II GENERAL TERMS OF SERIES 2010A BONDS

SECTION 2.01. Authorization. The Series 2010A Bonds are hereby authorized to be issued for the purpose described in the Recitals hereof.

SECTION 2.02. Terms.

(a) The Series 2010A Bonds, authorized to be issued by the Agency under and subject to the terms of the Master Trust Agreement and this Sixth Supplemental Trust Agreement and the Law, shall be designated as the Agency’s “Compton Redevelopment Project Second Lien Tax Allocation Bonds (Housing), Series 2010A.” The Series 2010A Bonds shall be issued in the aggregate principal amount of \$_____. The Series 2010A Bonds shall be dated as of the Closing Date for the Series 2010A Bonds, shall bear interest at such rates (payable on February 1 and August 1 in each year, commencing August 1, 2010), and shall mature and become payable as to principal on August 1 in each of the years in the amounts set forth below:

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
	\$	%

(b) Interest on the Series 2010A Bonds shall be computed on the basis of a 360-day year of twelve 30-day months.

The Series 2010A Bonds shall be issued as fully registered bonds in the denomination of \$5,000, or any integral multiple of \$5,000. The Series 2010A Bonds shall be numbered as determined by the Registrar. The Series 2010A Bonds shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) such date of

authentication is during the period from the 16th day of the month next preceding an Interest Payment Date to and including such Interest Payment Date, in which event they shall bear interest from such Interest Payment Date, or (ii) such date of authentication is on or before the 15th day of the month next preceding the first Interest Payment Date (*i.e.*, the first Record Date), in which event they shall bear interest from their dated date. Notwithstanding the foregoing, if, at the time of authentication of any Series 2010A Bond, interest is then in default on the Outstanding Bonds of such Series, such Series 2010A Bond shall bear interest from the Interest Payment Date to which interest previously has been paid or made available for payment on the Outstanding Series 2010A Bonds.

Payment of interest on the Series 2010A Bonds due on or before the maturity of such Series 2010A Bonds shall be made to the person whose name appears on the bond registration books of the Registrar as the registered owner thereof, as of the close of business on the related Record Date. Subject to Section 2.12 of the Master Trust Agreement, such interest to be paid by check or draft mailed on each Interest Payment Date by first-class mail to such registered owner at the address appearing on such books or, upon written request received by the Trustee prior to the related Record Date, of an Owner of at least \$1,000,000 in aggregate principal amount of Series 2010A Bonds, by wire transfer in immediately available funds to an account within the United States designated by such Owner.

Principal of the Series 2010A Bonds shall be payable upon the surrender thereof at maturity thereof at the Trust Office. Principal of and interest on the Series 2010A Bonds shall be paid in lawful money of the United States of America. If the principal of a Series 2010A Bond becomes due and payable, but shall not have been paid or provisions made for its payment, then such Series 2010A Bond shall bear interest at the same rate after such default as on the day before the default occur.

SECTION 2.03. Book-Entry System. The Series 2010A Bonds shall be initially issued as Book-Entry Bonds, in accordance with Section 2.12 of the Master Trust Agreement.

SECTION 2.04. Forms of Series 2010A Bonds. The Series 2010A Bonds, the authentication and registration endorsement and the assignment to appear thereon shall be substantially in the form attached hereto as Appendix A, with necessary or appropriate variations, omissions and insertions as permitted or required by this Sixth Supplemental Trust Agreement.

SECTION 2.05. Redemption of Series 2010A Bonds.

(a) Optional Redemption of Series 2010A Bonds. The Series 2010A Bonds maturing on or before August 1, 20__ shall not be subject to optional redemption prior to their maturity. The Series 2010A Bonds maturing on or after August 1, 20__ shall be subject to redemption as a whole or in part from such maturities as the Agency shall designate (which designation shall be in writing and shall be delivered to the Trustee no later than 45 days prior to the redemption date), prior to their maturity at the option of the Agency on any date on or after August 1, 20__, from funds derived by the Agency from any source, at a redemption price equal

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to [100 percent of the principal amount of the Series 2010A Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium.]

(b) Mandatory Sinking Fund Redemption of Series 2010A Bonds. The Series 2010A Bonds maturing on August 1, 20__ and August 1, 20__ (the “Series 2010A Term Bonds”) are also subject to redemption prior to their stated maturity, in part by lot, from mandatory sinking account payments deposited in the Housing Second Lien Principal Account of the Housing Second Lien Debt Service Fund for that purpose on August 1 of each year commencing August 1, 20__ and August 1, 20__, respectively, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, according to the following schedules:

Series 2010A Bonds maturing August 1, 20__

Redemption Date (August 1)	Principal Amount
	\$

(maturity)

Series 2010A Bonds maturing August 1, 20__

Redemption Date (August 1)	Principal Amount
	\$

(maturity)

(c) Selection of Series 2010A Bonds for Redemption. Whenever less than all of the Outstanding Series 2010A Bonds of a maturity are called for redemption at any one time, the Trustee shall select the Series 2010A Bonds to be redeemed, from the Outstanding Series 2010A Bonds of such maturity not previously selected for redemption, by lot; provided, that if less than all of the Outstanding Series 2010A Term Bonds of any maturity of a Series are called for optional redemption, each future mandatory sinking account payment with respect to such Series 2010A Term Bonds will be reduced on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, so that the total amount of mandatory sinking account payments (with respect to such Series 2010A Term Bonds) to be made after the optional redemption shall be reduced by an amount equal to the principal amount of the Series 2010A Term Bonds so redeemed, as shall be designated by the Agency to the Trustee in writing.

(d) Purchase in Lieu of Redemption. In lieu of redemption of any Series 2010A Term Bond, upon the written request of the Agency, the Series 2010A Term Bonds are subject to purchase in lieu of redemption from amounts on deposit in the Housing Second Lien Principal Account of the Housing Second Lien Debt Service Fund, in accordance with Section 3.05 of the Master Trust Agreement.

(e) Notice. Notice of redemption shall be sent by first class mail (or with respect to notices to be received by DTC or its nominee, any Information Services or Securities Depository, by such transmission method as acceptable to such entity) by the Trustee, on behalf and at the expense of the Agency, not more than 60 days and not less than 30 days prior to the redemption date to (i) the respective Owners of Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee, (ii) one or more Information Services designated in writing to the Trustee by the Agency and (iii) the Securities Depositories. Each notice of redemption shall state the date of such notice, the Bonds to be redeemed, the Series designation of such Bonds, the date of issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity are to be redeemed, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of such Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date and upon the satisfaction of any condition to redemption stated in such notice in accordance with the Master Trust Agreement, interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. If, at the time that the notice redemption is mailed to the Owner, the Agency has not deposited with the Trustee sufficient funds to pay the redemption price and accrued interest, in full, with respect to the Bonds being called, the notice shall expressly state that the redemption is conditioned upon the deposit of funds by the Agency on or before the redemption date.

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

(f) Right to Rescind. The Agency shall have the right to rescind any optional redemption by written notice of rescission. Any notice of optional redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption. Neither such cancellation nor lack of available funds shall constitute an Event of Default under the Master Trust Agreement, as supplemented by this Sixth Supplemental Trust Agreement. The Trustee will send notice of rescission of such redemption in the same manner as the original notice of redemption was sent.

(g) General Redemption Provisions. Except with respect to the foregoing, the provision set forth in Sections 3.01 through 3.05 of the Master Trust Agreement shall apply to the Series 2010A Bonds.

ARTICLE III APPLICATION OF PROCEEDS; SERIES 2010A FUNDS AND ACCOUNTS

SECTION 3.01. Application of Proceeds of Series 2010A Bonds; Other Transfers of Funds on Closing Date. On the Closing Date, the Trustee shall receive proceeds from the sale of the Series 2010A Bonds in the amount of \$_____ (representing the aggregate principal amount of the Series 2010A Bonds, [plus/less] an original issue [premium/discount] of \$_____, and less an underwriter's discount of \$_____). Immediately upon receipt, the Trustee shall (i) deposit the amount of \$_____ in the Series 2010A Account of the Housing Second Lien Reserve Fund established under Section 3.03, (ii) deposit the amount of \$_____ in the Series 2010A Costs of Issuance Account established under Section 3.06, and (iii) deposit the balance of \$_____ in the Housing Trust Fund designated under Section 4.02 of the Master Trust Agreement.

SECTION 3.02. Sources of Payment of Series 2010A Bonds. The Series 2010A Bonds, and any Housing Parity Second Lien Bonds issued in accordance with provisions of Section 2.11 of the Master Trust Agreement, as amended by Section 4.01 of this Sixth Supplemental Trust Agreement, shall be secured by and payable from the Pledged Tax Revenues as provided in the Master Trust Agreement, as supplemented by this Sixth Supplemental Trust Agreement, and as such, are hereby made expressly subordinate to the Senior Bonds so long as any Senior Bonds remain Outstanding; provided, in accordance with the covenant and limitation set forth in Section 5.01 hereof, "Senior Bonds" shall consist solely of the Outstanding Series 1995C Bonds and Series 2006A Bonds. The Agency may, but is not obligated to, provide for payment of principal and interest on the Series 2010A Bonds from any other source or from any other funds of the Agency.

SECTION 3.03. Creation of Housing Second Lien Debt Service Fund and Housing Second Lien Reserve Fund.

(a) A special fund is hereby created and designated "Compton Redevelopment Project, Housing Second Lien Tax Allocation Bonds Debt Service Fund" (the "Housing Second Lien Debt Service Fund") to be held by the Trustee, and there are hereby created in the Housing Second Lien Debt Service Fund two separate accounts designated "Housing Second Lien Interest Account" and "Housing Second Lien Principal Account."

(b) A separate special fund is hereby created and designated "Compton Redevelopment Project Tax Allocation Bonds Housing Second Lien Reserve Fund" (the "Housing Second Lien Reserve Fund") to be held by the Trustee. There is hereby created within the Housing Second Lien Reserve Fund a separate account designated the "Series 2010A Account." Upon the issuance of the Series 2010A Bonds, a portion of the proceeds thereof shall be deposited in the Series 2010A Account of the Housing Second Lien Reserve Fund in accordance with Section 3.01. The Series 2010A Account of the Housing Second Lien Reserve

Fund shall be established for the purposes of accounting for the amount of earnings upon the portion of the Housing Second Lien Reserve Fund relating to the Series 2010A Bonds, but for all other purposes shall be held, invested and used as an integral part of the Housing Second Lien Reserve Fund as provided herein.

(c) The Trustee shall deposit into these funds and accounts such amounts as provided in Sections 2.09 and 4.05 of the Trust Agreement and Section 3.01 hereof and shall also deposit into such funds and accounts such amounts as are received with instructions from the Agency to the Trustee to deposit such amounts into a specific fund, account, or subaccount.

(d) The Trustee is hereby authorized to create such subaccounts in said funds and accounts as may be convenient to the Trustee or as may be required under a subsequent Supplemental Trust Agreement.

SECTION 3.04. Withdrawals From Housing Second Lien Debt Service Fund and Housing Second Lien Reserve Fund; Valuation of the Housing Second Lien Reserve Fund.

(a) In addition to the amounts deposited into the Housing Second Lien Interest Account and the Housing Second Lien Principal Account under Sections 4.05(a)(iv) and (v) of the Master Trust Agreement, the Trustee may accept and deposit into the Housing Second Lien Debt Service Fund other amounts from the Agency or from other sources to be used for regularly scheduled principal, Final Compounded Amount (if any), and interest payments or for the redemption of Series 2010A Bonds and any Housing Parity Second Lien Bonds. There shall be withdrawn from the Housing Second Lien Interest Account and the Housing Second Lien Principal Account from time to time and set aside or deposited with the respective Paying Agents sufficient money for paying the interest on the Series 2010A Bonds and any Housing Parity Second Lien Bonds and the principal and Accreted Value (if any) of and premium on the Series 2010A Bonds and any Housing Parity Second Lien Bonds as the same shall fall due, or if such interest, principal, Accreted Value (if any), or premium is paid by or through a form of credit support provided for the Series 2010A Bonds or any Housing Parity Second Lien Bonds, amounts in the Housing Second Lien Interest Account and Housing Second Lien Principal Account may be used to reimburse such payments to the party providing such credit support. Moneys in any subaccounts created within the Housing Second Lien Interest Account and the Housing Second Lien Principal Account shall when withdrawn as provided above be used to pay interest, principal, Accreted Value (if any), or premium, as the case may be, on the Series 2010A Bonds and any Housing Parity Second Lien Bonds for which the subaccount was created.

(b) Moneys held in the Housing Second Lien Reserve Fund shall be used for the purpose of paying principal, Accreted Value (if any), and interest on the Series 2010A Bonds and any Housing Parity Second Lien Bonds if the amounts in the accounts mentioned in clauses (iv) and (v) of Section 4.05(a) of the Master Trust Agreement shall on any date be insufficient to pay in full the interest and/or principal due on the Series 2010A Bonds and any Outstanding Housing Parity Second Lien Bonds on such date. The Trustee shall use all available cash in the Housing Second Lien Reserve Fund prior to drawing upon any Reserve Fund Insurance Policy deposited therein. At least annually, prior to August 1, the Trustee shall determine the market value of the Housing Second Lien Reserve Fund. A Reserve Fund Insurance Policy deposited with the Trustee shall be valued as equal to the face amount of stated amount of such policy. If,

on any evaluation of the Housing Second Lien Reserve Fund, the value of the Housing Second Lien Reserve Fund shall exceed the Reserve Fund Requirement for the Series 2010A Bonds and any Housing Parity Second Lien Bonds, such excess shall be withdrawn and transferred to the Agency to be used for any lawful purpose. In addition, at such time as the Series 2010A Bonds or any Series of Housing Parity Second Lien Bonds is paid in full, or deemed to have been paid in full, the Trustee shall value the Housing Second Lien Reserve Fund, and if the amount on deposit in the Housing Second Lien Reserve Fund after such Series 2010A Bonds or any Series of Housing Parity Second Lien Bonds is paid in full, or deemed to have been paid in full, exceeds the Reserve Fund Requirement for the then Outstanding Series 2010A Bonds or Housing Parity Second Lien Bonds, such excess shall be withdrawn and transferred to the Agency to be used for any lawful purpose. If on valuation of the Housing Second Lien Reserve Fund, the value is less than the applicable Reserve Fund Requirement, deposits shall be made into the Housing Second Lien Reserve Fund from and to the extent of Housing Tax Revenues as provided in Section 4.05(vi) of the Master Trust Agreement until the Reserve Fund Requirement for the Housing Second Lien Reserve Fund is restored.

Notwithstanding any provisions to the contrary in this Sixth Supplemental Trust Agreement or the Master Trust Agreement, on August 1, 20__ (i.e., the final maturity date of the Series 2010A Bonds), the Trustee shall transfer all of the money in the Series 2010A Account of the Housing Second Lien Reserve Fund to the Housing Second Lien Debt Service Fund and apply such money to the last payment of principal and interest on the Series 2010A Bonds.

SECTION 3.05. Moneys Held by Paying Agents in Trust; Unclaimed Moneys. All moneys which shall have been withdrawn from the Housing Second Lien Debt Service Fund and set aside or deposited with a Paying Agent for the purpose of paying any of the Series 2010A Bonds or Housing Parity Second Lien Bonds hereby secured, either at the maturity thereof or upon call for redemption, shall be held in trust for the respective Holders of such Series 2010A Bonds or Housing Parity Second Lien Bonds, and such funds shall be held uninvested. Any moneys which have been so set aside or deposited and which shall remain unclaimed by the Holders of such Series 2010A Bonds or Housing Parity Second Lien Bonds for a period of one (1) year after the date on which such Bonds shall have become due and payable (or such longer period as may be requested by the Agency) shall be paid to the Agency, and thereafter the Holders of such Series 2010A Bonds or Housing Parity Second Lien Bonds shall look only to the Agency for payment and the Agency shall be obligated to make such payment, but only to the extent of the amounts so received without any interest thereon, and the Paying Agent shall have no responsibility with respect to any of such moneys.

SECTION 3.06. Series 2010A Costs of Issuance Fund. The Trustee shall establish a fund known as the "Series 2010A Costs of Issuance Fund." Pursuant to Section 3.01, the Trustee shall deposit a portion of the proceeds of the sale of the Series 2010A Bonds into the Series 2010A Costs of Issuance Fund. The moneys in the Series 2010A Costs of Issuance Fund shall be used from time to time to pay Costs of Issuance with respect to the Series 2010A Bonds and shall be disbursed by the Trustee upon delivery to the Trustee of a requisition which shall state, in respect of the payment to be made (a) the name and address (or such other proper account information) of the person, firm or corporation to whom payment is due, (b) the amount of such payment, and (c) the particular item of the cost to be paid and that such payment in the stated

amount is a proper charge against the Series 2010A Costs of Issuance Fund and that no part of such payment shall be applied to any item which has previously been paid as a Cost of Issuance of the Series 2010A Bonds. On the date that is 90 days following the Closing Date of the Series 2010A Bonds, or upon the earlier receipt by the Trustee of a written request of the Agency to do so, the Trustee shall transfer all remaining amounts in the Series 2010A Costs of Issuance Fund to the Housing Second Lien Interest Account of the Housing Second Lien Debt Service Fund.

Moneys held in the Series 2010A Costs of Issuance Fund may, subject to the Series 2010A Tax Certificate, be invested and reinvested to the fullest extent practicable in any Permitted Investments as instructed by the Agency in writing, which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from the Series 2010A Costs of Issuance Fund; provided that, absent any such instruction from the Agency, moneys held in the Series 2010A Costs of Issuance Fund shall be invested in Permitted Investments described in clause (F) or (G) of the definition thereof. Any investment earnings on moneys on deposit in an account of the Series 2010A Costs of Issuance Fund shall be deposited in such account and be used in the same manner as other amounts on deposit therein.

ARTICLE IV AMENDMENTS TO MASTER TRUST AGREEMENT

SECTION 4.01. Amendments to Section 2.11 of Master Trust Agreement.

(a) The paragraph (ii) of Section 2.11 of the Master Trust Agreement, as previously amended by the Fifth Supplemental Trust Agreement, is hereby further amended pursuant to clauses (a), (c), and (h) of Section 10.02 of the Master Trust Agreement to add new subparagraphs (ii)(c) and (ii)(d), which shall be as follows:

“(c) with respect to any Project Parity Second Lien Bonds, that the Project Tax Revenues to be collected in the then current Bond Year (including unitary tax revenues, using the then most recently established assessed value for the Redevelopment Project Area, an assumed basic tax rate of one percent plus any applicable tax overrides that the Agency reasonably expects to continue to receive for the years that such Project Parity Second Lien Bonds are scheduled to remain Outstanding, and assuming assessment appeals then currently on file are settled at the average rate for which such appeals were settled in the then most recently concluded two Fiscal Years, and further assuming tax delinquencies at a rate equal to the average tax delinquencies of the most recently concluded two Fiscal Years but excluding any subvention payments made by the State) will be at least equal to 150 percent of Maximum Annual Debt Service for all Project Parity Bonds and Project Parity Second Lien Bonds which will be Outstanding immediately after the issuance of the proposed Project Parity Second Lien Bonds, and

(d) with respect to any Housing Parity Second Lien Bonds, that the Housing Tax Revenues to be collected in the then current Bond Year (including unitary tax revenues, using the then most recently established assessed value for

the Redevelopment Project Area, an assumed basic tax rate of one percent plus any applicable tax overrides that the Agency reasonably expects to continue to receive for the years that such Housing Parity Second Lien Bonds are scheduled to remain Outstanding, and assuming assessment appeals then currently on file are settled at the average rate for which such appeals were settled in the then most recently concluded two Fiscal Years, and further assuming tax delinquencies at a rate equal to the average tax delinquencies of the most recently concluded two Fiscal Years but excluding any subvention payments made by the State) will be at least equal to 150 percent of Maximum Annual Debt Service for all Housing Parity Bonds and Housing Parity Second Lien Bonds which will be Outstanding immediately after the issuance of the proposed Housing Parity Second Lien Bonds.”

(b) The last paragraph of Section 2.11 of the Master Trust Agreement, as previously amended by the Fifth Supplemental Trust Agreement, is hereby further amended pursuant to clauses (a), (c), and (h) of Section 10.02 of the Master Trust Agreement and restated in its entirety to read as follows:

“Notwithstanding any of the foregoing, the Agency may from time to time issue Subordinate Bonds or other debt secured by a pledge and lien of any portion of the Tax Revenues on a subordinate basis to Parity Bonds and Second Lien Bonds (the “Subordinate Debt”), so long as (i) the indenture, loan agreement or similar instrument pursuant to which such Subordinate Debt is issued shall expressly state that the pledge and lien of Tax Revenues with respect to such Subordinate Debt are subordinate to the pledge and lien of Tax Revenues with respect to the Parity Bonds (if any are then Outstanding) and Second Lien Bonds, and (ii) prior to the issuance of such Subordinate Debt, the Agency shall have delivered to the Trustee and the Insurer(s) a report from an Independent Redevelopment Consultant showing that, for each Fiscal Year so long as the Parity Bonds or Second Lien Bonds shall remain Outstanding, the amount of the portion of Tax Revenues pledged to pay debt service on the Outstanding Parity Bonds, Second Lien Bonds, and Subordinate Debt shall be sufficient to pay 100 percent of the combined Maximum Annual Debt Service on the outstanding Parity Bonds, Second Lien Bonds, and the Subordinate Debt.”

SECTION 4.02. Amendments to Section 4.03 of Master Trust Agreement.

(a) Paragraph (a) of Section 4.03 of the Master Trust Agreement, as previously amended by the Fifth Supplemental Trust Agreement, is hereby further amended pursuant to clauses (b), (c), and (h) of Section 10.02 of the Master Trust Agreement to add the following language to the end of the last sentence of paragraph (a):

“provided, to the extent any portion of Housing Tax Revenues received by the Trustee do not constitute Pledged Tax Revenues at the time of receipt thereof by the Trustee, the Trustee promptly and at the written direction of an Authorized Agency Representative shall transfer such portion of Housing Tax Revenues not constituting Pledged Tax Revenues to the Housing Trust Fund (after payment of

any outstanding fees and expenses due to the Trustee for the Trustee's services hereunder) for use by the Agency for any lawful purpose."

(b) Paragraph (b) of Section 4.03 of the Master Trust Agreement, as previously amended by the Fifth Supplemental Trust Agreement, is hereby further amended pursuant to clauses (b), (c), and (h) of Section 10.02 of the Master Trust Agreement to add the following language to the end of the last sentence of paragraph (b):

"provided, to the extent any portion of Project Tax Revenues received by the Trustee do not constitute Pledged Tax Revenues at the time of receipt thereof by the Trustee, the Trustee promptly and at the written direction of an Authorized Agency Representative shall transfer such portion of Project Tax Revenues not constituting Pledged Tax Revenues to the Agency (after payment of any outstanding fees and expenses due to the Trustee for the Trustee's services hereunder) for use by the Agency for any lawful purpose."

(c) Section 4.03 of the Master Trust Agreement, as previously amended by the Fifth Supplemental Trust Agreement, is hereby further amended pursuant to clauses (b), (d), and (h) of Section 10.02 of the Master Trust Agreement to add the following new paragraph (d):

"(d) The Agency and the Trustee acknowledge and agree that the Tax Revenues, when paid by the County to the Trustee, and the related Remittance Advice Summaries, typically do not include a statement as to the allocation of the portion of Tax Revenues comprised of Housing Tax Revenues, on one hand, and the portion of Tax Revenues comprised of Project Tax Revenues, on the other.

The Agency and the Trustee further acknowledge and agree that as to any tax sharing amounts withheld by the County for the benefit of County taxing entities, the Remittance Advice Summaries identify such amounts net of the County's contribution to the Housing Fund and that the gross payment amounts to the Agency as shown on the Remittance Advice Summaries include the portion of Housing Tax Revenues attributable to the County's share of Tax Revenues and the respective County contribution to the Housing Fund.

Accordingly, in the absence of specific identification by the County of the exact amounts constituting Housing Tax Revenues and Project Tax Revenues, the Agency and Trustee agree upon the following method of allocation of Tax Revenues received by the Trustee, as to each payment of Tax Revenues received by the Trustee from the County:

(i) an amount equal to the sum of (x) an amount equal to twenty percent (20%) of the gross Tax Revenues amount for each constituent project area of the Redevelopment Project Area, as shown on the detail sheet in the applicable Remittance Advice Summary, less (y) an amount equal to twenty percent (20%) of the aggregate administrative costs identified by the County in the applicable Remittance Advice Summary shall be deemed Housing Tax Revenues and shall be deposited

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by the Trustee in the Housing Revenue Fund in accordance with Section 4.03(a); and

(ii) an amount equal to the Tax Revenues remaining as to such payment after making the deposit required by clause (i) above shall be deemed Project Tax Revenues and shall be deposited by the Trustee in the Project Revenue Fund in accordance with Section 4.03(b).

As to each such allocation, the Trustee shall request from the Agency, and the Agency promptly shall provide to the Trustee, a Certificate of the Agency, signed by an Authorized Agency Representative, certifying (A) the respective amounts to be deposited in the Housing Revenue Fund and the Project Revenue Fund, and (B) that such amounts have been calculated in accordance with Section 4.03(d) of the Trust Agreement.”

ARTICLE V ADDITIONAL COVENANTS

In addition to the covenants set forth in the Master Trust Agreement, so long as any Series 2010A Bond is Outstanding, the Agency shall comply with the covenants set forth in this Article V.

SECTION 5.01. No Additional Senior Bonds. The Agency shall not issue any Bonds secured by a first lien on Housing Tax Revenues on a parity with the Compton Redevelopment Project Tax Allocation Capital Appreciation Bonds, Series 1995C (Taxable), or the Compton Redevelopment Project Refunding Tax Allocation Bonds, Series 2006A, issued under the Third Supplemental Trust Agreement and the Fifth Supplemental Trust Agreement, respectively.

SECTION 5.02. Housing Tax Revenues; Housing Fund. The Agency covenants and agrees to take no action pursuant to 33334.2 of the Law which would reduce the amount of Housing Tax Revenues. The Agency further covenants and agrees to use the moneys in the Housing Fund in accordance with Sections 33334.2, 33334.3, and 33334.6 of the Law, and further covenants and agrees to disburse, expend or encumber any “excess surplus” (as defined in Section 33334.12 of the Law) in the Housing Fund at such times and in such manner that the Agency shall not be subject to sanctions pursuant to subdivision (e) of said Section 33334.12.

SECTION 5.03. Maintenance of Tax Exemption.

(a) The Agency shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the Tax-exempt status of interest on the Series 2010A Bonds under Section 103(a) of the Code or cause interest on the Series 2010A Bonds to be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations under Section 55 of the Code.

(b) In furtherance of the foregoing tax covenant, the Agency shall comply with the provisions of the Series 2010A Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or defeasance of the Series 2010A Bonds.

ARTICLE VI MISCELLANEOUS

SECTION 6.01. Notices. Notwithstanding Section 11.06 of the Master Trust Agreement, any notice, request, demand or other communication with respect to the Series 2010A Bonds under the Trust Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy or other form of telecommunication, with prompt telephone confirmation. Notice shall be effective either (a) upon transmission by telecopy or other form of telecommunication, (b) upon receipt after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Agency or the Trustee may, by written notice to the other party, from time to time modify the address or number to which communications are to be given hereunder.

If to the Agency: Community Redevelopment Agency of the City of Compton
205 South Willowbrook Avenue
Compton, CA 90220
Attention: Executive Secretary
Fax: (310) 761-1429

If to the Trustee: U.S. Bank National Association
1420 5th Avenue, 7th Floor
Seattle, Washington 98101
Attention: Corporate Trust Department, Carolyn Morrison
Fax: (206) 344-4630 or -4632

Any party listed above may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to the Trust Agreement; provided, however, that: (i) subsequent to such facsimile transmission of written instructions, there shall be provided to the Trustee originally executed instructions and/or directions in a timely manner, (ii) such originally executed instructions and/or directions by the Agency shall be signed by an Authorized Agency Representative or a person designated and authorized by an Authorized Agency Representative to sign for the Agency, and, (iii) the Agency shall (A) provide to the Trustee an incumbency certificate listing such designated persons and (B) from time to time provide the Trustee updated incumbency certificates, as necessary or appropriate, reflecting persons who have been added or deleted from the listing.

#5.

SECTION 6.02. Waiver of Right to Receive Brokerage Confirmations. With respect to the funds and accounts relating to the Series 2010A Bonds maintained by the Trustee under the Trust Agreement, the Agency acknowledges that to the extent regulations of the Comptroller of the Currency or any other regulatory entity grant the Agency the right to receive brokerage confirmations of the security transactions as they occur, the Agency specifically waive receipt of such confirmations to the extent permitted by law. The Trustee will furnish the periodic cash transaction statements to the Agency that include the detail for all investment transactions made by the Trustee with respect to such funds and accounts under the Trust Agreement.

SECTION 6.03. Executions in Counterparts. This Sixth Supplemental Trust Agreement may be executed in any number of counterparts, each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, as many of them as the Agency and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Agency has caused this Sixth Supplemental Trust Agreement to be signed in its name and on its behalf by one of its duly authorized officers and the Trustee to evidence its acceptance of the trusts hereby created, has caused this Sixth Supplemental Trust Agreement to be signed in its name and behalf by one of its duly authorized officers all as of the date first above written.

**COMPTON URBAN COMMUNITY
DEVELOPMENT COMMISSION, ACTING AS
COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON**

By: _____
Executive Secretary

Attest:

Clerk

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

#5.

APPENDIX A

[Form of Series 2010A Bond]

[Unless this certificate is presented by an authorized representative of the Depository Trust Company, a New York Corporation ("DTC"), to the Agency or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), any transfer, pledge, or other use hereof for value or otherwise by or to any person is wrongful inasmuch as the registered owner hereof, Cede & Co., has an interest herein.]

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON
COMPTON REDEVELOPMENT PROJECT
SECOND LIEN TAX ALLOCATION BOND (HOUSING), SERIES 2010A

No. R-__ \$_____

RATE OF INTEREST	MATURITY DATE	DATED DATE:	CUSIP:
%	August 1, 20__	June __, 2010	204712 ____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The Community Redevelopment Agency of the City of Compton, a public body, corporate and politic, duly organized and existing under and pursuant to the laws of the State of California (the "Agency"), for value received hereby promises to pay (but solely from the funds hereinafter mentioned) to the registered owner specified above, or registered assigns, on the Maturity Date specified above the Principal Amount specified above, together with interest thereon from the interest payment date next preceding the date of authentication of this Series 2010A Bond (unless (i) this Series 2010A Bond is authenticated during the period from the 16th day of the month next preceding an interest payment date to and including such interest payment date, in which event it shall bear interest from such interest payment date, or (ii) this Series 2010A Bond is authenticated on or before the 15th day of the month next preceding the first interest payment date, in which event it shall bear interest from the dated date shown above) until the principal hereof shall have been paid, at the Rate of Interest specified above, payable on August 1, 2010, and semiannually thereafter on February 1 and August 1 in each year. Both the interest hereon and principal hereof are payable in lawful money of the United States of

America. The principal hereof is payable upon surrender hereof at maturity at the corporate trust office of U.S. Bank National Association (the "Trustee") in St. Paul, Minnesota, or at such other office as the Trustee may designate (the "Trust Office"). Interest hereon is payable by check mailed on each interest payment date by first class mail to the person in whose name this Series 2010A Bond is registered at the close of business on the 15th day of the month next preceding the applicable interest payment date at such person's address as it appears on the registration books of the Trustee, or upon written request received by the Trustee prior to the 15th day of the month preceding an interest payment date of a registered owner (an "Owner") of at least \$1,000,000 in aggregate principal amount of outstanding Series 2010A Bonds, by transfer in immediately available funds to an account within the continental United States designated by such Owner.

This Series 2010A Bond is not a debt of the City of Compton, the State of California or any of its political subdivisions, and neither said City, said State nor any of its political subdivisions is liable hereon, nor in any event shall this Series 2010A Bond or any interest hereon be payable out of any funds or properties other than those of the Agency. The Series 2010A Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction, and neither the members of the Agency nor any persons executing the Series 2010A Bonds shall be personally liable on the Series 2010A Bonds by reason of their issuance.

This Series 2010A Bond is one of a duly authorized issue of bonds designated the Community Redevelopment Agency of the City of Compton, Compton Redevelopment Project, Second Lien Tax Allocation Bonds (Housing), Series 2010A (the "Series 2010A Bonds"), limited in aggregate principal amount to \$_____, issued under the provisions of the Community Redevelopment Law of the State of California, as supplemented and amended (the "Law"), and pursuant to the provisions of a Trust Agreement, dated as of June 1, 1995 (the "Master Trust Agreement"), as heretofore supplemented and as further supplemented and amended by a Sixth Supplemental Trust Agreement, dated as of June 1, 2010 (the "Sixth Supplemental Trust Agreement"), by and between the Agency and the Trustee. The Master Trust Agreement, as so amended and supplemented, and as the same may be further amended and supplemented from time to time in accordance with the terms thereof, is referred to herein as the "Trust Agreement."

All Series 2010A Bonds are equally and ratably secured in accordance with the terms and conditions of the Trust Agreement. Reference is hereby made to the Trust Agreement and to the Law for (i) a description of the terms on which the Series 2010A Bonds are issued, (ii) the provisions with regard to the nature and extent of the security provided for the Series 2010A Bonds and of the nature, extent and manner of enforcement of such security, and (iii) a statement of the rights of the registered owners of the Series 2010A Bonds. All the terms of the Trust Agreement and the Law are hereby incorporated herein and constitute a contract between the Agency and the Owner from time to time of this Series 2010A Bond. By acceptance hereof, the Owner of this Series 2010A Bond consents and agrees to all the provisions of the Trust Agreement and the Law. Each Owner hereof shall have recourse to all the provisions of the Law and the Trust Agreement and shall be bound by all the terms and conditions thereof.

#5.

The Series 2010A Bonds are issued to finance low and moderate income housing projects of the Agency. The Series 2010A Bonds are special obligations of the Agency and are payable, as to interest thereon, and principal thereof, exclusively from the Pledged Tax Revenues (as that term is defined in the Sixth Supplemental Trust Agreement) and certain other funds, and the Agency is not obligated to pay them except from the Pledged Tax Revenues and such other funds. Additional tax allocation bonds payable from the Pledged Tax Revenues may be issued which will rank equally as to security with the Series 2010A Bonds, subject to the terms and conditions set forth in the Trust Agreement.

The Series 2010A Bonds maturing on or before August 1, 20__ shall not be subject to optional redemption prior to their maturity. The Series 2010A Bonds maturing on or after August 1, 20__ shall be subject to redemption as a whole or in part from such maturities as the Agency shall designate (which designation shall be in writing and shall be delivered to the Trustee no later than 45 days prior to the redemption date), prior to their maturity at the option of the Agency on any date on or after August 1, 20__, from funds derived by the Agency from any source, at a redemption price equal to [100 percent of the principal amount of the Series 2010A Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium.]

The Series 2010A Bonds maturing on August 1, 20__ and August 1, 20__ (the "Series 2010A Term Bonds") are also subject to redemption prior to their stated maturity, in part by lot, from mandatory sinking account payments deposited in the Housing Second Lien Principal Account of the Housing Second Lien Debt Service Fund for that purpose on August 1 of each year commencing August 1, 20__ and August 1, 20__, respectively, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, according to the following schedules:

Series 2010A Bonds maturing August 1, 20__

Redemption Date (August 1)	Principal Amount
	\$

(maturity)

Series 2010A Bonds maturing August 1, 20__

Redemption Date (August 1)	Principal Amount
	\$

(maturity)

Notice of redemption with respect to the Series 2010A Bonds to be redeemed shall be mailed to the Owners thereof not less than thirty (30) nor more than sixty (60) days prior to the redemption date by first class mail, postage prepaid, to the addresses set forth in the registration books. Neither a failure of the Owner hereof to receive such notice nor any defect therein will affect the sufficiency or validity of the proceedings for redemption. All Series 2010A Bonds or portions thereof so called for redemption will cease to accrue interest on the specified redemption date, provided that funds for the redemption are on deposit with the Trustee on the redemption date. Thereafter, the Owners of such Series 2010A Bonds shall have no rights except to receive payment of the redemption price upon the surrender of the Series 2010A Bonds.

The Owner of any Series 2010A Bond or Series 2010A Bonds may surrender the same at the Trust Office in exchange for an equal aggregate principal amount of fully registered Series 2010A Bonds of any other authorized denominations, in the manner, subject to the conditions and upon the payment of the charges provided in the Trust Agreement.

This Series 2010A Bond is transferable, as provided in the Trust Agreement, only upon a register to be kept by the Registrar for that purpose by the Owner hereof, upon surrender of this Series 2010A Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Owner or such Owner's duly authorized attorney, and thereupon a new fully registered Series 2010A Bond or Series 2010A Bonds, in the same aggregate principal amount, shall be issued to the transferee in exchange therefor as provided in the Trust Agreement, and upon payment of the charges therein prescribed. The Agency, the Trustee, the Registrar and the Paying Agency may deem and treat the person in whose name this Series 2010A Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the interest hereon and principal hereof and for all other purposes.

The rights and obligations of the Agency and of the registered owners of the Bonds may be amended at from time to time in the manner provided in, and subject to the terms of, the Trust Agreement.

This Series 2010A Bond shall not be entitled to any benefits under the Trust Agreement or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been manually signed by the Trustee.

#5.

It is hereby certified that all of the acts, conditions and things required to exist, to have happened or to have been performed precedent to and in the issuance of this Series 2010A Bond do exist, have happened and have been performed in due time, form and manner as required by law and that the amount of this Series 2010A Bond, together with all other indebtedness of the Agency, does not exceed any limit prescribed by the Constitution or laws of the State of California, and is not in excess of the amount of Series 2010A Bonds permitted to be issued under the Trust Agreement.

IN WITNESS WHEREOF, the Community Redevelopment Agency of the City of Compton has caused this Series 2010A Bond to be executed in its name and on its behalf by its Chairman and attested by its Secretary, all as of the Dated Date first written above.

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON**

By _____
Chairman

Attest:

Clerk

=====

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This is one of the Series 2010A Bonds described in the within-mentioned Trust Agreement and registered on the registration books relating to the Series 2010A Bonds.

Date: _____, 20__

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Signatory

[FORM OF ASSIGNMENT]

For value received the undersigned do(es) hereby sell, assign and transfer unto
 _____,
 whose tax identification number is _____, the within-mentioned registered Bond and
 hereby irrevocably constitute(s) and appoint(s) _____ attorney
 _____ to transfer the same on the books of the Trustee with full power of substitution in the premises.

Dated:

Signature guaranteed:

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

NOTICE: Signature must be guaranteed by a member of an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or other similar program.

#5.

COMPTON URBAN COMMUNITY DEVELOPMENT COMMISSION,
ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON, CALIFORNIA

and

U.S. BANK NATIONAL ASSOCIATION

as Trustee

SEVENTH SUPPLEMENTAL TRUST AGREEMENT

Dated as of June 1, 2010

Relating to

\$ _____
Compton Redevelopment Project
Second Lien Tax Allocation Bonds,
Series 2010B

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Seventh Supplemental Trust Agreement

This Seventh Supplemental Trust Agreement, dated as of June 1, 2010 (this “Seventh Supplemental Trust Agreement”), is entered into by and between the Compton Urban Community Development Commission, acting as the Community Redevelopment Agency of the City of Compton, a public body, corporate and politic organized and existing under the laws of the State of California (the “Agency”), and U.S. Bank National Association, a national banking association duly organized and existing under laws of the United States of America and authorized to accept and execute trusts of the character herein set forth, as trustee (the “Trustee”).

Recitals

A. The Agency is a redevelopment agency, a public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers, all under and pursuant to Part 1 of Division 24 (commencing with Section 33000) of the California Health and Safety Code (the “Law”), and the powers of the Agency include the power to issue bonds for any of its corporate purposes.

B. A redevelopment plan (the “Plan”) for a redevelopment project area known and designated as the “Compton Redevelopment Project Area” (the “Project Area”) has been adopted and approved and all requirements of law for, and precedent to, the adoption and approval of said plan have been duly complied with.

C. The Plan contemplates that the Agency would issue bonds from time to time to finance a portion of the costs of redevelopment of the Project Area.

D. The Agency is authorized under the Law to issue bonds or notes for any of its corporate purposes.

E. To further provide for the issuance of bonds from time to time and set forth certain terms pertaining thereto, the Agency has entered into the Master Trust Agreement, dated as of June 1, 1995 (the “Master Trust Agreement”), by and between the Agency and Seattle-First National Bank, the prior trustee (the “Prior Trustee”).

F. The Agency has previously issued its Compton Redevelopment Project Refunding Tax Allocation Bonds, Series 1995A (the “Series 1995A Bonds”) under the Master Trust Agreement, as supplemented by the First Supplemental Trust Agreement, dated as of June 1, 1995, by and between the Agency and the Prior Trustee.

G. The Agency has previously issued its Compton Redevelopment Project Refunding Tax Allocation Bonds, Series 1995B (Taxable) (the “Series 1995B Bonds”) under the Master Trust Agreement, as supplemented by the Second Supplemental Trust Agreement, dated as of June 1, 1995, by and between the Agency and the Prior Trustee.

H. The Agency has previously issued its Compton Redevelopment Project Tax Allocation Capital Appreciation Bonds, Series 1995C (Taxable) (the “Series 1995C Bonds”) under the Master Trust Agreement, as supplemented by the Third Supplemental Trust

Agreement, dated as of June 1, 1995 (the “Third Supplemental Trust Agreement”), by and between the Agency and the Prior Trustee.

I. The Agency has previously issued its Compton Redevelopment Project Subordinate Refunding Tax Allocation Bonds, Series 1995-1 (the “Series 1995-1 Bonds”) under the Master Trust Agreement, as supplemented by the Fourth Supplemental Trust Agreement, dated as of June 1, 1995, by and between the Agency and the Prior Trustee.

J. The Agency has previously issued its Compton Redevelopment Project Refunding Tax Allocation Bonds, Series 2006A (the “Series 2006A Bonds”) pursuant to the Master Trust Agreement, as supplemented and amended by the Fifth Supplemental Trust Agreement, dated as of July 1, 2006, by and between the Agency and the Trustee, as successor trustee under the Master Trust Agreement and the Third Supplemental Trust Agreement, and used the proceeds thereof, together with certain other funds available to the Agency, to refund all of its remaining outstanding Series 1995A Bonds, Series 1995B Bonds and Series 1995-1 Bonds.

K. Concurrently herewith, the Agency desires to issue an additional series of bonds designated as the Agency’s Compton Redevelopment Project Second Lien Tax Allocation Bonds (Housing), Series 2010A (the “Series 2010A Bonds”) pursuant to the Master Trust Agreement, as supplemented and amended by the Sixth Supplemental Trust Agreement (the “Sixth Supplemental Trust Agreement”), dated as of June 1, 2010, by and between the Agency and the Trustee, for the purpose of financing low and moderate income housing projects of the Agency and payable on a subordinate basis to the Series 1995C Bonds and the Series 2006A Bonds, to the extent such bonds are outstanding and payable from Housing Tax Revenues (as defined in the Trust Agreement).

L. The Agency desires to issue an additional series of bonds designated as the Agency’s Compton Redevelopment Project Second Lien Tax Allocation Bonds, Series 2010B (the “Series 2010B Bonds”) pursuant to the Master Trust Agreement, as supplemented and amended by this Seventh Supplemental Trust Agreement, for the purpose of financing redevelopment activities of the Agency with respect to the Project Area.

M. The Series 2010B Bonds will be primarily payable from, and secured by a pledge of, certain tax increment revenues of the Agency and on a subordinate basis to the Series 1995C Bonds and the Series 2006A Bonds, to the extent such bonds are outstanding and in the manner prescribed by the Master Trust Agreement, as heretofore amended and as supplemented by this Seventh Supplemental Trust Agreement.

N. The execution and delivery of this Seventh Supplemental Trust Agreement have been duly authorized and all things necessary to make the Series 2010B Bonds, when executed by the Agency and authenticated by the Trustee, valid and binding legal obligations of the Agency and to make this Seventh Supplemental Trust Agreement a valid and binding legal instrument for the security of the Series 2010B Bonds, have been done.

NOW THEREFORE, THIS SEVENTH SUPPLEMENTAL TRUST AGREEMENT WITNESSETH, that in order to secure the payment of the principal of, and the interest and premium, if any, on, all of the Series 2010B Bonds at any time issued and

Outstanding under the Master Trust Agreement, as amended and supplemented by this Seventh Supplemental Trust Agreement, according to their tenor, and to secure the performance and observance of all the covenants and conditions set forth therein and herein, and to declare the terms and conditions upon and subject to which the Series 2010B Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Series 2010B Bonds by the owners thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, the Agency does hereby covenant and agree with the Trustee, for the benefit of the respective holders from time to time of the Series 2010B Bonds, as follows:

ARTICLE I AUTHORITY AND DEFINITIONS

SECTION 1.01. Authority for Seventh Supplemental Trust Agreement. This Seventh Supplemental Trust Agreement is executed and delivered pursuant to the provisions of the Law and Section 53570 et seq. of the California Government Code.

SECTION 1.02. Definitions. Except as provided by this Seventh Supplemental Trust Agreement, all terms which are defined in Section 1.01 of the Master Trust Agreement shall have the same meanings, respectively, in this Seventh Supplemental Trust Agreement. The following terms shall, for all purposes of the Trust Agreement, have the following meanings.

“Closing Date” means, with respect to the Series 2010B Bonds, June __, 2010, which is the date of their initial issuance and delivery.

“Fifth Supplemental Trust Agreement” means the Fifth Supplemental Trust Agreement, dated as of July 1, 2006, by and between the Agency and the Trustee, as successor to the Prior Trustee, with respect to the Series 2006A Bonds, as heretofore amended and/or supplemented pursuant to the terms thereof and the Master Trust Agreement.

“Housing Parity Second Lien Bonds” shall mean any tax allocation bonds, loans, and any other indebtedness payable from the Housing Tax Revenues on a parity with the Series 2010A Bonds pursuant to the terms of Section 3.02 of the Sixth Supplemental Trust Agreement and Sections 2.09 and 2.11 of the Master Trust Agreement, as further amended by Article IV of the Sixth Supplemental Trust Agreement (Section 2.11 having been previously amended by the Fifth Supplemental Trust Agreement).

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Mergent’s “Municipal and Government,” 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attention: Called Bond Department; and Kenny S&P, 55 Water Street, 45 Floor, New York, New York 10041, Attention: Notification Department; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the Agency may designate in writing to the Trustee.

“Interest Payment Date” means, with respect to the Series 2010B Bonds, February 1 and August 1 of each year, commencing August 1, 2010.

“Master Trust Agreement” means that Master Trust Agreement, dated as of June 1, 1995, by and between the Agency and Seattle-First National Bank, as succeeded by U.S. Bank National Association, as Trustee, as heretofore amended and/or supplemented pursuant to the terms thereof.

“Permitted Investments” means, with respect to the Project Second Lien Reserve Fund or any other fund or account relating to the Series 2010B Bonds established and maintained pursuant to the Trust Agreement, any of the obligations described in the definition of “Permitted Investments” set forth in the Fifth Supplemental Trust Agreement, if and to the extent that they are permissible investments of funds of the Agency held in the manner described therein.

“Pledged Tax Revenues” means, for each Bond Year, with respect to the Series 2010B Bonds, Project Tax Revenues excluding (i) an amount equal to the sum of all transfers of and payments from Project Tax Revenues required by any Senior Debt Instrument, (ii) an amount historically deducted by the County of Los Angeles from Tax Revenues prior to remittance of Tax Revenues to the Agency (or for the benefit of the Agency), which amount is approximately equivalent to the portion of Tax Revenues attributable to the inflation factor increase calculated in accordance with paragraph (a)(2) of Section 33676 of the Law prior to its amendment in 1984 by AB 203, Chapter 147, Statutes of 1984, (iii) amounts payable to a taxing entity pursuant to Section 33607.5 or 33607.7 of the California Health and Safety Code, (iv) amounts allocable to the various taxing entities under Tax Sharing Agreements, except to the extent that any portion of such amounts is subordinated pursuant to the Tax Sharing Agreements, (v) amounts required to be deposited by the Agency in the Low and Moderate Income Housing Fund of the Agency pursuant to Section 33334.2 or 33334.6 of the Law, and (vi) state subventions, if any, received by the Agency pursuant to Section 16110 et seq. of the California Government Code.

Notwithstanding the foregoing, in any Bond Year, if the amount of Pledged Tax Revenues transferred to the Trustee is sufficient to (i) pay the principal and interest coming due in such Bond Year on the Series 2010B Bonds and any other Project Parity Second Lien Bonds then Outstanding and (ii) if necessary, bring the balance in the reserve fund(s) for the Project Parity Second Lien Bonds to the applicable Reserve Fund Requirement, then Project Tax Revenues received by (or on behalf of) the Agency thereafter during such Bond Year shall no longer be “Pledged Tax Revenues” for the purposes of the Series 2010B Bonds.

“Project Parity Second Lien Bonds” shall mean any Bonds issued under a Supplemental Trust Agreement and secured by and payable from Project Tax Revenues after all transfers of and payments from Project Tax Revenues required by any Senior Debt Instrument.

“Project Second Lien Debt Service Fund” means the fund by that name created and established pursuant to Section 4.10 of the Master Trust Agreement and Section 3.03(a) hereof.

#5.

“Project Second Lien Reserve Fund” means the fund by that name created and established pursuant to Section 4.10 of the Master Trust Agreement and Section 3.03(b) hereof.

“Record Date” means, with respect to the Series 2010B Bonds, the 15th day of the month (regardless whether such day is a Business Day) immediately preceding an Interest Payment Date.

“Second Lien Bonds” shall mean (i) the Series 2010A Bonds, (ii) any Housing Parity Second Lien Bonds, (iii) the Series 2010B Bonds, and (iv) any Project Parity Second Lien Bonds.

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

“Second Lien Reserve Account” means an account relating to a Series of Second Lien Bonds either in the Housing Second Lien Reserve Fund or the Project Second Lien Reserve Fund established under the Trust Agreement.

“Senior Debt Instrument” means any resolution, loan agreement, indenture, trust agreement or other instrument authorizing any Senior Bonds, which pursuant to the covenant and limitation set forth in Section 4.01 hereof shall consist solely of the Series 1995C Bonds and the Series 2006A Bonds Outstanding at the time.

“Series 1995C Bonds” means the Agency’s Compton Redevelopment Project Tax Allocation Capital Appreciation Bonds, Series 1995C (Taxable), issued on July 27, 1995 in aggregate initial principal amount of \$10,137,530.

“Series 2006A Bonds” means the Agency’s Compton Redevelopment Project Refunding Tax Allocation Bonds, Series 2006A, issued on July 6, 2006 in aggregate initial principal amount of \$51,215,000.

“Series 2010A Bonds” means the Agency’s Compton Redevelopment Project Second Lien Tax Allocation Bonds (Housing), Series 2010A, issued pursuant to the Sixth Supplemental Trust Agreement in aggregate initial principal amount of \$_____.

“Series 2010B Bonds” means the Agency’s Compton Redevelopment Project Second Lien Tax Allocation Bonds, Series 2010B, issued pursuant to this Seventh Supplemental Trust Agreement.

“Series 2010B Tax Certificate” means the Certificate Regarding Compliance with Certain Tax Matters (or similar document) pertaining to the use and investment of proceeds of the Series 2010B Bonds, executed and delivered by a duly authorized officer of the Agency and of the City on the related Closing Date, including any and all exhibits and attachments thereto.

“Series 2010B Term Bonds” means the Series 2010B Bonds maturing on August 1, 20__ and August 1, 20__.

“Seventh Supplemental Trust Agreement” means this Seventh Supplemental Trust Agreement, as may be amended from time to time pursuant to the terms hereof and the Master Trust Agreement.

“Sixth Supplemental Trust Agreement” means the Sixth Supplemental Trust Agreement, dated as of June 1, 2010, by and between the Agency and the Trustee with respect to the Series 2010A Bonds, as heretofore amended and/or supplemented pursuant to the terms thereof and the Master Trust Agreement.

“Tax-exempt” means, with respect to interest on any obligations of a state or local government, including the interest on the Bonds, that such interest is excluded from gross income for federal income tax purposes whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating tax liabilities, including any alternative minimum tax, under the Code.

“Tax Sharing Agreements” means, collectively, each of the tax sharing agreements between the Agency and each of the County of Los Angeles, the Compton Unified School District, and the Compton Community College District.

“Third Supplemental Trust Agreement” means the Third Supplemental Trust Agreement, dated as of June 1, 1995, by and between the Agency and Seattle-First National Bank, as succeeded by U.S. Bank National Association, as Trustee, with respect to the Series 1995C Bonds, as heretofore amended and/or supplemented pursuant to the terms thereof and the Master Trust Agreement.

“Trust Agreement” means the Master Trust Agreement, has amended and supplemented by the Third Supplemental Trust Agreement, the Fifth Supplemental Trust Agreement, the Sixth Supplemental Trust Agreement, and this Seventh Supplemental Trust Agreement.

“Trust Office” means the corporate trust office of the Trustee at 1420 5th Avenue, 7th Floor, Seattle, Washington 98101 (facsimile: 206-344-4630); provided, however, for transfer, registration, exchange, payment and surrender of Bonds, “Trust Office” means the corporate trust office of U.S. Bank National Association in St Paul, Minnesota, or such other office designated by the Trustee from time to time.

ARTICLE II GENERAL TERMS OF SERIES 2010B BONDS

SECTION 2.01. Authorization. The Series 2010B Bonds are hereby authorized to be issued for the purpose described in the Recitals hereof.

SECTION 2.02. Terms.

(a) The Series 2010B Bonds, authorized to be issued by the Agency under and subject to the terms of the Master Trust Agreement and this Seventh Supplemental Trust Agreement and the Law, shall be designated as the Agency’s “Compton Redevelopment Project Second Lien Tax Allocation Bonds, Series 2010B.” The Series 2010B Bonds shall be issued in the aggregate principal amount of \$_____. The Series 2010B Bonds shall be dated as of the Closing Date for the Series 2010B Bonds, shall bear interest at such rates (payable on February 1 and August 1 in each year, commencing August 1, 2010), and shall mature and become payable as to principal on August 1 in each of the years in the amounts set forth below:

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
	\$	%

(b) Interest on the Series 2010B Bonds shall be computed on the basis of a 360-day year of twelve 30-day months.

The Series 2010B Bonds shall be issued as fully registered bonds in the denomination of \$5,000, or any integral multiple of \$5,000. The Series 2010B Bonds shall be numbered as determined by the Registrar. The Series 2010B Bonds shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) such date of authentication is during the period from the 16th day of the month next preceding an Interest Payment Date to and including such Interest Payment Date, in which event they shall bear interest from such Interest Payment Date, or (ii) such date of authentication is on or before the 15th day of the month next preceding the first Interest Payment Date (*i.e.*, the first Record Date), in which event they shall bear interest from their dated date. Notwithstanding the foregoing, if, at the time of authentication of any Series 2010B Bond, interest is then in default on the Outstanding Bonds of such Series, such Series 2010B Bond shall bear interest from the Interest Payment Date to which interest previously has been paid or made available for payment on the Outstanding Series 2010B Bonds.

Payment of interest on the Series 2010B Bonds due on or before the maturity of such Series 2010B Bonds shall be made to the person whose name appears on the bond registration books of the Registrar as the registered owner thereof, as of the close of business on the related Record Date. Subject to Section 2.12 of the Master Trust Agreement, such interest to be paid by check or draft mailed on each Interest Payment Date by first-class mail to such registered owner at the address appearing on such books or, upon written request received by the Trustee prior to the related Record Date, of an Owner of at least \$1,000,000 in

aggregate principal amount of Series 2010B Bonds, by wire transfer in immediately available funds to an account within the United States designated by such Owner.

Principal of the Series 2010B Bonds shall be payable upon the surrender thereof at maturity thereof at the Trust Office. Principal of and interest on the Series 2010B Bonds shall be paid in lawful money of the United States of America. If the principal of a Series 2010B Bond becomes due and payable, but shall not have been paid or provisions made for its payment, then such Series 2010B Bond shall bear interest at the same rate after such default as on the day before the default occur.

SECTION 2.03. Book-Entry System. The Series 2010B Bonds shall be initially issued as Book-Entry Bonds, in accordance with Section 2.12 of the Master Trust Agreement.

SECTION 2.04. Forms of Series 2010B Bonds. The Series 2010B Bonds, the authentication and registration endorsement and the assignment to appear thereon shall be substantially in the form attached hereto as Appendix A, with necessary or appropriate variations, omissions and insertions as permitted or required by this Seventh Supplemental Trust Agreement.

SECTION 2.05. Redemption of Series 2010B Bonds.

(a) Optional Redemption of Series 2010B Bonds. The Series 2010B Bonds maturing on or before August 1, 20__ shall not be subject to optional redemption prior to their maturity. The Series 2010B Bonds maturing on or after August 1, 20__ shall be subject to redemption as a whole or in part from such maturities as the Agency shall designate (which designation shall be in writing and shall be delivered to the Trustee no later than 45 days prior to the redemption date), prior to their maturity at the option of the Agency on any date on or after August 1, 20__, from funds derived by the Agency from any source, at a redemption price equal to [100 percent of the principal amount of the Series 2010B Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium.]

(b) Mandatory Sinking Fund Redemption of Series 2010B Bonds. The Series 2010B Bonds maturing on August 1, 20__ and August 1, 20__ (the "Series 2010B Term Bonds") are also subject to redemption prior to their stated maturity, in part by lot, from mandatory sinking account payments deposited in the Project Second Lien Principal Account of the Project Second Lien Debt Service Fund for that purpose on August 1 of each year commencing August 1, 20__ and August 1, 20__, respectively, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, according to the following schedules:

#5.

Series 2010B Bonds maturing August 1, 20__

Redemption Date (August 1)	Principal Amount
	\$

(maturity)

Series 2010B Bonds maturing August 1, 20__

Redemption Date (August 1)	Principal Amount
	\$

(maturity)

(c) Selection of Series 2010B Bonds for Redemption. Whenever less than all of the Outstanding Series 2010B Bonds of a maturity are called for redemption at any one time, the Trustee shall select the Series 2010B Bonds to be redeemed, from the Outstanding Series 2010B Bonds of such maturity not previously selected for redemption, by lot; provided, that if less than all of the Outstanding Series 2010B Term Bonds of any maturity of a Series are called for optional redemption, each future mandatory sinking account payment with respect to such Series 2010B Term Bonds will be reduced on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, so that the total amount of mandatory sinking account payments (with respect to such Series 2010B Term Bonds) to be made after the optional redemption shall be reduced by an amount equal to the principal amount of the Series 2010B Term Bonds so redeemed, as shall be designated by the Agency to the Trustee in writing.

(d) Purchase in Lieu of Redemption. In lieu of redemption of any Series 2010B Term Bond, upon the written request of the Agency, the Series 2010B Term Bonds are subject to purchase in lieu of redemption from amounts on deposit in the Project Second Lien Principal Account of the Project Second Lien Debt Service Fund, in accordance with Section 3.05 of the Master Trust Agreement.

(e) Notice. Notice of redemption shall be sent by first class mail (or with respect to notices to be received by DTC or its nominee, any Information Services or Securities Depository, by such transmission method as acceptable to such entity) by the Trustee, on behalf and at the expense of the Agency, not more than 60 days and not less than 30 days prior to the redemption date to (i) the respective Owners of Bonds designated for redemption at their

addresses appearing on the bond registration books of the Trustee, (ii) one or more Information Services designated in writing to the Trustee by the Agency and (iii) the Securities Depositories. Each notice of redemption shall state the date of such notice, the Bonds to be redeemed, the Series designation of such Bonds, the date of issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity are to be redeemed, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of such Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date and upon the satisfaction of any condition to redemption stated in such notice in accordance with the Master Trust Agreement, interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. If, at the time that the notice redemption is mailed to the Owner, the Agency has not deposited with the Trustee sufficient funds to pay the redemption price and accrued interest, in full, with respect to the Bonds being called, the notice shall expressly state that the redemption is conditioned upon the deposit of funds by the Agency on or before the redemption date.

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

(f) Right to Rescind. The Agency shall have the right to rescind any optional redemption by written notice of rescission. Any notice of optional redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption. Neither such cancellation nor lack of available funds shall constitute an Event of Default under the Master Trust Agreement, as supplemented by this Seventh Supplemental Trust Agreement. The Trustee will send notice of rescission of such redemption in the same manner as the original notice of redemption was sent.

(g) General Redemption Provisions. Except with respect to the foregoing, the provision set forth in Sections 3.01 through 3.05 of the Master Trust Agreement shall apply to the Series 2010B Bonds.

ARTICLE III APPLICATION OF PROCEEDS; SERIES 2010B FUNDS AND ACCOUNTS

SECTION 3.01. Application of Proceeds of Series 2010B Bonds; Other Transfers of Funds on Closing Date. On the Closing Date, the Trustee shall receive proceeds from the sale of the Series 2010B Bonds in the amount of \$_____ (representing the aggregate principal amount of the Series 2010B Bonds, [plus/less] an original issue [premium/discount] of

#5.

\$_____, and less an underwriter's discount of \$_____. Immediately upon receipt, the Trustee shall (i) deposit the amount of \$_____ in the Series 2010B Account of the Project Second Lien Reserve Fund established under Section 3.03, (ii) deposit the amount of \$_____ in the Series 2010B Costs of Issuance Account established under Section 3.06, and (iii) deposit the balance of \$_____ in the Redevelopment Fund designated under Section 4.02 of the Master Trust Agreement.

SECTION 3.02. Sources of Payment of Series 2010B Bonds. The Series 2010B Bonds, and any Project Parity Second Lien Bonds issued in accordance with provisions of Section 2.11 of the Master Trust Agreement, as amended by Section 4.01 of the Sixth Supplemental Trust Agreement, shall be secured by and payable from the Pledged Tax Revenues as provided in the Master Trust Agreement, as supplemented by this Seventh Supplemental Trust Agreement, and as such, are hereby made expressly subordinate to the Senior Bonds so long as any Senior Bonds remain Outstanding; provided, in accordance with the covenant and limitation set forth in Section 4.01 hereof, "Senior Bonds" shall consist solely of the Outstanding Series 1995C Bonds and Series 2006A Bonds. The Agency may, but is not obligated to, provide for payment of principal and interest on the Series 2010B Bonds from any other source or from any other funds of the Agency.

SECTION 3.03. Creation of Project Second Lien Debt Service Fund and Project Second Lien Reserve Fund.

(a) A special fund is hereby created and designated "Compton Redevelopment Project, Project Second Lien Tax Allocation Bonds Debt Service Fund" (the "Project Second Lien Debt Service Fund") to be held by the Trustee, and there are hereby created in the Project Second Lien Debt Service Fund two separate accounts designated "Project Second Lien Interest Account" and "Project Second Lien Principal Account."

(b) A separate special fund is hereby created and designated "Compton Redevelopment Project Tax Allocation Bonds Project Second Lien Reserve Fund" (the "Project Second Lien Reserve Fund") to be held by the Trustee. There is hereby created within the Project Second Lien Reserve Fund a separate account designated the "Series 2010B Account." Upon the issuance of the Series 2010B Bonds, a portion of the proceeds thereof shall be deposited in the Series 2010B Account of the Project Second Lien Reserve Fund in accordance with Section 3.01. The Series 2010B Account of the Project Second Lien Reserve Fund shall be established for the purposes of accounting for the amount of earnings upon the portion of the Project Second Lien Reserve Fund relating to the Series 2010B Bonds, but for all other purposes shall be held, invested and used as an integral part of the Project Second Lien Reserve Fund as provided herein.

(c) The Trustee shall deposit into these funds and accounts such amounts as provided in Sections 2.09 and 4.05 of the Trust Agreement and Section 3.01 hereof and shall also deposit into such funds and accounts such amounts as are received with instructions from the Agency to the Trustee to deposit such amounts into a specific fund, account, or subaccount.

(d) The Trustee is hereby authorized to create such subaccounts in said funds and accounts as may be convenient to the Trustee or as may be required under a subsequent Supplemental Trust Agreement.

SECTION 3.04. Withdrawals From Project Second Lien Debt Service Fund and Project Second Lien Reserve Fund; Valuation of the Project Second Lien Reserve Fund.

(a) In addition to the amounts deposited into the Project Second Lien Interest Account and the Project Second Lien Principal Account under Sections 4.05(a)(iv) and (v) of the Master Trust Agreement, the Trustee may accept and deposit into the Project Second Lien Debt Service Fund other amounts from the Agency or from other sources to be used for regularly scheduled principal, Final Compounded Amount (if any), and interest payments or for the redemption of Series 2010B Bonds and any Project Parity Second Lien Bonds. There shall be withdrawn from the Project Second Lien Interest Account and the Project Second Lien Principal Account from time to time and set aside or deposited with the respective Paying Agents sufficient money for paying the interest on the Series 2010B Bonds and any Project Parity Second Lien Bonds and the principal and Accreted Value (if any) of and premium on the Series 2010B Bonds and any Project Parity Second Lien Bonds as the same shall fall due, or if such interest, principal, Accreted Value (if any), or premium is paid by or through a form of credit support provided for the Series 2010B Bonds or any Project Parity Second Lien Bonds, amounts in the Project Second Lien Interest Account and Project Second Lien Principal Account may be used to reimburse such payments to the party providing such credit support. Moneys in any subaccounts created within the Project Second Lien Interest Account and the Project Second Lien Principal Account shall when withdrawn as provided above be used to pay interest, principal, Accreted Value (if any), or premium, as the case may be, on the Series 2010B Bonds and any Project Parity Second Lien Bonds for which the subaccount was created.

(b) Moneys held in the Project Second Lien Reserve Fund shall be used for the purpose of paying principal, Accreted Value (if any), and interest on the Series 2010B Bonds and any Project Parity Second Lien Bonds if the amounts in the accounts mentioned in clauses (iv) and (v) of Section 4.05(a) of the Master Trust Agreement shall on any date be insufficient to pay in full the interest and/or principal due on the Series 2010B Bonds and any Outstanding Project Parity Second Lien Bonds on such date. The Trustee shall use all available cash in the Project Second Lien Reserve Fund prior to drawing upon any Reserve Fund Insurance Policy deposited therein. At least annually, prior to August 1, the Trustee shall determine the market value of the Project Second Lien Reserve Fund. A Reserve Fund Insurance Policy deposited with the Trustee shall be valued as equal to the face amount of stated amount of such policy. If, on any evaluation of the Project Second Lien Reserve Fund, the value of the Project Second Lien Reserve Fund shall exceed the Reserve Fund Requirement for the Series 2010B Bonds and any Project Parity Second Lien Bonds, such excess shall be withdrawn and transferred to the Agency to be used for any lawful purpose. In addition, at such time as the Series 2010B Bonds or any Series of Project Parity Second Lien Bonds is paid in full, or deemed to have been paid in full, the Trustee shall value the Project Second Lien Reserve Fund, and if the amount on deposit in the Project Second Lien Reserve Fund after such Series 2010B Bonds or any Series of Project Parity Second Lien Bonds is paid in full, or deemed to have been paid in full, exceeds the Reserve Fund Requirement for the then Outstanding Series 2010B Bonds or Project Parity Second Lien Bonds, such excess shall be withdrawn and transferred to the Agency to be used for

any lawful purpose. If on valuation of the Project Second Lien Reserve Fund, the value is less than the applicable Reserve Fund Requirement, deposits shall be made into the Project Second Lien Reserve Fund from and to the extent of Project Tax Revenues as provided in Section 4.05(vi) of the Master Trust Agreement until the Reserve Fund Requirement for the Project Second Lien Reserve Fund is restored.

Notwithstanding any provisions to the contrary in this Seventh Supplemental Trust Agreement or the Master Trust Agreement, on August 1, 20__ (i.e., the final maturity date of the Series 2010B Bonds), the Trustee shall transfer all of the money in the Series 2010B Account of the Project Second Lien Reserve Fund to the Project Second Lien Debt Service Fund and apply such money to the last payment of principal and interest on the Series 2010B Bonds.

SECTION 3.05. Moneys Held by Paying Agents in Trust; Unclaimed Moneys. All moneys which shall have been withdrawn from the Project Second Lien Debt Service Fund and set aside or deposited with a Paying Agent for the purpose of paying any of the Series 2010B Bonds or Project Parity Second Lien Bonds hereby secured, either at the maturity thereof or upon call for redemption, shall be held in trust for the respective Holders of such Series 2010B Bonds or Project Parity Second Lien Bonds, and such funds shall be held uninvested. Any moneys which have been so set aside or deposited and which shall remain unclaimed by the Holders of such Series 2010B Bonds or Project Parity Second Lien Bonds for a period of one (1) year after the date on which such Bonds shall have become due and payable (or such longer period as may be requested by the Agency) shall be paid to the Agency, and thereafter the Holders of such Series 2010B Bonds or Project Parity Second Lien Bonds shall look only to the Agency for payment and the Agency shall be obligated to make such payment, but only to the extent of the amounts so received without any interest thereon, and the Paying Agent shall have no responsibility with respect to any of such moneys.

SECTION 3.06. Series 2010B Costs of Issuance Fund. The Trustee shall establish a fund known as the "Series 2010B Costs of Issuance Fund." Pursuant to Section 3.01, the Trustee shall deposit a portion of the proceeds of the sale of the Series 2010B Bonds into the Series 2010B Costs of Issuance Fund. The moneys in the Series 2010B Costs of Issuance Fund shall be used from time to time to pay Costs of Issuance with respect to the Series 2010B Bonds and shall be disbursed by the Trustee upon delivery to the Trustee of a requisition which shall state, in respect of the payment to be made (a) the name and address (or such other proper account information) of the person, firm or corporation to whom payment is due, (b) the amount of such payment, and (c) the particular item of the cost to be paid and that such payment in the stated amount is a proper charge against the Series 2010B Costs of Issuance Fund and that no part of such payment shall be applied to any item which has previously been paid as a Cost of Issuance of the Series 2010B Bonds. On the date that is 90 days following the Closing Date of the Series 2010B Bonds, or upon the earlier receipt by the Trustee of a written request of the Agency to do so, the Trustee shall transfer all remaining amounts in the Series 2010B Costs of Issuance Fund to the Project Second Lien Interest Account of the Project Second Lien Debt Service Fund.

Moneys held in the Series 2010B Costs of Issuance Fund may, subject to the Series 2010B Tax Certificate, be invested and reinvested to the fullest extent practicable in any Permitted Investments as instructed by the Agency in writing, which mature not later than such

times as shall be necessary to provide moneys when needed for payments to be made from the Series 2010B Costs of Issuance Fund; provided that, absent any such instruction from the Agency, moneys held in the Series 2010B Costs of Issuance Fund shall be invested in Permitted Investments described in clause (F) or (G) of the definition thereof. Any investment earnings on moneys on deposit in an account of the Series 2010B Costs of Issuance Fund shall be deposited in such account and be used in the same manner as other amounts on deposit therein.

ARTICLE IV ADDITIONAL COVENANTS

In addition to the covenants set forth in the Master Trust Agreement, so long as any Series 2010B Bond is Outstanding, the Agency shall comply with the covenants set forth in this Article IV.

SECTION 4.01. No Additional Senior Bonds. The Agency shall not issue any Bonds secured by a first lien on Project Tax Revenues on a parity with the Compton Redevelopment Project Tax Allocation Capital Appreciation Bonds, Series 1995C (Taxable), or the Compton Redevelopment Project Refunding Tax Allocation Bonds, Series 2006A, issued under the Third Supplemental Trust Agreement and the Fifth Supplemental Trust Agreement, respectively.

SECTION 4.02. Maintenance of Tax Exemption.

(a) The Agency shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the Tax-exempt status of interest on the Series 2010B Bonds under Section 103(a) of the Code or cause interest on the Series 2010B Bonds to be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations under Section 55 of the Code.

(b) In furtherance of the foregoing tax covenant, the Agency shall comply with the provisions of the Series 2010B Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or defeasance of the Series 2010B Bonds.

ARTICLE V MISCELLANEOUS

SECTION 5.01. Notices. Notwithstanding Section 11.06 of the Master Trust Agreement, any notice, request, demand or other communication with respect to the Series 2010B Bonds under the Trust Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy or other form of telecommunication, with prompt telephone confirmation. Notice shall be effective either (a) upon transmission by telecopy or other form of telecommunication, (b) upon receipt after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Agency or the Trustee may, by written notice to the other party, from time to time modify the address or number to which communications are to be given hereunder.

#5.

If to the Agency: Community Redevelopment Agency of the City of Compton
205 South Willowbrook Avenue
Compton, CA 90220
Attention: Executive Secretary
Fax: (310) 761-1429

If to the Trustee: U.S. Bank National Association
1420 5th Avenue, 7th Floor
Seattle, Washington 98101
Attention: Corporate Trust Department, Carolyn Whalen
Fax: (206) 344-4630 or -4632

Any party listed above may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to the Trust Agreement; provided, however, that: (i) subsequent to such facsimile transmission of written instructions, there shall be provided to the Trustee originally executed instructions and/or directions in a timely manner, (ii) such originally executed instructions and/or directions by the Agency shall be signed by an Authorized Agency Representative or a person designated and authorized by an Authorized Agency Representative to sign for the Agency, and, (iii) the Agency shall (A) provide to the Trustee an incumbency certificate listing such designated persons and (B) from time to time provide the Trustee updated incumbency certificates, as necessary or appropriate, reflecting persons who have been added or deleted from the listing.

SECTION 5.02. Waiver of Right to Receive Brokerage Confirmations. With respect to the funds and accounts relating to the Series 2010B Bonds maintained by the Trustee under the Trust Agreement, the Agency acknowledges that to the extent regulations of the Comptroller of the Currency or any other regulatory entity grant the Agency the right to receive brokerage confirmations of the security transactions as they occur, the Agency specifically waive receipt of such confirmations to the extent permitted by law. The Trustee will furnish the periodic cash transaction statements to the Agency that include the detail for all investment transactions made by the Trustee with respect to such funds and accounts under the Trust Agreement.

SECTION 5.03. Executions in Counterparts. This Seventh Supplemental Trust Agreement may be executed in any number of counterparts, each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, as many of them as the Agency and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

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#5.

IN WITNESS WHEREOF, the Agency has caused this Seventh Supplemental Trust Agreement to be signed in its name and on its behalf by one of its duly authorized officers and the Trustee to evidence its acceptance of the trusts hereby created, has caused this Seventh Supplemental Trust Agreement to be signed in its name and behalf by one of its duly authorized officers all as of the date first above written.

**COMPTON URBAN COMMUNITY
DEVELOPMENT COMMISSION, ACTING AS
COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON**

By: _____
Executive Secretary

Attest:

Clerk

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

APPENDIX A

[Form of Series 2010B Bond]

[Unless this certificate is presented by an authorized representative of the Depository Trust Company, a New York Corporation ("DTC"), to the Agency or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), any transfer, pledge, or other use hereof for value or otherwise by or to any person is wrongful inasmuch as the registered owner hereof, Cede & Co., has an interest herein.]

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON
COMPTON REDEVELOPMENT PROJECT
SECOND LIEN TAX ALLOCATION BOND, SERIES 2010B

No. R-__ \$_____

RATE OF INTEREST	MATURITY DATE	DATED DATE:	CUSIP:
%	August 1, 20__	June __, 2010	204712 ____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The Community Redevelopment Agency of the City of Compton, a public body, corporate and politic, duly organized and existing under and pursuant to the laws of the State of California (the "Agency"), for value received hereby promises to pay (but solely from the funds hereinafter mentioned) to the registered owner specified above, or registered assigns, on the Maturity Date specified above the Principal Amount specified above, together with interest thereon from the interest payment date next preceding the date of authentication of this Series 2010B Bond (unless (i) this Series 2010B Bond is authenticated during the period from the 16th day of the month next preceding an interest payment date to and including such interest payment date, in which event it shall bear interest from such interest payment date, or (ii) this Series 2010B Bond is authenticated on or before the 15th day of the month next preceding the first interest payment date, in which event it shall bear interest from the dated date shown above) until the principal hereof shall have been paid, at the Rate of Interest specified above, payable on August 1, 2010, and semiannually thereafter on February 1 and August 1 in each year. Both the interest hereon and principal hereof are payable in lawful money of the United States of

America. The principal hereof is payable upon surrender hereof at maturity at the corporate trust office of U.S. Bank National Association (the "Trustee") in St. Paul, Minnesota, or at such other office as the Trustee may designate (the "Trust Office"). Interest hereon is payable by check mailed on each interest payment date by first class mail to the person in whose name this Series 2010B Bond is registered at the close of business on the 15th day of the month next preceding the applicable interest payment date at such person's address as it appears on the registration books of the Trustee, or upon written request received by the Trustee prior to the 15th day of the month preceding an interest payment date of a registered owner (an "Owner") of at least \$1,000,000 in aggregate principal amount of outstanding Series 2010B Bonds, by transfer in immediately available funds to an account within the continental United States designated by such Owner.

This Series 2010B Bond is not a debt of the City of Compton, the State of California or any of its political subdivisions, and neither said City, said State nor any of its political subdivisions is liable hereon, nor in any event shall this Series 2010B Bond or any interest hereon be payable out of any funds or properties other than those of the Agency. The Series 2010B Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction, and neither the members of the Agency nor any persons executing the Series 2010B Bonds shall be personally liable on the Series 2010B Bonds by reason of their issuance.

This Series 2010B Bond is one of a duly authorized issue of bonds designated the Community Redevelopment Agency of the City of Compton, Compton Redevelopment Project, Second Lien Tax Allocation Bonds, Series 2010B (the "Series 2010B Bonds"), limited in aggregate principal amount to \$_____, issued under the provisions of the Community Redevelopment Law of the State of California, as supplemented and amended (the "Law"), and pursuant to the provisions of a Trust Agreement, dated as of June 1, 1995 (the "Master Trust Agreement"), as heretofore supplemented and as further supplemented and amended by a Seventh Supplemental Trust Agreement, dated as of June 1, 2010 (the "Seventh Supplemental Trust Agreement"), by and between the Agency and the Trustee. The Master Trust Agreement, as so amended and supplemented, and as the same may be further amended and supplemented from time to time in accordance with the terms thereof, is referred to herein as the "Trust Agreement."

All Series 2010B Bonds are equally and ratably secured in accordance with the terms and conditions of the Trust Agreement. Reference is hereby made to the Trust Agreement and to the Law for (i) a description of the terms on which the Series 2010B Bonds are issued, (ii) the provisions with regard to the nature and extent of the security provided for the Series 2010B Bonds and of the nature, extent and manner of enforcement of such security, and (iii) a statement of the rights of the registered owners of the Series 2010B Bonds. All the terms of the Trust Agreement and the Law are hereby incorporated herein and constitute a contract between the Agency and the Owner from time to time of this Series 2010B Bond. By acceptance hereof, the Owner of this Series 2010B Bond consents and agrees to all the provisions of the Trust Agreement and the Law. Each Owner hereof shall have recourse to all the provisions of the Law and the Trust Agreement and shall be bound by all the terms and conditions thereof.

The Series 2010B Bonds are issued to finance redevelopment activities of the Agency with respect to the Compton Redevelopment Project, a duly adopted redevelopment project in the City of Compton, California. The Series 2010B Bonds are special obligations of the Agency and are payable, as to interest thereon, and principal thereof, exclusively from the Pledged Tax Revenues (as that term is defined in the Seventh Supplemental Trust Agreement) and certain other funds, and the Agency is not obligated to pay them except from the Pledged Tax Revenues and such other funds. Additional tax allocation bonds payable from the Pledged Tax Revenues may be issued which will rank equally as to security with the Series 2010B Bonds, subject to the terms and conditions set forth in the Trust Agreement.

The Series 2010B Bonds maturing on or before August 1, 20__ shall not be subject to optional redemption prior to their maturity. The Series 2010B Bonds maturing on or after August 1, 20__ shall be subject to redemption as a whole or in part from such maturities as the Agency shall designate (which designation shall be in writing and shall be delivered to the Trustee no later than 45 days prior to the redemption date), prior to their maturity at the option of the Agency on any date on or after August 1, 20__, from funds derived by the Agency from any source, at a redemption price equal to [100 percent of the principal amount of the Series 2010B Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium.]

The Series 2010B Bonds maturing on August 1, 20__ and August 1, 20__ (the "Series 2010B Term Bonds") are also subject to redemption prior to their stated maturity, in part by lot, from mandatory sinking account payments deposited in the Project Second Lien Principal Account of the Project Second Lien Debt Service Fund for that purpose on August 1 of each year commencing August 1, 20__ and August 1, 20__, respectively, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, according to the following schedules:

Series 2010B Bonds maturing August 1, 20__

Redemption Date (August 1)	Principal Amount
	\$

(maturity)

Series 2010B Bonds maturing August 1, 20__

<u>Redemption Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>
	\$

(maturity)

Notice of redemption with respect to the Series 2010B Bonds to be redeemed shall be mailed to the Owners thereof not less than thirty (30) nor more than sixty (60) days prior to the redemption date by first class mail, postage prepaid, to the addresses set forth in the registration books. Neither a failure of the Owner hereof to receive such notice nor any defect therein will affect the sufficiency or validity of the proceedings for redemption. All Series 2010B Bonds or portions thereof so called for redemption will cease to accrue interest on the specified redemption date, provided that funds for the redemption are on deposit with the Trustee on the redemption date. Thereafter, the Owners of such Series 2010B Bonds shall have no rights except to receive payment of the redemption price upon the surrender of the Series 2010B Bonds.

The Owner of any Series 2010B Bond or Series 2010B Bonds may surrender the same at the Trust Office in exchange for an equal aggregate principal amount of fully registered Series 2010B Bonds of any other authorized denominations, in the manner, subject to the conditions and upon the payment of the charges provided in the Trust Agreement.

This Series 2010B Bond is transferable, as provided in the Trust Agreement, only upon a register to be kept by the Registrar for that purpose by the Owner hereof, upon surrender of this Series 2010B Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Owner or such Owner's duly authorized attorney, and thereupon a new fully registered Series 2010B Bond or Series 2010B Bonds, in the same aggregate principal amount, shall be issued to the transferee in exchange therefor as provided in the Trust Agreement, and upon payment of the charges therein prescribed. The Agency, the Trustee, the Registrar and the Paying Agency may deem and treat the person in whose name this Series 2010B Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the interest hereon and principal hereof and for all other purposes.

The rights and obligations of the Agency and of the registered owners of the Bonds may be amended at from time to time in the manner provided in, and subject to the terms of, the Trust Agreement.

This Series 2010B Bond shall not be entitled to any benefits under the Trust Agreement or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been manually signed by the Trustee.

It is hereby certified that all of the acts, conditions and things required to exist, to have happened or to have been performed precedent to and in the issuance of this Series 2010B Bond do exist, have happened and have been performed in due time, form and manner as required by law and that the amount of this Series 2010B Bond, together with all other indebtedness of the Agency, does not exceed any limit prescribed by the Constitution or laws of the State of California, and is not in excess of the amount of Series 2010B Bonds permitted to be issued under the Trust Agreement.

IN WITNESS WHEREOF, the Community Redevelopment Agency of the City of Compton has caused this Series 2010B Bond to be executed in its name and on its behalf by its Chairman and attested by its Secretary, all as of the Dated Date first written above.

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON**

By _____
Chairman

Attest:

Clerk

=====

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This is one of the Series 2010B Bonds described in the within-mentioned Trust Agreement and registered on the registration books relating to the Series 2010B Bonds.

Date: _____, 20__

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Signatory

#5.

[FORM OF ASSIGNMENT]

For value received the undersigned do(es) hereby sell, assign and transfer unto _____,
whose tax identification number is _____, the within-mentioned registered Bond and
hereby irrevocably constitute(s) and appoint(s) _____ attorney
to transfer the same on the books of the Trustee with full power of substitution in the premises.

Dated:

Signature guaranteed:

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

NOTICE: Signature must be guaranteed by a member of an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or other similar program.

COMPTON URBAN COMMUNITY DEVELOPMENT COMMISSION,
ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON, CALIFORNIA

and

U.S. BANK NATIONAL ASSOCIATION

as Trustee

EIGHTH SUPPLEMENTAL TRUST AGREEMENT

Dated as of June 1, 2010

Relating to

\$ _____
Compton Redevelopment Project
Second Lien Tax Allocation Bonds (Taxable),
Series 2010C

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Eighth Supplemental Trust Agreement

This Eighth Supplemental Trust Agreement, dated as of June 1, 2010 (this “Eighth Supplemental Trust Agreement”), is entered into by and between the Compton Urban Community Development Commission, acting as the Community Redevelopment Agency of the City of Compton, a public body, corporate and politic organized and existing under the laws of the State of California (the “Agency”), and U.S. Bank National Association, a national banking association duly organized and existing under laws of the United States of America and authorized to accept and execute trusts of the character herein set forth, as trustee (the “Trustee”).

Recitals

A. The Agency is a redevelopment agency, a public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers, all under and pursuant to Part 1 of Division 24 (commencing with Section 33000) of the California Health and Safety Code (the “Law”), and the powers of the Agency include the power to issue bonds for any of its corporate purposes.

B. A redevelopment plan (the “Plan”) for a redevelopment project area known and designated as the “Compton Redevelopment Project Area” (the “Project Area”) has been adopted and approved and all requirements of law for, and precedent to, the adoption and approval of said plan have been duly complied with.

C. The Plan contemplates that the Agency would issue bonds from time to time to finance a portion of the costs of redevelopment of the Project Area.

D. The Agency is authorized under the Law to issue bonds or notes for any of its corporate purposes.

E. To further provide for the issuance of bonds from time to time and set forth certain terms pertaining thereto, the Agency has entered into the Master Trust Agreement, dated as of June 1, 1995 (the “Master Trust Agreement”), by and between the Agency and Seattle-First National Bank, the prior trustee (the “Prior Trustee”).

F. The Agency has previously issued its Compton Redevelopment Project Refunding Tax Allocation Bonds, Series 1995A (the “Series 1995A Bonds”) under the Master Trust Agreement, as supplemented by the First Supplemental Trust Agreement, dated as of June 1, 1995, by and between the Agency and the Prior Trustee.

G. The Agency has previously issued its Compton Redevelopment Project Refunding Tax Allocation Bonds, Series 1995B (Taxable) (the “Series 1995B Bonds”) under the Master Trust Agreement, as supplemented by the Second Supplemental Trust Agreement, dated as of June 1, 1995, by and between the Agency and the Prior Trustee.

H. The Agency has previously issued its Compton Redevelopment Project Tax Allocation Capital Appreciation Bonds, Series 1995C (Taxable) (the “Series 1995C Bonds”) under the Master Trust Agreement, as supplemented by the Third Supplemental Trust

Agreement, dated as of June 1, 1995 (the “Third Supplemental Trust Agreement”), by and between the Agency and the Prior Trustee.

I. The Agency has previously issued its Compton Redevelopment Project Subordinate Refunding Tax Allocation Bonds, Series 1995-1 (the “Series 1995-1 Bonds”) under the Master Trust Agreement, as supplemented by the Fourth Supplemental Trust Agreement, dated as of June 1, 1995, by and between the Agency and the Prior Trustee.

J. The Agency has previously issued its Compton Redevelopment Project Refunding Tax Allocation Bonds, Series 2006A (the “Series 2006A Bonds”) pursuant to the Master Trust Agreement, as supplemented and amended by the Fifth Supplemental Trust Agreement, dated as of July 1, 2006, by and between the Agency and the Trustee, as successor trustee under the Master Trust Agreement and the Third Supplemental Trust Agreement, and used the proceeds thereof, together with certain other funds available to the Agency, to refund all of its remaining outstanding Series 1995A Bonds, Series 1995B Bonds and Series 1995-1 Bonds.

K. Concurrently herewith, the Agency desires to issue an additional series of bonds designated as the Agency’s Compton Redevelopment Project Second Lien Tax Allocation Bonds (Housing), Series 2010A (the “Series 2010A Bonds”) pursuant to the Master Trust Agreement, as supplemented and amended by the Sixth Supplemental Trust Agreement (the “Sixth Supplemental Trust Agreement”), dated as of June 1, 2010, by and between the Agency and the Trustee, for the purpose of financing low and moderate income housing projects of the Agency and payable on a subordinate basis to the Series 1995C Bonds and the Series 2006A Bonds, to the extent such bonds are outstanding and payable from Housing Tax Revenues (as defined in the Trust Agreement).

L. Concurrently herewith, the Agency desires to issue an additional series of bonds designated as the Agency’s Compton Redevelopment Project Second Lien Tax Allocation Bonds, Series 2010B (the “Series 2010B Bonds”) pursuant to the Master Trust Agreement, as supplemented and amended by the Seventh Supplemental Trust Agreement (the “Seventh Supplemental Trust Agreement”), dated as of June 1, 2010, by and between the Agency and the Trustee, for the purpose of financing redevelopment activities of the Agency with respect to the Project Area and payable from Project Tax Revenues (as defined in the Trust Agreement) on a subordinate basis to the Series 1995C Bonds and the Series 2006A Bonds.

M. The Agency desires to issue an additional series of bonds designated as the Agency’s Compton Redevelopment Project Second Lien Tax Allocation Bonds (Taxable), Series 2010C (the “Series 2010C Bonds”) pursuant to the Master Trust Agreement, as supplemented and amended by this Eighth Supplemental Trust Agreement, for the purpose of financing (i) the Agency’s obligation to make statutory tax sharing payments with respect to tax increment received in Fiscal Year 2008-09 to non-local educational agencies, (ii) certain tax sharing amounts payable to the Compton Unified School District under an Agreement for Cooperation with the Compton Unified School District, and (iii) the Agency’s obligation to deposit moneys in the Supplemental Educational Revenue Augmentation Fund (“SERAF”) in fiscal year 2009-10 (as reimbursement to the Agency for its remittance made by the May 10, 2010 deadline from other authorized and available funds) and fiscal year 2010-11, or alternatively, if subsequent to the sale of the Series 2010C Bonds, an order or judgment is issued by California Court of Appeal

to enjoin or overrule the ruling of the Superior Court of the County of Sacramento in *California Redevelopment Association et al. v. Genest et al.*, Case No. 34-2009-80000359-CU-WM-GDS (*CRA v. Genest*) or if the provisions of the California Health and Safety Code requiring such SERAF payments are declared invalid by any court of competent jurisdiction, are repealed or otherwise become void or unenforceable, in order to finance additional redevelopment activities of the Agency with respect to the Project Area (including non-housing activities but only to the extent that any proceeds of the Series 2010C Bonds expended on non-housing activities are replaced in full by any lawfully available monies of the Agency that are not Housing Tax Revenues).

N. The Series 2010C Bonds will be primarily payable from, and secured by a pledge of, certain tax increment revenues of the Agency and payable from Project Tax Revenues (as defined in the Trust Agreement) on a subordinate basis to the Series 1995C Bonds and the Series 2006A Bonds and on a parity with the Series 2010B Bonds, in the manner prescribed by the Master Trust Agreement, as heretofore amended and as supplemented by this Eighth Supplemental Trust Agreement.

O. The execution and delivery of this Eighth Supplemental Trust Agreement have been duly authorized and all things necessary to make the Series 2010C Bonds, when executed by the Agency and authenticated by the Trustee, valid and binding legal obligations of the Agency and to make this Eighth Supplemental Trust Agreement a valid and binding legal instrument for the security of the Series 2010C Bonds, have been done.

NOW THEREFORE, THIS EIGHTH SUPPLEMENTAL TRUST AGREEMENT WITNESSETH, that in order to secure the payment of the principal of, and the interest and premium, if any, on, all of the Series 2010C Bonds at any time issued and Outstanding under the Master Trust Agreement, as amended and supplemented by this Eighth Supplemental Trust Agreement, according to their tenor, and to secure the performance and observance of all the covenants and conditions set forth therein and herein, and to declare the terms and conditions upon and subject to which the Series 2010C Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Series 2010C Bonds by the owners thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, the Agency does hereby covenant and agree with the Trustee, for the benefit of the respective holders from time to time of the Series 2010C Bonds, as follows:

ARTICLE I AUTHORITY AND DEFINITIONS

SECTION 1.01. Authority for Eighth Supplemental Trust Agreement. This Eighth Supplemental Trust Agreement is executed and delivered pursuant to the provisions of the Law and Section 53570 et seq. of the California Government Code.

SECTION 1.02. Definitions. Except as provided by this Eighth Supplemental Trust Agreement, all terms which are defined in Section 1.01 of the Master Trust Agreement

shall have the same meanings, respectively, in this Eighth Supplemental Trust Agreement. The following terms shall, for all purposes of the Trust Agreement, have the following meanings.

“Closing Date” means, with respect to the Series 2010C Bonds, June __, 2010, which is the date of their initial issuance and delivery.

“Eighth Supplemental Trust Agreement” means this Eighth Supplemental Trust Agreement, as may be amended from time to time pursuant to the terms hereof and the Master Trust Agreement.

“Fifth Supplemental Trust Agreement” means the Fifth Supplemental Trust Agreement, dated as of July 1, 2006, by and between the Agency and the Trustee, as successor to the Prior Trustee, with respect to the Series 2006A Bonds, as heretofore amended and/or supplemented pursuant to the terms thereof and the Master Trust Agreement.

“Housing Parity Second Lien Bonds” shall mean any tax allocation bonds, loans, and any other indebtedness payable from the Housing Tax Revenues on a parity with the Series 2010A Bonds pursuant to the terms of Section 3.02 of the Sixth Supplemental Trust Agreement and Sections 2.09 and 2.11 of the Master Trust Agreement, as further amended by Article IV of Sixth Supplemental Trust Agreement (Section 2.11 having been previously amended by the Fifth Supplemental Trust Agreement).

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Mergent’s “Municipal and Government,” 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attention: Called Bond Department; and Kenny S&P, 55 Water Street, 45 Floor, New York, New York 10041, Attention: Notification Department; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the Agency may designate in writing to the Trustee.

“Interest Payment Date” means, with respect to the Series 2010C Bonds, February 1 and August 1 of each year, commencing August 1, 2010.

“Master Trust Agreement” means that Master Trust Agreement, dated as of June 1, 1995, by and between the Agency and Seattle-First National Bank, as succeeded by U.S. Bank National Association, as Trustee, as heretofore amended and/or supplemented pursuant to the terms thereof.

“Permitted Investments” means, with respect to the Project Second Lien Reserve Fund or any other fund or account relating to the Series 2010C Bonds established and maintained pursuant to the Trust Agreement, any of the obligations described in the definition of “Permitted Investments” set forth in the Fifth Supplemental Trust Agreement, if and to the extent that they are permissible investments of funds of the Agency held in the manner described therein.

“Pledged Tax Revenues” means, for each Bond Year, with respect to the Series 2010C Bonds, Project Tax Revenues excluding (i) an amount equal to the sum of all transfers of and payments from Project Tax Revenues required by any Senior Debt Instrument, (ii) an

amount historically deducted by the County of Los Angeles from Tax Revenues prior to remittance of Tax Revenues to the Agency (or for the benefit of the Agency), which amount is approximately equivalent to the portion of Tax Revenues attributable to the inflation factor increase calculated in accordance with paragraph (a)(2) of Section 33676 of the Law prior to its amendment in 1984 by AB 203, Chapter 147, Statutes of 1984, (iii) amounts payable to a taxing entity pursuant to Section 33607.5 or 33607.7 of the California Health and Safety Code, (iv) amounts allocable to the various taxing entities under Tax Sharing Agreements, except to the extent that any portion of such amounts is subordinated pursuant to the Tax Sharing Agreements, (v) amounts required to be deposited by the Agency in the Low and Moderate Income Housing Fund of the Agency pursuant to Section 33334.2 or 33334.6 of the Law, and (vi) state subventions, if any, received by the Agency pursuant to Section 16110 et seq. of the California Government Code.

Notwithstanding the foregoing, in any Bond Year, if the amount of Pledged Tax Revenues transferred to the Trustee is sufficient to (i) pay the principal and interest coming due in such Bond Year on the Series 2010B Bonds, the Series 2010C Bonds, and any other Project Parity Second Lien Bonds then Outstanding and (ii) if necessary, bring the balance in the reserve fund(s) for the Project Parity Second Lien Bonds to the applicable Reserve Fund Requirement, then Project Tax Revenues received by (or on behalf of) the Agency thereafter during such Bond Year shall no longer be “Pledged Tax Revenues” for the purposes of the Series 2010B Bonds or the Series 2010C Bonds.

“Project Parity Second Lien Bonds” shall mean any Bonds issued under a Supplemental Trust Agreement and secured by and payable from Project Tax Revenues after all transfers of and payments from Project Tax Revenues required by any Senior Debt Instrument.

“Project Second Lien Debt Service Fund” means the fund by that name created and established pursuant to Section 4.10 of the Master Trust Agreement and Section 3.03(a) of the Seventh Supplemental Trust Agreement.

“Project Second Lien Reserve Fund” means the fund by that name created and established pursuant to Section 4.10 of the Master Trust Agreement and Section 3.03(b) of the Seventh Supplemental Trust Agreement.

“Record Date” means, with respect to the Series 2010C Bonds, the 15th day of the month (regardless whether such day is a Business Day) immediately preceding an Interest Payment Date.

“Second Lien Bonds” shall mean (i) the Series 2010A Bonds, (ii) any Housing Parity Second Lien Bonds, (iii) the Series 2010B Bonds, (iv) the Series 2010C Bonds, and (v) any Project Parity Second Lien Bonds.

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

“Second Lien Reserve Account” means an account relating to a Series of Second Lien Bonds either in the Housing Second Lien Reserve Fund or the Project Second Lien Reserve Fund established under the Trust Agreement.

“Senior Debt Instrument” means any resolution, loan agreement, indenture, trust agreement or other instrument authorizing any Senior Bonds, which pursuant to the covenant and limitation set forth in Section 4.01 hereof shall consist solely of the Series 1995C Bonds and the Series 2006A Bonds Outstanding at the time.

“Series 1995C Bonds” means the Agency’s Compton Redevelopment Project Tax Allocation Capital Appreciation Bonds, Series 1995C (Taxable), issued on July 27, 1995 in aggregate initial principal amount of \$10,137,530.

“Series 2006A Bonds” means the Agency’s Compton Redevelopment Project Refunding Tax Allocation Bonds, Series 2006A, issued on July 6, 2006 in aggregate initial principal amount of \$51,215,000.

“Series 2010A Bonds” means the Agency’s Compton Redevelopment Project Second Lien Tax Allocation Bonds (Housing), Series 2010A, issued pursuant to the Sixth Supplemental Trust Agreement in aggregate initial principal amount of \$_____.

“Series 2010B Bonds” means the Agency’s Compton Redevelopment Project Second Lien Tax Allocation Bonds, Series 2010B, issued pursuant to the Seventh Supplemental Trust Agreement in aggregate initial principal amount of \$_____.

“Series 2010C Bonds” means the Agency’s Compton Redevelopment Project Second Lien Tax Allocation Bonds (Taxable), Series 2010C, issued pursuant to this Eighth Supplemental Trust Agreement.

“Series 2010C Term Bonds” means the Series 2010C Bonds maturing on August 1, 20__ and August 1, 20__.

“Seventh Supplemental Trust Agreement” means the Seventh Supplemental Trust Agreement, dated as of June 1, 2010, by and between the Agency and the Trustee with respect to the Series 2010B Bonds, as heretofore amended and/or supplemented pursuant to the terms thereof and the Master Trust Agreement.

“Sixth Supplemental Trust Agreement” means the Sixth Supplemental Trust Agreement, dated as of June 1, 2010, by and between the Agency and the Trustee with respect to the Series 2010A Bonds, as heretofore amended and/or supplemented pursuant to the terms thereof and the Master Trust Agreement.

“Tax Sharing Agreements” means, collectively, each of the tax sharing agreements between the Agency and each of the County of Los Angeles, the Compton Unified School District, and the Compton Community College District.

“Third Supplemental Trust Agreement” means the Third Supplemental Trust Agreement, dated as of June 1, 1995, by and between the Agency and Seattle-First National

Bank, as succeeded by U.S. Bank National Association, as Trustee, with respect to the Series 1995C Bonds, as heretofore amended and/or supplemented pursuant to the terms thereof and the Master Trust Agreement.

“Trust Agreement” means the Master Trust Agreement, as amended and supplemented by the Third Supplemental Trust Agreement, the Fifth Supplemental Trust Agreement, the Sixth Supplemental Trust Agreement, the Seventh Supplemental Trust Agreement, and this Eighth Supplemental Trust Agreement.

“Trust Office” means the corporate trust office of the Trustee at 1420 5th Avenue, 7th Floor, Seattle, Washington 98101 (facsimile: 206-344-4630); provided, however, for transfer, registration, exchange, payment and surrender of Bonds, “Trust Office” means the corporate trust office of U.S. Bank National Association in St Paul, Minnesota, or such other office designated by the Trustee from time to time.

ARTICLE II GENERAL TERMS OF SERIES 2010C BONDS

SECTION 2.01. Authorization. The Series 2010C Bonds are hereby authorized to be issued for the purpose described in the Recitals hereof.

SECTION 2.02. Terms.

(a) The Series 2010C Bonds, authorized to be issued by the Agency under and subject to the terms of the Master Trust Agreement and this Eighth Supplemental Trust Agreement and the Law, shall be designated as the Agency’s “Compton Redevelopment Project Second Lien Tax Allocation Bonds (Taxable), Series 2010C.” The Series 2010C Bonds shall be issued in the aggregate principal amount of \$_____. The Series 2010C Bonds shall be dated as of the Closing Date for the Series 2010C Bonds, shall bear interest at such rates (payable on February 1 and August 1 in each year, commencing August 1, 2010), and shall mature and become payable as to principal on August 1 in each of the years in the amounts set forth below:

Maturity Date <u>(August 1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>
	\$	%

(b) Interest on the Series 2010C Bonds shall be computed on the basis of a 360-day year of twelve 30-day months.

The Series 2010C Bonds shall be issued as fully registered bonds in the denomination of \$5,000, or any integral multiple of \$5,000. The Series 2010C Bonds shall be numbered as determined by the Registrar. The Series 2010C Bonds shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) such date of authentication is during the period from the 16th day of the month next preceding an Interest Payment Date to and including such Interest Payment Date, in which event they shall bear interest from such Interest Payment Date, or (ii) such date of authentication is on or before the 15th day of the month next preceding the first Interest Payment Date (*i.e.*, the first Record Date), in which event they shall bear interest from their dated date. Notwithstanding the foregoing, if, at the time of authentication of any Series 2010C Bond, interest is then in default on the Outstanding Bonds of such Series, such Series 2010C Bond shall bear interest from the Interest Payment Date to which interest previously has been paid or made available for payment on the Outstanding Series 2010C Bonds.

Payment of interest on the Series 2010C Bonds due on or before the maturity of such Series 2010C Bonds shall be made to the person whose name appears on the bond registration books of the Registrar as the registered owner thereof, as of the close of business on the related Record Date. Subject to Section 2.12 of the Master Trust Agreement, such interest to be paid by check or draft mailed on each Interest Payment Date by first-class mail to such registered owner at the address appearing on such books or, upon written request received by the Trustee prior to the related Record Date, of an Owner of at least \$1,000,000 in aggregate principal amount of Series 2010C Bonds, by wire transfer in immediately available funds to an account within the United States designated by such Owner.

Principal of the Series 2010C Bonds shall be payable upon the surrender thereof at maturity thereof at the Trust Office. Principal of and interest on the Series 2010C Bonds shall be paid in lawful money of the United States of America. If the principal of a Series 2010C Bond becomes due and payable, but shall not have been paid or provisions made for its payment, then such Series 2010C Bond shall bear interest at the same rate after such default as on the day before the default occur.

SECTION 2.03. Book-Entry System. The Series 2010C Bonds shall be initially issued as Book-Entry Bonds, in accordance with Section 2.12 of the Master Trust Agreement.

SECTION 2.04. Forms of Series 2010C Bonds. The Series 2010C Bonds, the authentication and registration endorsement and the assignment to appear thereon shall be substantially in the form attached hereto as Appendix A, with necessary or appropriate variations, omissions and insertions as permitted or required by this Eighth Supplemental Trust Agreement.

SECTION 2.05. Redemption of Series 2010C Bonds.

(a) Optional Redemption of Series 2010C Bonds. The Series 2010C Bonds maturing on or before August 1, 20__ shall not be subject to optional redemption prior to their maturity. The Series 2010C Bonds maturing on or after August 1, 20__ shall be subject to

redemption as a whole or in part from such maturities as the Agency shall designate (which designation shall be in writing and shall be delivered to the Trustee no later than 45 days prior to the redemption date), prior to their maturity at the option of the Agency on any date on or after August 1, 20__, from funds derived by the Agency from any source, at a redemption price equal to [100 percent of the principal amount of the Series 2010C Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium.]

(b) Mandatory Sinking Fund Redemption of Series 2010C Bonds. The Series 2010C Bonds maturing on August 1, 20__ and August 1, 20__ (the "Series 2010C Term Bonds") are also subject to redemption prior to their stated maturity, in part by lot, from mandatory sinking account payments deposited in the Project Second Lien Principal Account of the Project Second Lien Debt Service Fund for that purpose on August 1 of each year commencing August 1, 20__ and August 1, 20__, respectively, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, according to the following schedules:

Series 2010C Bonds maturing August 1, 20__

Redemption Date (August 1)	Principal Amount
	\$

(maturity)

Series 2010C Bonds maturing August 1, 20__

Redemption Date (August 1)	Principal Amount
	\$

(maturity)

(c) Selection of Series 2010C Bonds for Redemption. Whenever less than all of the Outstanding Series 2010C Bonds of a maturity are called for redemption at any one time, the Trustee shall select the Series 2010C Bonds to be redeemed, from the Outstanding Series 2010C Bonds of such maturity not previously selected for redemption, by lot; provided, that if less than all of the Outstanding Series 2010C Term Bonds of any maturity of a Series are called for optional redemption, each future mandatory sinking account payment with respect to such Series 2010C Term Bonds will be reduced on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, so that the total amount of mandatory sinking account payments

(with respect to such Series 2010C Term Bonds) to be made after the optional redemption shall be reduced by an amount equal to the principal amount of the Series 2010C Term Bonds so redeemed, as shall be designated by the Agency to the Trustee in writing.

(d) Purchase in Lieu of Redemption. In lieu of redemption of any Series 2010C Term Bond, upon the written request of the Agency, the Series 2010C Term Bonds are subject to purchase in lieu of redemption from amounts on deposit in the Project Second Lien Principal Account of the Project Second Lien Debt Service Fund, in accordance with Section 3.05 of the Master Trust Agreement.

(e) Notice. Notice of redemption shall be sent by first class mail (or with respect to notices to be received by DTC or its nominee, any Information Services or Securities Depository, by such transmission method as acceptable to such entity) by the Trustee, on behalf and at the expense of the Agency, not more than 60 days and not less than 30 days prior to the redemption date to (i) the respective Owners of Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee, (ii) one or more Information Services designated in writing to the Trustee by the Agency and (iii) the Securities Depositories. Each notice of redemption shall state the date of such notice, the Bonds to be redeemed, the Series designation of such Bonds, the date of issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity are to be redeemed, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of such Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date and upon the satisfaction of any condition to redemption stated in such notice in accordance with the Master Trust Agreement, interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. If, at the time that the notice redemption is mailed to the Owner, the Agency has not deposited with the Trustee sufficient funds to pay the redemption price and accrued interest, in full, with respect to the Bonds being called, the notice shall expressly state that the redemption is conditioned upon the deposit of funds by the Agency on or before the redemption date.

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

(f) Right to Rescind. The Agency shall have the right to rescind any optional redemption by written notice of rescission. Any notice of optional redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption. Neither such cancellation nor lack of available funds shall constitute an Event of Default under the Master Trust Agreement, as

supplemented by this Eighth Supplemental Trust Agreement. The Trustee will send notice of rescission of such redemption in the same manner as the original notice of redemption was sent.

(g) General Redemption Provisions. Except with respect to the foregoing, the provision set forth in Sections 3.01 through 3.05 of the Master Trust Agreement shall apply to the Series 2010C Bonds.

ARTICLE III APPLICATION OF PROCEEDS; SERIES 2010C FUNDS AND ACCOUNTS

SECTION 3.01. Application of Proceeds of Series 2010C Bonds; Other Transfers of Funds on Closing Date. On the Closing Date, the Trustee shall receive proceeds from the sale of the Series 2010C Bonds in the amount of \$_____ (representing the aggregate principal amount of the Series 2010C Bonds, [plus/less] an original issue [premium/discount] of \$_____, and less an underwriter's discount of \$_____). Immediately upon receipt, the Trustee shall (i) deposit the amount of \$_____ in the Series 2010C Account of the Project Second Lien Reserve Fund established under Section 3.03, (ii) deposit the amount of \$_____ in the Series 2010C Costs of Issuance Account established under Section 3.05, and (iii) deposit the balance of \$_____ in the Redevelopment Fund designated under Section 4.02 of the Master Trust Agreement.

SECTION 3.02. Sources of Payment of Series 2010C Bonds. The Series 2010B Bonds, the Series 2010C Bonds, and any Project Parity Second Lien Bonds issued in accordance with provisions of Section 2.11 of the Master Trust Agreement, as amended by Section 4.01 of the Sixth Supplemental Trust Agreement, shall be secured by and payable from the Pledged Tax Revenues as provided in the Master Trust Agreement, as supplemented by this Eighth Supplemental Trust Agreement, and as such, are hereby made expressly subordinate to the Senior Bonds so long as any Senior Bonds remain Outstanding; provided, in accordance with the covenant and limitation set forth in Section 4.01 hereof, "Senior Bonds" shall consist solely of the Outstanding Series 1995C Bonds and Series 2006A Bonds. The Agency may, but is not obligated to, provide for payment of principal and interest on the Series 2010C Bonds from any other source or from any other funds of the Agency.

SECTION 3.03. Project Second Lien Debt Service Fund; Project Second Lien Reserve Fund. The provisions relating to the establishment, maintenance, and operation of the Project Second Lien Debt Service Fund and the Project Second Lien Reserve Fund, set forth in Sections 3.03, 3.04, and 3.05 of the Seventh Supplemental Trust Agreement, are incorporated herein by this reference as if expressly set forth herein.

SECTION 3.04. Series 2010C Account of Project Second Lien Reserve Fund.

(a) There is hereby created within the Project Second Lien Reserve Fund established and administered pursuant to Sections 3.03 and 3.04 of the Seventh Supplemental Trust Agreement a separate account designated the "Series 2010C Account." Upon the issuance of the Series 2010C Bonds, a portion of the proceeds thereof shall be deposited in the Series 2010C Account of the Project Second Lien Reserve Fund in accordance with Section 3.01. The

Series 2010C Account of the Project Second Lien Reserve Fund shall be established for the purposes of accounting for the amount of earnings upon the portion of the Project Second Lien Reserve Fund relating to the Series 2010C Bonds, but for all other purposes shall be held, invested and used as an integral part of the Project Second Lien Reserve Fund as provided in Sections 3.03 and 3.04 of the Seventh Supplemental Trust Agreement.

(b) Notwithstanding any provisions to the contrary in this Eighth Supplemental Trust Agreement, Sections 3.03 and 3.04 of the Seventh Supplemental Trust Agreement, or the Master Trust Agreement, on August 1, 20__ (i.e., the final maturity date of the Series 2010C Bonds), the Trustee shall transfer all of the money in the Series 2010C Account of the Project Second Lien Reserve Fund to the Project Second Lien Debt Service Fund and apply such money to the last payment of principal and interest on the Series 2010C Bonds.

SECTION 3.05. Series 2010C Costs of Issuance Fund. The Trustee shall establish a fund known as the "Series 2010C Costs of Issuance Fund." Pursuant to Section 3.01, the Trustee shall deposit a portion of the proceeds of the sale of the Series 2010C Bonds in to the Series 2010C Costs of Issuance Fund. The moneys in the Series 2010C Costs of Issuance Fund shall be used from time to time to pay Costs of Issuance with respect to the Series 2010C Bonds and shall be disbursed by the Trustee upon delivery to the Trustee of a requisition which shall state, in respect of the payment to be made (a) the name and address (or such other proper account information) of the person, firm or corporation to whom payment is due, (b) the amount of such payment, and (c) the particular item of the cost to be paid and that such payment in the stated amount is a proper charge against the Series 2010C Costs of Issuance Fund and that no part of such payment shall be applied to any item which has previously been paid as a Costs of Issuance of the Series 2010C Bonds. On the date that is 90 days following the Closing Date of the Series 2010C Bonds, or upon the earlier receipt by the Trustee of a written request of the Agency to do so, the Trustee shall transfer all remaining amounts in the Series 2010C Costs of Issuance Fund to the Project Second Lien Interest Account of the Project Second Lien Debt Service Fund.

Moneys held in the Series 2010C Costs of Issuance Fund may, subject to the Series 2010C Tax Certificate, be invested and reinvested to the fullest extent practicable in any Permitted Investments as instructed by the Agency in writing, which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from the Series 2010C Costs of Issuance Fund; provided that, absent any such instruction from the Agency, moneys held in the Series 2010C Costs of Issuance Fund shall be invested in Permitted Investments described in clause (F) or (G) of the definition thereof. Any investment earnings on moneys on deposit in an account of the Series 2010C Costs of Issuance Fund shall be deposited in such account and be used in the same manner as other amounts on deposit therein.

ARTICLE IV ADDITIONAL COVENANTS

In addition to the covenants set forth in the Master Trust Agreement, so long as any Series 2010C Bond is Outstanding, the Agency shall comply with the covenants set forth in this Article IV.

SECTION 4.01. No Additional Senior Bonds. The Agency shall not issue any Bonds secured by a first lien on Project Tax Revenues on a parity with the Compton Redevelopment Project Tax Allocation Capital Appreciation Bonds, Series 1995C (Taxable), or the Compton Redevelopment Project Refunding Tax Allocation Bonds, Series 2006A, issued under the Third Supplemental Trust Agreement and the Fifth Supplemental Trust Agreement, respectively.

ARTICLE V MISCELLANEOUS

SECTION 5.01. Notices. Notwithstanding Section 11.06 of the Master Trust Agreement, any notice, request, demand or other communication with respect to the Series 2010C Bonds under the Trust Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy or other form of telecommunication, with prompt telephone confirmation. Notice shall be effective either (a) upon transmission by telecopy or other form of telecommunication, (b) upon receipt after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Agency or the Trustee may, by written notice to the other party, from time to time modify the address or number to which communications are to be given hereunder.

If to the Agency: Community Redevelopment Agency of the City of Compton
205 South Willowbrook Avenue
Compton, CA 90220
Attention: Executive Secretary
Fax: (310) 761-1429

If to the Trustee: U.S. Bank National Association
1420 5th Avenue, 7th Floor
Seattle, Washington 98101
Attention: Corporate Trust Department, Carolyn Whalen
Fax: (206) 344-4630 or -4632

Any party listed above may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to the Trust Agreement; provided, however, that: (i) subsequent to such facsimile transmission of written instructions, there shall be provided to the Trustee originally executed instructions and/or directions in a timely manner, (ii) such originally executed instructions and/or directions by the Agency shall be signed by an Authorized Agency Representative or a person designated and authorized by an Authorized Agency Representative to sign for the Agency, and, (iii) the Agency shall (A) provide to the Trustee an incumbency certificate listing such designated persons and (B) from time to time provide the Trustee updated incumbency certificates, as necessary or appropriate, reflecting persons who have been added or deleted from the listing.

#5.

SECTION 5.02. Waiver of Right to Receive Brokerage Confirmations. With respect to the funds and accounts relating to the Series 2010C Bonds maintained by the Trustee under the Trust Agreement, the Agency acknowledges that to the extent regulations of the Comptroller of the Currency or any other regulatory entity grant the Agency the right to receive brokerage confirmations of the security transactions as they occur, the Agency specifically waive receipt of such confirmations to the extent permitted by law. The Trustee will furnish the periodic cash transaction statements to the Agency that include the detail for all investment transactions made by the Trustee with respect to such funds and accounts under the Trust Agreement.

SECTION 5.03. Executions in Counterparts. This Eighth Supplemental Trust Agreement may be executed in any number of counterparts, each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, as many of them as the Agency and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Agency has caused this Eighth Supplemental Trust Agreement to be signed in its name and on its behalf by one of its duly authorized officers and the Trustee to evidence its acceptance of the trusts hereby created, has caused this Eighth Supplemental Trust Agreement to be signed in its name and behalf by one of its duly authorized officers all as of the date first above written.

**COMPTON URBAN COMMUNITY
DEVELOPMENT COMMISSION, ACTING AS
COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON**

By: _____
Executive Secretary

Attest:

Clerk

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

#5.

APPENDIX A

[Form of Series 2010C Bond]

[Unless this certificate is presented by an authorized representative of the Depository Trust Company, a New York Corporation ("DTC"), to the Agency or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), any transfer, pledge, or other use hereof for value or otherwise by or to any person is wrongful inasmuch as the registered owner hereof, Cede & Co., has an interest herein.]

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON
COMPTON REDEVELOPMENT PROJECT
SECOND LIEN TAX ALLOCATION BOND (TAXABLE), SERIES 2010C

No. R-__ \$_____

RATE OF INTEREST	MATURITY DATE	DATED DATE:	CUSIP:
%	August 1, 20__	June __, 2010	204712 ____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The Community Redevelopment Agency of the City of Compton, a public body, corporate and politic, duly organized and existing under and pursuant to the laws of the State of California (the "Agency"), for value received hereby promises to pay (but solely from the funds hereinafter mentioned) to the registered owner specified above, or registered assigns, on the Maturity Date specified above the Principal Amount specified above, together with interest thereon from the interest payment date next preceding the date of authentication of this Series 2010C Bond (unless (i) this Series 2010C Bond is authenticated during the period from the 16th day of the month next preceding an interest payment date to and including such interest payment date, in which event it shall bear interest from such interest payment date, or (ii) this Series 2010C Bond is authenticated on or before the 15th day of the month next preceding the first interest payment date, in which event it shall bear interest from the dated date shown above) until the principal hereof shall have been paid, at the Rate of Interest specified above, payable on August 1, 2010, and semiannually thereafter on February 1 and August 1 in each year. Both the interest hereon and principal hereof are payable in lawful money of the United States of

America. The principal hereof is payable upon surrender hereof at maturity at the corporate trust office of U.S. Bank National Association (the "Trustee") in St. Paul, Minnesota, or at such other office as the Trustee may designate (the "Trust Office"). Interest hereon is payable by check mailed on each interest payment date by first class mail to the person in whose name this Series 2010C Bond is registered at the close of business on the 15th day of the month next preceding the applicable interest payment date at such person's address as it appears on the registration books of the Trustee, or upon written request received by the Trustee prior to the 15th day of the month preceding an interest payment date of a registered owner (an "Owner") of at least \$1,000,000 in aggregate principal amount of outstanding Series 2010C Bonds, by transfer in immediately available funds to an account within the continental United States designated by such Owner.

This Series 2010C Bond is not a debt of the City of Compton, the State of California or any of its political subdivisions, and neither said City, said State nor any of its political subdivisions is liable hereon, nor in any event shall this Series 2010C Bond or any interest hereon be payable out of any funds or properties other than those of the Agency. The Series 2010C Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction, and neither the members of the Agency nor any persons executing the Series 2010C Bonds shall be personally liable on the Series 2010C Bonds by reason of their issuance.

This Series 2010C Bond is one of a duly authorized issue of bonds designated the Community Redevelopment Agency of the City of Compton, Compton Redevelopment Project, Second Lien Tax Allocation Bonds (Taxable), Series 2010C (the "Series 2010C Bonds"), limited in aggregate principal amount to \$_____, issued under the provisions of the Community Redevelopment Law of the State of California, as supplemented and amended (the "Law"), and pursuant to the provisions of a Trust Agreement, dated as of June 1, 1995 (the "Master Trust Agreement"), as heretofore supplemented and as further supplemented and amended by a Eighth Supplemental Trust Agreement, dated as of June 1, 2010 (the "Eighth Supplemental Trust Agreement"), by and between the Agency and the Trustee. The Master Trust Agreement, as so amended and supplemented, and as the same may be further amended and supplemented from time to time in accordance with the terms thereof, is referred to herein as the "Trust Agreement."

All Series 2010C Bonds are equally and ratably secured in accordance with the terms and conditions of the Trust Agreement. Reference is hereby made to the Trust Agreement and to the Law for (i) a description of the terms on which the Series 2010C Bonds are issued, (ii) the provisions with regard to the nature and extent of the security provided for the Series 2010C Bonds and of the nature, extent and manner of enforcement of such security, and (iii) a statement of the rights of the registered owners of the Series 2010C Bonds. All the terms of the Trust Agreement and the Law are hereby incorporated herein and constitute a contract between the Agency and the Owner from time to time of this Series 2010C Bond. By acceptance hereof, the Owner of this Series 2010C Bond consents and agrees to all the provisions of the Trust Agreement and the Law. Each Owner hereof shall have recourse to all the provisions of the Law and the Trust Agreement and shall be bound by all the terms and conditions thereof.

The Series 2010C Bonds are issued to provide funds to finance (i) the Agency's obligation to make statutory tax sharing payments with respect to tax increment received in

#5.

Fiscal Year 2008-09 to non-local educational agencies, (ii) certain tax sharing amounts payable to the Compton Unified School District under an Agreement for Cooperation with the Compton Unified School District, and (iii) the Agency's obligation to deposit moneys in the Supplemental Educational Revenue Augmentation Fund in fiscal year 2009-10 (as reimbursement to the Agency for its remittance made by the May 10, 2010 deadline from other authorized and available funds) and fiscal year 2010-11, or alternatively, if subsequent to the sale of the Series 2010C Bonds, an order or judgment is issued by California Court of Appeal to enjoin or overrule the ruling of the Superior Court of the County of Sacramento in *California Redevelopment Association et al. v. Genest et al.*, Case No. 34-2009-80000359-CU-WM-GDS (*CRA v. Genest*), in order to finance redevelopment activities of the Agency with respect to the Compton Redevelopment Project, a duly adopted redevelopment project in the City of Compton, California. The Series 2010C Bonds are special obligations of the Agency and are payable, as to interest thereon, and principal thereof, exclusively from the Pledged Tax Revenues (as that term is defined in the Eighth Supplemental Trust Agreement) and certain other funds, and the Agency is not obligated to pay them except from the Pledged Tax Revenues and such other funds. Additional tax allocation bonds payable from the Pledged Tax Revenues may be issued which will rank equally as to security with the Series 2010C Bonds, subject to the terms and conditions set forth in the Trust Agreement.

The Series 2010C Bonds maturing on or before August 1, 20__ shall not be subject to optional redemption prior to their maturity. The Series 2010C Bonds maturing on or after August 1, 20__ shall be subject to redemption as a whole or in part from such maturities as the Agency shall designate (which designation shall be in writing and shall be delivered to the Trustee no later than 45 days prior to the redemption date), prior to their maturity at the option of the Agency on any date on or after August 1, 20__, from funds derived by the Agency from any source, at a redemption price equal to [100 percent of the principal amount of the Series 2010C Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium.]

The Series 2010C Bonds maturing on August 1, 20__ and August 1, 20__ (the "Series 2010C Term Bonds") are also subject to redemption prior to their stated maturity, in part by lot, from mandatory sinking account payments deposited in Project Second Lien Principal Account of the Project Second Lien Debt Service Fund for that purpose on August 1 of each year commencing August 1, 20__ and August 1, 20__, respectively, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, according to the following schedules:

Series 2010C Bonds maturing August 1, 20

Redemption Date (August 1)	Principal Amount
	\$

(maturity)

Series 2010C Bonds maturing August 1, 20

Redemption Date (August 1)	Principal Amount
	\$

(maturity)

Notice of redemption with respect to the Series 2010C Bonds to be redeemed shall be mailed to the Owners thereof not less than thirty (30) nor more than sixty (60) days prior to the redemption date by first class mail, postage prepaid, to the addresses set forth in the registration books. Neither a failure of the Owner hereof to receive such notice nor any defect therein will affect the sufficiency or validity of the proceedings for redemption. All Series 2010C Bonds or portions thereof so called for redemption will cease to accrue interest on the specified redemption date, provided that funds for the redemption are on deposit with the Trustee on the redemption date. Thereafter, the Owners of such Series 2010C Bonds shall have no rights except to receive payment of the redemption price upon the surrender of the Series 2010C Bonds.

The Owner of any Series 2010C Bond or Series 2010C Bonds may surrender the same at the Trust Office in exchange for an equal aggregate principal amount of fully registered Series 2010C Bonds of any other authorized denominations, in the manner, subject to the conditions and upon the payment of the charges provided in the Trust Agreement.

This Series 2010C Bond is transferable, as provided in the Trust Agreement, only upon a register to be kept by the Registrar for that purpose by the Owner hereof, upon surrender of this Series 2010C Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Owner or such Owner's duly authorized attorney, and thereupon a new fully registered Series 2010C Bond or Series 2010C Bonds, in the same aggregate principal amount, shall be issued to the transferee in exchange therefor as provided in the Trust

#5.

Agreement, and upon payment of the charges therein prescribed. The Agency, the Trustee, the Registrar and the Paying Agency may deem and treat the person in whose name this Series 2010C Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the interest hereon and principal hereof and for all other purposes.

The rights and obligations of the Agency and of the registered owners of the Bonds may be amended at from time to time in the manner provided in, and subject to the terms of, the Trust Agreement.

This Series 2010C Bond shall not be entitled to any benefits under the Trust Agreement or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been manually signed by the Trustee.

It is hereby certified that all of the acts, conditions and things required to exist, to have happened or to have been performed precedent to and in the issuance of this Series 2010C Bond do exist, have happened and have been performed in due time, form and manner as required by law and that the amount of this Series 2010C Bond, together with all other indebtedness of the Agency, does not exceed any limit prescribed by the Constitution or laws of the State of California, and is not in excess of the amount of Series 2010C Bonds permitted to be issued under the Trust Agreement.

IN WITNESS WHEREOF, the Community Redevelopment Agency of the City of Compton has caused this Series 2010C Bond to be executed in its name and on its behalf by its Chairman and attested by its Secretary, all as of the Dated Date first written above.

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON**

By _____
Chairman

Attest:

Clerk

=====

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This is one of the Series 2010C Bonds described in the within-mentioned Trust Agreement and registered on the registration books relating to the Series 2010C Bonds.

Date: _____, 20__

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Signatory

=====

=====

[FORM OF ASSIGNMENT]

For value received the undersigned do(es) hereby sell, assign and transfer unto
_____,
whose tax identification number is _____, the within-mentioned registered Bond and
hereby irrevocably constitute(s) and appoint(s) _____
_____ attorney
to transfer the same on the books of the Trustee with full power of substitution in the premises.

Dated:

Signature guaranteed:

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

NOTICE: Signature must be guaranteed by a
member of an institution which is a participant
in the Securities Transfer Agent Medallion
Program (STAMP) or other similar program.

PRELIMINARY OFFICIAL STATEMENT DATED MAY __, 2010

NEW ISSUE—BOOK-ENTRY ONLY

**Rating: Standard & Poor's: "A-"
(See "RATING" herein)**

In the opinion of Richards, Watson & Gershon, A Professional Corporation, Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Housing Second Lien Bonds and the Series 2010B Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) interest on the Bonds is exempt from personal income taxation by the State of California. INTEREST ON THE SERIES 2010C BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. Bond Counsel expresses no opinion as to any other tax consequences regarding the Series 2010C Bonds. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.

\$28,300,000*
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON, CALIFORNIA
Compton Redevelopment Project
Second Lien Tax Allocation Bonds (Housing)
Series 2010A

\$65,185,000*
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON, CALIFORNIA
Compton Redevelopment Project
Second Lien Tax Allocation Bonds

\$47,370,000*
Series 2010B

\$17,815,000*
Series 2010C (Taxable)

Dated: Date of Delivery

Due as shown on inside cover

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue of Bonds. Investors are advised to read this entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The Compton Urban Community Development Commission acting as the Community Redevelopment Agency of the City of Compton (the "Agency") is issuing its Compton Redevelopment Project, Second Lien Tax Allocation Bonds (Housing), Series 2010A (the "Housing Second Lien Bonds"), its Compton Redevelopment Project, Second Lien Tax Allocation Bonds, Series 2010B (the "Series 2010B Bonds"), its Compton Redevelopment Project, Second Lien Tax Allocation Bonds, Series 2010C (Taxable) (the "Series 2010C Bonds"), (the "Series 2010C Bonds," and, together with the Series 2010B Bonds, the "Project Second Lien Bonds," and together with the Housing Second Lien Bonds, the "Bonds").

The Bonds will be issued pursuant to a Master Trust Agreement, dated as of June 1, 1995 (the "Master Trust Agreement"), by and between the Agency and U.S. Bank National Association, as trustee (the "Trustee"), as previously amended and supplemented, and as amended and supplemented by the Sixth Supplemental Trust Agreement relating to the Housing Second Lien Bonds, dated as of June 1, 2010 (the "Sixth Supplemental Trust Agreement"), the Seventh Supplemental Trust Agreement relating to the Series 2010B Bonds, dated as of June 1, 2010 (the "Seventh Supplemental Trust Agreement"), and the Eighth Supplemental Trust Agreement relating to the Series 2010C Bonds, dated as of June 1, 2010 (the "Eighth Supplemental Trust Agreement," and collectively with the Sixth Supplemental Trust Agreement and the Seventh Supplemental Trust Agreement and the Master Trust Agreement, the "Trust Agreement").

The Agency will use the proceeds of the Project Second Lien Bonds to (i) finance redevelopment activities with respect to the Compton Redevelopment Project Area (the "Project Area"), (ii) finance the Agency's obligation to deposit moneys in the Supplemental Educational Revenue Augmentation Fund (as defined herein) in Fiscal Year 2009-10 (as reimbursement to the Agency for its remittance made by the May 10, 2010 deadline from other authorized and available funds) and, if necessary, in Fiscal Year 2010-11, (iii) finance the Agency's obligation to make statutory tax sharing payments with respect to tax increment revenues received in Fiscal Year 2008-09 to non-local educational agencies, (iv) finance certain tax sharing amounts payable to the Compton Unified School District under an Agreement for Cooperation with the Compton Unified School District, (v) fund reserve accounts, and (vi) to pay the costs of issuance of the Project Second Lien Bonds. The Agency will use the proceeds of the Housing Second Lien Bonds to (i) finance low and moderate income housing redevelopment activities with respect to the Project Area, (ii) fund a reserve account and (iii) pay the costs of issuance of the Housing Second Lien Bonds. See "PLAN OF FINANCE" herein.

The Bonds are being delivered in fully registered form, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases of the Bonds may be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Purchasers of interests in the Bonds will not receive certificates from the Agency or the Trustee representing their interest in the Bonds purchased. See APPENDIX E – "THE BOOK-ENTRY ONLY SYSTEM" attached hereto.

Interest on the Bonds will be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2010. Payments of principal and premium, if any, and interest on the Bonds will be payable by the Trustee to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to DTC's Direct Participants (defined herein) for subsequent disbursement to the Beneficial Owners (defined herein) of the Bonds, as more fully described herein.

Each series of Bonds is subject to redemption as described herein. See "THE BONDS – Redemption of the Project Second Lien Bonds" and "— Redemption of the Housing Second Lien Bonds" herein.

For a discussion of some of the risks associated with a purchase of the Bonds, see "RISK FACTORS" herein.

The Project Second Lien Bonds are payable from and secured by the Project Second Lien Tax Revenues (as defined herein) and certain funds and accounts held under the Trust Agreement, and are subordinate to \$41,742,530 aggregate principal amount of the Agency's Senior Obligations (as defined herein). The Housing Second Lien Bonds are payable from and secured by the Housing Second Lien Tax Revenues (as defined herein) and certain funds and accounts held under the Trust Agreement, and are subordinate to \$41,742,530 aggregate principal amount of the Agency's Senior Obligations. Pursuant to the Trust Agreement, the Agency has covenanted that it will not issue any indebtedness secured by a first lien on Tax Revenues on a parity with the Senior Obligations. See "SECURITY FOR THE BONDS" herein.

The Bonds are special obligations of the Agency and as such are not a debt of the City of Compton (the "City") or the State of California (the "State") or any of its political subdivisions (other than the Agency), and neither the City, the State or any of its political subdivisions (other than the Agency) is liable for the payment thereof. In no event shall the Bonds be payable out of any funds or properties other than the funds set forth in the Trust Agreement. The Agency has no taxing power.

The Bonds are offered, when, as and if issued and received by the Underwriter, subject to approval as to their legality by Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Agency by the City Attorney and for the Underwriter by its counsel, Sidley Austin LLP, San Francisco, California. It is anticipated that the Bonds in book-entry form will be available for delivery through the DTC book-entry system in New York, New York on or about June __, 2010.

GRIGSBY & ASSOCIATES, INC.

Dated: June __, 2010

* Preliminary, subject to change.

COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON, CALIFORNIA

MATURITY SCHEDULE

\$28,300,000*

Compton Redevelopment Project
Second Lien Tax Allocation Bonds (Housing)
Series 2010A

Maturity (August 1)	Principal Amount*	Interest Rate	Price or Yield	CUSIP†

\$65,185,000*

Compton Redevelopment Project
Second Lien Tax Allocation Bonds

\$47,370,000*
Series 2010B

Maturity (August 1)	Principal Amount*	Interest Rate	Price or Yield	CUSIP†

\$17,815,000*

Series 2010C (Taxable)

Maturity (August 1)	Principal Amount*	Interest Rate	Price or Yield	CUSIP†

* Preliminary, subject to change.

† Copyright, American Bankers Association. A registered trademark of The American Bankers Association. CUSIP is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers are provided for convenience of reference only. The Agency, the City, the Authority and the Underwriter take no responsibility for the accuracy of such numbers.

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON, CALIFORNIA**

AGENCY AND CITY COUNCIL

Eric J. Perrodin, Mayor and Chairperson
Barbara Calhoun, Councilwoman and Member, *District 1*
Lillie Dobson, Councilwoman and Member, *District 2*
Yvonne Arceneaux, Councilwoman and Member, *District 3*
Dr. Willie O. Jones, Councilman and Member, *District 4*

AGENCY AND/OR CITY STAFF

Charles Evans, City Manager
Rico Smith, Assistant City Manager
David Hewitt, Assistant City Manager
Dr. Kofi Sefa-Boakye, Community Redevelopment Director
Craig Cornwell, City Attorney
Douglas Sanders, City Treasurer
Willie Norfleet, City Controller

SPECIAL SERVICES

Bond Counsel

Richards, Watson & Gershon, A Professional Corporation
Los Angeles, California

Underwriter

Grigsby & Associates, Inc.
San Francisco, California

Trustee

U.S. Bank National Association
Seattle, Washington

Financial Advisor

Fieldman, Rolapp & Associates
Irvine, California

Redevelopment Consultant

The Ometeotl Group
Monrovia, California

Fiscal Consultant

Katz Hollis
Los Angeles, California

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REGIONAL MAP

No dealer, broker, salesperson or other person has been authorized by the Agency or the Underwriter to give any information or to make any representations with respect to the Bonds, other than those in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information contained herein has been obtained from the Agency and sources other than the Agency that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by and is not to be relied upon or construed as a promise or representation by the Agency or the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency or DTC since the date hereof.

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

Certain statements contained in this Official Statement do not reflect historical facts but are forecasts and “forward-looking statements.” No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this context, the words “estimate,” “forecast,” “project” (when used as a verb), “anticipate,” “expect,” “intend,” “plan” (when used as a verb), “believe” and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

This Official Statement is not a contract with the purchasers of the Bonds. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive and are qualified in their entireties by reference to each such document, statute and constitutional provision.

This Official Statement is submitted in connection with the sale of the Bonds and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the Agency.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES LAW, AND THE TRUST AGREEMENT HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON THE EXEMPTIONS CONTAINED IN SUCH ACTS. THE BONDS WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY AND NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR GOVERNMENTAL ENTITY OR AGENCY WILL HAVE PASSED UPON THE ACCURACY OR ADEQUACY HEREOF. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE INITIAL PUBLIC OFFERING PRICES, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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\$28,300,000*
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON, CALIFORNIA
Compton Redevelopment Project
Second Lien Tax Allocation Bonds (Housing)
Series 2010A

\$65,185,000*
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON, CALIFORNIA
Compton Redevelopment Project
Second Lien Tax Allocation Bonds

\$47,370,000*
Series 2010B

\$17,815,000*
Series 2010C (Taxable)

INTRODUCTION

This Introduction contains only a brief summary of certain of the terms of the Bonds being offered, and a full review should be made of the entire Official Statement including the cover page, the table of contents and the appendices for a more complete description of the terms of the Bonds. All statements contained in this Introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of provisions of, any other documents referred to herein do not purport to be complete, and such references are qualified in their entirety by reference to the complete provisions of such documents.

The Bonds

This Official Statement, including the cover page and appendices hereto, is provided to furnish information in connection with the issuance by the Compton Urban Community Development Commission, acting as the Community Redevelopment Agency of the City of Compton (the “Agency”), of \$_____ aggregate principal amount of its Compton Redevelopment Project, Second Lien Tax Allocation Bonds (Housing), Series 2010A (the “Housing Second Lien Bonds”), \$_____ aggregate principal amount of its Compton Redevelopment Project, Second Lien Tax Allocation Bonds, Series 2010B (the “Series 2010B Bonds”), \$_____ aggregate principal amount of its Compton Redevelopment Project, Second Lien Tax Allocation Bonds, Series 2010C (Taxable) (the “Series 2010C Bonds,” and, together with the Series 2010B Bonds, the “Project Second Lien Bonds,” and together with the Housing Second Lien Bonds, the “Bonds”).

Terms used but not defined in this Official Statement have the meanings set forth in the Trust Agreement (as defined below). See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT.”

The Bonds will be issued pursuant to the Constitution of the State of California (the “State”) and the Community Redevelopment Law (Part 1, commencing with Section 33000, of Division 24 of the Health and Safety Code, as amended) (the “Redevelopment Law” or the “Law”), and resolutions adopted by the Agency and the City of Compton (the “City”). The Bonds will be issued pursuant to a Master Trust Agreement, dated as of June 1, 1995 (the “Master Trust Agreement”), by and between the Agency and U.S. Bank National Association, as trustee (the “Trustee”), as previously amended and supplemented, and as amended and supplemented by the Sixth Supplemental Trust Agreement relating to the Housing

* Preliminary, subject to change.

Second Lien Bonds, dated as of June 1, 2010 (the “Sixth Supplemental Trust Agreement”), the Seventh Supplemental Trust Agreement relating to the Series 2010B Bonds, dated as of June 1, 2010 (the “Seventh Supplemental Trust Agreement”) and the Eighth Supplemental Trust Agreement relating to the Series 2010C Bonds, dated as of June 1, 2010 (the “Eighth Supplemental Trust Agreement,” and collectively with the Sixth Supplemental Trust Agreement and the Seventh Supplemental Trust Agreement and the Master Trust Agreement, as previously amended and supplemented, the “Trust Agreement”).

The Agency will use the proceeds of the Project Second Lien Bonds to (i) finance redevelopment activities with respect to the Project Area (as defined below), (ii) finance the Agency’s obligation to deposit moneys in the Supplemental Educational Revenue Augmentation Fund (as defined herein) in Fiscal Year 2009-10 (as reimbursement to the Agency for its remittance made by the May 10, 2010 deadline from other authorized and available funds) and, if necessary, in Fiscal Year 2010-11, (iii) finance the Agency’s obligation to make statutory tax sharing payments with respect to tax increment revenues received in Fiscal Year 2008-09 to non-local educational agencies, (iv) finance certain tax sharing amounts payable to the Compton Unified School District under an Agreement for Cooperation with the Compton Unified School District, (v) fund reserve accounts, and (iv) pay the costs of issuance of the Project Second Lien Bonds. The Agency will use the proceeds of the Housing Second Lien Bonds to (i) finance low and moderate income housing redevelopment activities with respect to the Project Area, (ii) fund a reserve account, and (iii) pay the costs of issuance of the Housing Second Lien Bonds. See “PLAN OF FINANCE” herein.

The Bonds are special obligations of the Agency. The Project Second Lien Bonds are payable from and secured by the Project Second Lien Tax Revenues (as defined herein) and certain funds and accounts held under the Trust Agreement. The Housing Second Lien Bonds are payable from and secured by the Housing Second Lien Tax Revenues (as defined herein) and certain funds and accounts held under the Trust Agreement.

No Additional Senior Obligations

The Bonds are subordinate to the Agency’s Compton Redevelopment Project Tax Allocation Capital Appreciation Bonds, Series 1995C (Taxable) (the “1995 Bonds”), of which \$10,137,530 aggregate principal amount remains Outstanding, and the Agency’s Compton Redevelopment Project Refunding Tax Allocation Bonds, Series 2006A (the “2006 Bonds” and, together with the 1995 Bonds, the “Senior Obligations”), of which \$31,605,000 aggregate principal amount remains Outstanding.

Pursuant to the Trust Agreement, the Agency has covenanted that it will not issue any additional bonds secured by a first lien on Tax Revenues on a parity with the Senior Obligations.

The Agency

The Agency was established pursuant to the Redevelopment Law. In 1968, the City Council of the City (the “City Council”) adopted Ordinance No. 1318, which activated the Agency. The Agency is governed by a five-member board which consists of all members of the City Council. See “THE REDEVELOPMENT AGENCY” herein.

The Trustee

The Agency has appointed U.S. Bank National Association, a national banking association organized under the laws of the United States, to serve as Trustee. The obligations of the Trustee are described in the Trust Agreement. The Trustee has undertaken only those duties and obligations that are

expressly set forth in the Trust Agreement. The Trustee has not independently passed upon the validity of the Bonds, the security of the payment therefor, the value or condition of any assets pledged to the payment thereof, the adequacy of the provisions for such payment, the status for federal or State income tax purposes of the interest on the Bonds, or any other matter with respect to the issuance of the Bonds. Except for the contents of this paragraph, the Trustee has not reviewed or participated in the preparation of this Official Statement and has assumed no responsibility for the nature, content, accuracy, or completeness of the information included in this Official Statement.

The Project Area

The Compton Redevelopment Project Area (the “Project Area”) was formed by the adoption of Ordinance No. 1,865 by the Agency on December 10, 1991, which merged the former Walnut Industrial Park Project Area and the former Rosecrans Redevelopment Project No. 1 Project Area and added an additional area (“Area A-1”). The Project Area encompasses approximately 2,600 acres located within the boundaries of the City. The Project Area currently contains and is planned for a mixture of commercial, industrial and residential development, and complimentary public facilities. See “THE PROJECT AREA” herein.

Tax Revenues

Under a constitutionally authorized statutory process, certain property taxes collected in the Project Area due to any increases in the assessed valuation of land, improvements, personal property and public utility property (except public property and property exempt from taxation) over that shown on the assessment rolls for the adjusted base year assessment roll (the “Tax Revenues”) may be pledged to repayment of indebtedness incurred in conjunction with redevelopment of the Project Area. The Redevelopment Law requires that, in certain circumstances applicable in this instance, 20% of the Tax Revenues generated in the Project Area must be set aside for certain housing uses (the “Housing Tax Revenues”). See “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS—Low and Moderate Income Housing Fund” herein.

In addition, pursuant to tax revenue sharing agreements with the County of Los Angeles (the “County”), the Compton Community College District (the “College District”), and the Compton Unified School District (the “School District”) pertaining specifically to Area A-1 of the Project Area, the Agency is required to make certain payments out of the Tax Revenues allocable to Area A-1 to these agencies. The County, the College District and the School District have subordinated their right to receive any such Tax Revenues under and as permitted by the respective Tax Sharing Agreements to the Agency’s pledge of Tax Revenues to the Bonds. The Agency is no longer authorized by the Redevelopment Law to enter into any other such revenue sharing agreements unless such agreements are subordinate to the payment of debt service on the Bonds and the Senior Obligations. For additional information on the Tax Sharing Agreements, see “SECURITY FOR THE BONDS—Tax Sharing Agreements” and APPENDIX A – “REPORT OF THE FISCAL CONSULTANT.”

Any future decrease in the assessed valuation in the Project Area, the applicable tax rates (and, in particular, the tax override for the benefit of the City’s pension fund system) or tax collection rates, a general decline in the economic condition of the Project Area or a change in law reducing tax increment received by the Agency from the Project Area, will reduce the tax revenues allocated to the Agency from the Project Area, which are the principal source of payment for the Bonds and correspondingly may have an adverse impact on the ability of the Agency to pay debt service on the Bonds. See “RISK FACTORS—City Charter-Authorized Levy” and “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS” herein.

The Bonds are Special Obligations

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AGENCY AND AS SUCH ARE NOT A DEBT OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AGENCY), AND NEITHER THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AGENCY) IS LIABLE FOR THE PAYMENT THEREOF. IN NO EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THE FUNDS SET FORTH IN THE TRUST AGREEMENT. THE AGENCY HAS NO TAXING POWER.

Certain Legal Matters

The legal opinions of Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, Bond Counsel, approving the validity of the Bonds, will be made available to purchasers at the time of original delivery of the Bonds. The proposed forms of the legal opinions of Bond Counsel are attached hereto as APPENDIX F. Certain legal matters will be passed upon for the Underwriter by its counsel, Sidley Austin LLP, San Francisco, California. Bond Counsel and Underwriter Counsel undertake no responsibility for the accuracy, completeness, or fairness of this Official Statement. Certain legal matters will be passed upon for the Agency and for the Authority by the City Attorney. Payment of the fees of Bond Counsel is contingent upon sale and delivery of the Bonds. Richards, Watson & Gershon also acts as special counsel to the Agency and the City on a variety of legal matters.

Reference to Underlying Documents

Brief descriptions of the Bonds, the Trust Agreement, the Agency, the City and the Project Area are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each such summary and reference is qualified in its entirety by reference to such document, statute, report or instrument, copies of which are all available for inspection at the offices of the Agency. Certain capitalized terms used herein but not otherwise defined shall have the meaning given to those terms in APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT.”

THE BONDS

General

The Bonds will be issued as fully registered bonds, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. The Bonds will be issued in the principal amounts and will bear interest at the rates and mature on the dates and in the amounts set forth on the inside cover page of this Official Statement.

Interest on the Bonds is payable commencing August 1, 2010, and semiannually thereafter on each February 1 and August 1. Principal and interest are payable by the Trustee to DTC, which is obligated in turn to remit such principal and interest to DTC’s Direct Participants for subsequent disbursement to Beneficial Owners of the Bonds, as described below. See APPENDIX E – “THE BOOK-ENTRY ONLY SYSTEM.”

Redemption of the Housing Second Lien Bonds

Optional Redemption of Housing Second Lien Bonds. The Housing Second Lien Bonds maturing on or before August 1, 20__ are not subject to optional redemption prior to their maturity. The Housing Second Lien Bonds maturing on or after August 1, 20__ are subject to redemption as a whole or in part from such maturities as the Agency shall designate (which designation shall be in writing and shall be delivered to the Trustee no later than 45 days prior to the redemption date), prior to their maturity at the option of the Agency on any date on or after August 1, 20__, from funds derived by the Agency from any source, at a redemption price equal to 100 percent of the principal amount of the Housing Second Lien Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption of Housing Second Lien Bonds. The Housing Second Lien Bonds maturing on August 1, 20__ and August 1, 20__ are also subject to redemption prior to their stated maturity, in part by lot, from mandatory sinking account payments deposited in the Housing Second Lien Principal Account of the Housing Second Lien Debt Service Fund for that purpose on August 1 of each year commencing August 1, 20__ and August 1, 20__, respectively, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, according to the following schedules:

Housing Second Lien Bonds maturing August 1, 20__

<u>Redemption Date</u> <u>(August 1)</u>	<u>Principal Amount</u>
	\$
	†
† Maturity	

Redemption of the Project Second Lien Bonds

Optional Redemption of Series 2010B Bonds. The Series 2010B Bonds maturing on or before August 1, 20__ are not subject to optional redemption prior to their maturity. The Series 2010B Bonds maturing on or after August 1, 20__ are subject to redemption as a whole or in part from such maturities as the Agency shall designate (which designation shall be in writing and shall be delivered to the Trustee no later than 45 days prior to the redemption date), prior to their maturity at the option of the Agency on any date on or after August 1, 20__, from funds derived by the Agency from any source, at a redemption price equal to 100 percent of the principal amount of the Series 2010B Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption of Series 2010B Bonds. The Series 2010B Bonds maturing on August 1, 20__ and August 1, 20__ are also subject to redemption prior to their stated maturity, in part by lot, from mandatory sinking account payments deposited in the Project Second Lien Principal Account of the Project Second Lien Debt Service Fund for that purpose on August 1 of each year commencing August 1, 20__ and August 1, 20__, respectively, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, according to the following schedules:

#5.

Series 2010B Bonds maturing August 1, 20__

Redemption Date (August 1)	Principal Amount
	\$
	†
† Maturity	

Optional Redemption of Series 2010C Bonds. The Series 2010C Bonds maturing on or before August 1, 20__ are not subject to optional redemption prior to their maturity. The Series 2010C Bonds maturing on or after August 1, 20__ are subject to redemption as a whole or in part from such maturities as the Agency shall designate (which designation shall be in writing and shall be delivered to the Trustee no later than 45 days prior to the redemption date), prior to their maturity at the option of the Agency on any date on or after August 1, 20__, from funds derived by the Agency from any source, at a redemption price equal to 100 percent of the principal amount of the Series 2010C Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption of Series 2010C Bonds. The Series 2010C Bonds maturing on August 1, 20__ and August 1, 20__ are also subject to redemption prior to their stated maturity, in part by lot, from mandatory sinking account payments deposited in the Project Second Lien Principal Account of the Project Second Lien Debt Service Fund for that purpose on August 1 of each year commencing August 1, 20__ and August 1, 20__, respectively, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, according to the following schedules:

Series 2010C Bonds maturing August 1, 20__

Redemption Date (August 1)	Principal Amount
	\$
	†
† Maturity	

Purchase in Lieu of Redemption

Upon the written request of the Agency, the Bonds are subject to purchase in lieu of redemption from amounts on deposit in the Housing Second Lien Principal Account of the Housing Second Lien Debt Service Fund or in the Project Second Lien Principal Account of the Project Second Lien Debt Service Fund, as applicable, in accordance with the provisions of the Trust Agreement.

Notice of Redemption

Notice of redemption will be sent by first class mail (or with respect to notices to be received by DTC or its nominee, any Information Services or Securities Depository, by such transmission method as acceptable to such entity) by the Trustee, on behalf and at the expense of the Agency, not more than 60

days and not less than 30 days prior to the redemption date to (i) the respective Owners of Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee, (ii) one or more Information Services designated in writing to the Trustee by the Agency and (iii) the Securities Depositories. Each notice of redemption shall state the date of such notice, the Bonds to be redeemed, the Series designation of such Bonds, the date of issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity are to be redeemed, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on such date there will become due and payable on each of such Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. If, at the time that the notice redemption is mailed to the Owner, the Agency has not deposited with the Trustee sufficient funds to pay the redemption price and accrued interest, in full, with respect to the Bonds being called, the notice shall expressly state that the redemption is conditioned upon the deposit of funds by the Agency on or before the redemption date. Failure by the Trustee to give notice pursuant to the notice provisions of the Trust Agreement to any one or more of the Information Services or Securities Depositories, or the insufficiency of (or the defect in) any such notice shall not affect the sufficiency of the proceedings for redemption. The failure of any Owner to receive any redemption notice mailed to such Owner and any defect in the notice so sent shall not affect the sufficiency of the proceedings for redemption.

The Agency shall have the right to rescind any optional redemption by written notice of rescission. Any notice of optional redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption. Neither such cancellation nor lack of available funds shall constitute an Event of Default under the Trust Agreement. The Trustee will send notice of rescission of such redemption in the same manner as the original notice of redemption was sent.

Effect of Redemption

On the date so designated for redemption, notice having been given in the manner and under the conditions provided in the Trust Agreement relating to the Bonds to be redeemed and moneys for payment of the redemption price being held in trust to pay the redemption price, unless otherwise provided in the Trust Agreement, the Bonds called for redemption will become due and payable on the redemption date, interest on such Bonds will cease to accrue, such Bonds will cease to be entitled to any lien, benefit or security under the Trust Agreement, and the owners of such Bonds will have no rights in respect thereof except to receive payment of the redemption price.

PLAN OF FINANCE

The Bonds are being issued to finance the costs of certain projects of benefit to the Project Area, fund certain reserve accounts, finance the Agency's obligation to deposit moneys in the Supplemental Education Revenue Augmentation Fund (the "SERAF Payments"), in Fiscal Year 2009-10 (as reimbursement to the Agency for its remittance made by the May 10, 2010 deadline from other authorized and available funds) and, if necessary, in Fiscal Year 2010-11 (or, alternatively, to finance redevelopment activities with respect to the Project Area), and to pay costs of issuance of the Bonds.

The Housing Second Lien Bonds

The proceeds of the Housing Second Lien Bonds will be used to (i) finance low and moderate income housing redevelopment activities with respect to the Project Area, (ii) fund a reserve account and (iii) pay costs of issuance of the Housing Second Lien Bonds.

Housing Second Lien Bonds Sources and Uses of Funds

The following table sets forth the estimated sources and uses of proceeds of the Housing Second Lien Bonds:

HOUSING SECOND LIEN BONDS ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds:

Par Amount of Bonds	\$
Premium	
Total Sources of Funds:	\$

Uses of Funds:

Deposit to Debt Service Fund	\$
Deposit to Reserve Account	
Underwriter's Discount	
Costs of Issuance ⁽¹⁾	
Total Uses of Funds:	\$

⁽¹⁾ Includes legal, printing, rating agency fees and expenses, financial advisor's fee, redevelopment consultant's fees, fiscal consultant's fees, and other issuance costs and other issuance costs.

Proposed Low and Moderate Income Housing Projects.

The Alameda Court Housing Project consists of the development of a 28-unit town home complex at 501 Alameda Court and 521 N. Alameda. The Alameda Court Housing Project is currently selling the 28 units. The estimated project budget is approximately \$8,400,000, of which approximately \$2,100,000 will be financed with proceeds of the Housing Second Lien Bonds.

The Alondra/Atlantic Mixed-Use Project consists of the acquisition of a site to facilitate development of an approximately 160,000 sq. ft. horizontal housing and retail mixed-use facility, with approximately 90,000 sq. ft. of retail and 65 housing units at Alondra Blvd and Atlantic Avenue. The Alondra/Atlantic Mixed-Use Project is currently in the conceptual design phase of the development process. Acquisition activities are expected to be completed by January 1, 2012. The estimated project budget is approximately \$30,000,000, of which approximately \$2,000,000 will be financed with proceeds of the Housing Second Lien Bonds. The project is expected to create approximately 200 jobs.

The Alondra/Grandee Mixed-Use Project consists of the acquisition of a site to facilitate development of a mixed-use facility, with approximately 4,000 sq. ft. of retail and 6-8 housing units at Alondra Blvd. and Grandee Avenue. The Alondra/Grandee Mixed-Use Project is currently in the conceptual design phase of the development process. Acquisition activities are expected to be completed by January 1, 2012. The estimated project budget is approximately \$3,000,000, of which approximately \$3,000,000 will be financed with proceeds of the Housing Second Lien Bonds. The project is expected to create approximately 50 jobs.

The Long Beach McDonald/Chevron Mixed-Use Project consists of capital improvements and infrastructure improvements to facilitate development of a mixed-use facility, with approximately 30,000 sq. ft. of retail and 6-8 housing units at 1117 Long Beach. The Long Beach McDonald/Chevron Mixed-Use Project is currently in the conceptual design phase of the development process, with project completion expected in 2014. The estimated project budget is approximately \$12,700,000, of which approximately \$1,500,000 will be financed with proceeds of the Project Second Lien Bonds. Proceeds of the Project Second Lien Bonds are expected to be utilized for capital and infrastructure improvements. The project is expected to create approximately 70 jobs.

The SWC Compton/Central Mixed-Use Project consists of the acquisition of a site to facilitate development of a commercial and retail with housing mixed-use facility, with approximately 40,000 sq. ft. of retail and 35-50 housing units. The SWC Compton/Central Mixed-Use Project is currently in the conceptual design phase of the development process, with project completion expected in 2013. Acquisition activities are expected to be completed by January 1, 2012. The estimated project budget is approximately \$30,450,000, of which approximately \$3,000,000 will be financed with proceeds of the Project Second Lien Bonds. The project is expected to create approximately 200 jobs.

The Morris Site Mixed-Use Project consists of the acquisition of a site to facilitate development of a mixed-use facility, with approximately 20,000 sq. ft. of retail and 3-5 housing units at 1434 W. Compton Blvd. The Compton Morris Site Mixed-Use Project is currently in the conceptual design phase of the development process, with project completion expected in 2013. Acquisition activities are expected to be completed by January 1, 2012. The estimated project budget is \$5,700,000, of which approximately \$1,465,000 will be financed with proceeds of the Project Second Lien Bonds. The project is expected to create approximately 50 jobs.

The 1716 Rosecrans Mixed-Use Project consists of the acquisition of the site to facilitate development of a mixed-use facility, with approximately 100,000 sq. ft. of retail and 100-150 housing units. The 1716 Rosecrans Mixed-Use Project is currently in the conceptual design phase of the development process, with project completion expected in 2013. Acquisition activities are expected to be completed by January 1, 2012. The estimated project budget is approximately \$2,250,000, of which approximately \$1,000,000 will be financed with proceeds of the Project Second Lien Bonds. The project is expected to create approximately 15 jobs.

The School District Site Project on North McKinley consists of project assistance and site remediation to facilitate the development of an approximately 145,000 sq. ft. retail center. The School District Site Project is currently in the design development phase of the development process, with project completion expected in the fourth quarter of 2013. The estimated project budget is approximately \$29,200,000, of which approximately \$2,500,000 will be financed with proceeds of the Project Second Lien Bonds. The project is expected to create approximately 300 jobs.

Proceeds of the Housing Second Lien Bonds are also expected to be used for the acquisition of blighted apartment buildings within the Project Area to enable the Agency to acquire and renovate affordable housing projects with the Project Area. The estimated project budget is approximately \$10,000,000, of which approximately \$10,000,000 will be financed with proceeds of the Housing Second Lien Bonds. Acquisition activities are expected to be completed by January 1, 2012.

Proceeds of the Housing Second Lien Bonds are also expected to be used for the First Time Home Buyers Program for single family residential housing units within the Project Area. The estimated project budget is \$3,500,000, all of which is expected to be financed with proceeds of the Housing Second Lien Bonds.

#5.

The City Council approved mitigated negative declarations for the above projects on March 25, 2010. Further CEQA review is not required subsequent to the issuance of the proposed Housing Second Lien Bonds.

Proceeds of the Housing Second Lien Bonds may also be used in connection with financing other housing purposes eligible to be financed under the Redevelopment Law.

The Project Second Lien Bonds

The Series 2010B Bonds. The proceeds of the Series 2010B Bonds will be used to (i) finance redevelopment activities with respect to the Project Area, (ii) fund a reserve account and (iii) pay costs of issuance of the Series 2010B Bonds.

The Series 2010C Bonds. The proceeds of the Series 2010C Bonds will be used to (i) finance the Agency's obligation to make the SERAF Payments in Fiscal Year 2009-10 (as reimbursement to the Agency for its remittance made by the May 10, 2010 deadline from other authorized and available funds) and, if necessary, in Fiscal Year 2010-11 (or, alternatively, to finance redevelopment activities with respect to the Project Area), (ii) finance the Agency's obligation to make statutory tax sharing payments with respect to tax increment revenues received in Fiscal Year 2008-09 to non-local educational agencies, (iii) finance certain tax sharing amounts payable to the School District under an Agreement for Cooperation with the School District, (iv) fund a reserve account and (v) pay costs of issuance of the Series 2010C Bonds.

Project Second Lien Bonds Sources and Uses of Funds

The following table sets forth the estimated sources and uses of proceeds of the Project Second Lien Bonds:

PROJECT SECOND LIEN BONDS ESTIMATED SOURCES AND USES OF FUNDS

	Series 2010B Bonds	Series 2010C Bonds
Sources of Funds:	\$	\$
Par Amount of Bonds		
Premium		
Total Sources of Funds:	<u>\$</u>	<u>\$</u>
Uses of Funds:		
Deposit to Debt Service Fund	\$	\$
Deposit to Reserve Accounts		
Underwriter's Discount		
Costs of Issuance ⁽¹⁾		
Total Uses of Funds:	<u>\$</u>	<u>\$</u>

⁽¹⁾ Includes legal, printing, rating agency fees and expenses, financial advisor's fee, redevelopment consultant's fees, fiscal consultant's fees, and other issuance costs.

Proposed Projects.

The North Downtown Master Plan Project consists of the development of a Transit Village comprising the Dr. Martin Luther King Jr. Transit Center, a Community Center, a Seniors Activity Center, and a parking structure, as described in more detail below. The North Downtown Master Plan Project is currently in the design development phase of the development process, with project completion expected in 2012. The estimated project budget is approximately \$39,900,000, \$20,000,000 of which is expected to be financed with proceeds of the Project Second Lien Bonds. The project is expected to create approximately 130 jobs.

The Dr. Martin Luther King Jr. Transit Center Project includes the reconstruction of a public bus and rail transit station, and associated street improvements and bus queuing modifications. Approximately \$14,500,000 of the project budget will be financed with proceeds of the Project Second Lien Bonds.

The Community Center Project consists of the development of an approximately 20,000 sq. ft. public community center on two floors of the Transit Village. Approximately \$16,000,000 of the project budget will be financed with proceeds of the Project Second Lien Bonds.

The Seniors Activity Center Project consists of the development of an approximately 20,000 sq. ft. public senior citizen activities center on two floors of the Transit Village. The new center enhances indoor – outdoor relationships by promoting natural heating and cooling, as well as natural ventilation and sun penetration. Approximately \$7,400,000 of the project budget will be financed with proceeds of the Project Second Lien Bonds.

The Transit Village will include a parking structure with 600 space public parking structure, with one subterranean level and three above ground levels with 150 parking spaces per floor. Approximately \$19,800,000 of the project budget will be financed with proceeds of the Project Second Lien Bonds.

The Transit Village will also include the design and construction of various streetscape improvements such as street light upgrades, decorative lighting elements, tree replacement, street fixtures, and median modifications and construction, along Alameda Corridor, Compton Blvd., Rosecrans Ave., Willowbrook Ave., Greenleaf Blvd., and other connecting streets. The estimated project budget is approximately \$14,000,000, all of which is expected to be financed with proceeds of the Project Second Lien Bonds.

The Jackie Robinson Sports Complex consists of the land acquisition and funding assistance for the development of a sports park, including but not limited to a minor league baseball stadium (approximately 5,000-7,000 capacity) and little league baseball diamonds. The Jackie Robinson Sports Complex is currently in the design development phase of the development process, with project completion expected in early 2013. Acquisition activities are expected to be completed by January 1, 2012. The estimated project budget is approximately \$20,000,000, of which approximately \$2,000,000 will be financed with proceeds of the Project Second Lien Bonds. The project is expected to create approximately 50 jobs.

The City of Compton Performing Arts Center Project consists of the development of an approximately 3,000 seat performing arts center, ancillary facilities and associated parking. The City of Compton Performing Arts Center Project is currently in the conceptual phase of the development process, with project completion expected in late 2014. The estimated project budget is \$25,000,000, of which approximately \$6,000,000 will be financed with proceeds of the Project Second Lien Bonds. The project is expected to generate approximately 100 jobs.

The City Council approved mitigated negative declarations for the above projects on March 25, 2010. Further CEQA review is not required subsequent to the issuance of the proposed Project Second Lien Bonds.

Proceeds of the Project Second Lien Bonds may also be used in connection with financing other purposes eligible to be financed under the Redevelopment Law.

SECURITY FOR THE BONDS

Tax Allocation Financing

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

The State Legislature placed on the ballot for the November, 1988, general election, Proposition No. 87 (Assembly Constitutional Amendment No. 56) pertaining to the allocation of tax increment revenues. This measure, which was approved by the electorate, authorized the State Legislature to cause tax increment revenues attributable to certain increases in tax rates occurring after January 1, 1989, to be allocated to the entities on whose behalf such increased tax rates are levied rather than to the applicable redevelopment agency, as would have been the case under prior law. The measure applies to tax rates levied to pay principal of and interest on general obligation bonds approved by the voters on or after January 1, 1989. Assembly Bill 89 (Statutes of 1989, Chapter 250), which implements this Constitutional Amendment, became effective on January 1, 1990. The projection of Tax revenues to be allocated to the Agency excludes tax rates levied pursuant to voter approval granted on or after January 1, 1989 as set forth in APPENDIX A hereto.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AGENCY AND AS SUCH ARE NOT A DEBT OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AGENCY) AND NEITHER THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AGENCY) IS LIABLE FOR THE PAYMENT THEREOF. IN NO EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AGENCY SET FORTH IN THE TRUST AGREEMENT. THE AGENCY HAS NO TAXING POWER.

Allocation of Taxes

As provided in the Redevelopment Plan, and pursuant to Article 6 of Chapter 6 of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State, taxes levied upon taxable property in the Project Area each year by or for the benefit of the State and any city, county, city and county, district or other public corporation (herein collectively referred to as "taxing agencies") for Fiscal Years beginning after January 1 subsequent to the effective date of the ordinances adopting the Redevelopment Plan for the Project Area, or any amendment thereof, are divided as follows:

1. *To taxing agencies:* That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of said taxing agencies upon the total sum of the assessed value of the taxable property in the Project Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to the ordinance approving the Redevelopment Plan, shall be allocated to, and when collected shall be paid into the funds of the respective taxing agencies as taxes by or for said taxing agencies on all other property are paid; and

2. *To the Agency:* Except for taxes allocated to taxing agencies as described above and taxes which are attributable to a tax 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, that portion of said levied taxes each year in excess of such amounts shall be allocated to, and when collected, shall be paid to the Agency to pay for redevelopment projects and principal of and interest on 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.

Housing Set-Aside Amounts

In accordance with the Redevelopment Law (unless the Agency makes certain findings), not less than 20% of all gross taxes which are allocated to the Agency (the "Housing Tax Revenues") shall be deposited into a low and moderate income housing fund (the "Housing Fund"), to be used by the Agency for purposes of increasing, improving and preserving the community's supply of low and moderate income housing.

The Project Second Lien Bonds

Pursuant to the Trust Agreement, the Agency has pledged the Project Second Lien Tax Revenues (defined below) and all money in the funds or accounts so specified and provided for in the Trust Agreement, whether held by the Agency or the Trustee (except any funds set aside for payment of the rebate amount pursuant to the Code), to the punctual payment of the interest on and principal of and redemption premiums, if any, on the Project Second Lien Bonds. The Project Second Lien Tax Revenues and such other money will not be used for any other purpose while any of such Project Second Lien Bonds remain Outstanding, subject to the provisions of all Senior Debt Instruments (defined below) and subject to the provisions of the Trust Agreement permitting application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement. Such pledge shall constitute a first lien on the Project Second Lien Tax Revenues and such other money for the payment of the Project Second Lien Bonds in accordance with the terms thereof.

“Project Second Lien Tax Revenues” means, for each Bond Year, with respect to the Project Second Lien Bonds, Project Tax Revenues (defined below) excluding (i) an amount equal to the sum of all transfers of and payments from Project Tax Revenues required by any resolution, loan agreement, indenture, trust agreement or other instrument authorizing any Senior Obligations or any other obligations issued or incurred on a parity with the Senior Obligations (collectively, the “Senior Debt Instruments”), (ii) an amount historically deducted by the County of Los Angeles from Tax Revenues prior to remittance of Tax Revenues to the Agency (or for the benefit of the Agency), which amount is approximately equivalent to the portion of Tax Revenues attributable to the inflation factor increase calculated in accordance with paragraph (a)(2) of Section 33676 of the Law prior to its amendment in 1984 by AB 203, Chapter 147, Statutes of 1984, (iii) amounts payable to a taxing entity pursuant to Section 33607.5 or 33607.7 of the California Health and Safety Code, (iv) amounts allocable to the various taxing entities under Tax Sharing Agreements, except to the extent that any portion of such amounts is subordinated pursuant to the Tax Sharing Agreements, (v) amounts required to be deposited by the Agency in the Low and Moderate Income Housing Fund of the Agency pursuant to Section 33334.2 or 33334.6 of the Law, and (vi) state subventions, if any, received by the Agency pursuant to Section 16110 et seq. of the California Government Code.

The Master Trust Agreement defines “Tax Revenues” to mean that portion of taxes levied (including all payments, reimbursements and subventions paid by the State, if any, specifically attributable to *ad valorem* taxes lost by reason of business inventory tax or other exemptions and tax rate limitations) upon taxable property in the Project Area (including unitary taxes) that is allocated to and paid into a special fund of the Agency pursuant to Article 6 of Chapter 6 of the Law, Section 16 of Article XVI of the Constitution of the State and the Redevelopment Plan, subject to the Tax Increment Limitation (as described below), but excluding payments, if any, made to the County as an administrative fee pursuant to SB 2557 (as described below). Tax Revenues less the Housing Tax Revenues is referred to herein as the “Project Tax Revenues.”

Notwithstanding the foregoing, in any Bond Year, if the amount of Project Second Lien Tax Revenues transferred to the Trustee is sufficient to (i) pay the principal and interest coming due in such Bond Year on the Project Second Lien Bonds or any other Project Parity Second Lien Bonds then Outstanding and (ii) if necessary, bring the balance in the reserve fund(s) for the Project Parity Second Lien Bonds to the applicable Reserve Fund Requirement, then Project Tax Revenues received by (or on behalf of) the Agency thereafter during such Bond Year shall no longer be “Project Second Lien Tax Revenues” for the purposes of the Project Second Lien Bonds.

To the extent any portion of Project Tax Revenues received by the Trustee do not constitute Project Second Lien Tax Revenues at the time of receipt thereof by the Trustee, the Trustee promptly and

at the written direction of an Authorized Agency Representative shall transfer such portion of Project Tax Revenues not constituting Project Second Lien Tax Revenues to the Agency (after payment of any outstanding fees and expenses due to the Trustee for the Trustee's services under the Trust Agreement) for use by the Agency for any lawful purpose.

Except for the Project Second Lien Tax Revenues and the amounts held in certain funds and accounts created pursuant to the Trust Agreement, no funds or properties of the Agency are pledged to, or otherwise liable for, the Project Second Lien Bonds.

Reserve Accounts. In order to further secure the payment of principal of and interest on the Project Second Lien Bonds, pursuant to the Trust Agreement, the Trustee is required to set aside and deposit into the applicable account of the Compton Redevelopment Project Tax Allocation Bonds Project Second Lien Reserve Fund (the "Project Second Lien Reserve Fund") such amount of money sufficient to maintain the Reserve Fund Requirement for each Series of Project Second Lien Bonds. With respect to a Series of Project Second Lien Bonds, the "Reserve Fund Requirement" means the least of (i) Maximum Annual Debt Service on the Outstanding Bonds of such Series, (ii) 125% of the average Annual Debt Service on the Outstanding Bonds of such Series, and (iii) 10% of the original principal amount, upon issuance, of the Outstanding Bonds of such Series.

Upon the issuance of the Project Second Lien Bonds, the Agency will deposit, or cause to be deposited, approximately \$_____ in the Series 2010B Account of the Project Second Lien Reserve Fund, and \$_____ in the Series 2010C Account of the Project Second Lien Reserve Fund.

Moneys held in the Project Second Lien Reserve Fund shall be used for the purpose of paying principal, Accreted Value (if any), and interest on the Project Second Lien Bonds if the amounts in the accounts shall on any date be insufficient to pay in full the interest and/or principal due on the Project Second Lien Bonds and any Outstanding Project Parity Second Lien Bonds on such date. The Trustee shall use all available cash in the Project Second Lien Reserve Fund prior to drawing upon any Reserve Fund Insurance Policy deposited therein. At least annually, prior to August 1, the Trustee shall determine the market value of the Project Second Lien Reserve Fund. A Reserve Fund Insurance Policy deposited with the Trustee shall be valued as equal to the face amount of stated amount of such policy. If, on any evaluation of the Project Second Lien Reserve Fund, the value of the Project Second Lien Reserve Fund shall exceed the Reserve Fund requirement for the Project Second Lien Bonds and any Project Parity Second Lien Bonds, such excess shall be withdrawn and transferred to the Agency to be used for any lawful purpose. In addition, at such time as the Project Second Lien Bonds or any Series of Project Parity Second Lien Bonds is paid in full, or deemed to have been paid in full, the Trustee shall value the Project Second Lien Reserve Fund, and if the amount on deposit in the Project Second Lien Reserve Fund after such Project Second Lien Bonds or any Series of Project Parity Second Lien Bonds is paid in full, or deemed to have been paid in full, exceeds the Reserve Fund Requirement for the then Outstanding Project Second Lien Bonds or Project Parity Second Lien Bonds, such excess shall be withdrawn and transferred to the Agency to be used for any lawful purpose. If on valuation of the Project Second Lien Reserve Fund, the value is less than the applicable Reserve Fund Requirement, deposits shall be made into the Project Second Lien Reserve Fund from and to the extent of Project Tax Revenues as provided in the Trust Agreement until the Reserve Fund Requirement for the Project Second Lien Reserve Fund is restored.

No Existing Project Parity Second Lien Bonds. There are no outstanding bonds secured by the Project Second Lien Tax Revenues.

The Housing Second Lien Bonds

Pursuant to the Trust Agreement, the Agency has pledged the Housing Second Lien Tax Revenues and all money in the funds or accounts so specified and provided for in the Trust Agreement, whether held by the Agency or the Trustee (except any funds set aside for payment of the rebate amount pursuant to the Code), are irrevocably pledged to the punctual payment of the interest on and principal of and redemption premiums, if any, on the Housing Second Lien Bonds. The Housing Second Lien Tax Revenues and such other money will not be used for any other purpose while any of such Housing Second Lien Bonds remain Outstanding, subject to the provisions of all Senior Debt Instruments and subject to the provisions of the Trust Agreement permitting application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement. Such pledge shall constitute a first lien on the Housing Second Lien Tax Revenues in accordance with the terms thereof.

“Housing Second Lien Tax Revenues” means, for each Bond Year, all Housing Tax Revenues received by the Agency for such Bond Year, excluding an amount equal to the sum of all transfers of and payments from Housing Tax Revenues required by any Senior Debt Instrument.

The Master Trust Agreement defines “Housing Tax Revenues” to mean the twenty percent (20%) of Tax Revenues which are required to be deposited in the Housing Fund pursuant to Sections 33334.2, 33334.3, 33334.6, and 33487 of the Redevelopment Law and which shall remain twenty percent (20%) of such Tax Revenues for purposes of the Trust Agreement whether or not such statutes are amended.

Notwithstanding the foregoing, in any Bond Year, if the amount of Housing Second Lien Tax Revenues transferred to the Trustee is sufficient to (i) pay the principal and interest coming due in such Bond Year on the Housing Second Lien Bonds or any other Housing Parity Second Lien Bonds then Outstanding and (ii) if necessary, bring the balance in the reserve fund(s) for the Housing Parity Second Lien Bonds to the applicable Reserve Fund Requirement, then Housing Tax Revenues received by (or on behalf of) the Agency thereafter during such Bond Year shall no longer be “Housing Second Lien Tax Revenues” for the purposes of the Housing Second Lien Bonds.

To the extent any portion of Housing Tax Revenues received by the Trustee do not constitute Housing Second Lien Revenues at the time of receipt thereof by the Trustee, the Trustee promptly and at the written direction of an Authorized Agency Representative shall transfer such portion of Housing Tax Revenues not constituting Housing Second Lien Revenues to the Agency (after payment of any outstanding fees and expenses due to the Trustee for the Trustee’s services under the Trust Agreement) for use by the Agency for any lawful purpose.

Except for the Housing Second Lien Tax Revenues and the amounts held in certain funds and accounts created pursuant to the Trust Agreement, no funds or properties of the Agency are pledged to, or otherwise liable for, the Housing Second Lien Bonds.

Reserve Account. In order to further secure the payment of principal of and interest on the Housing Second Lien Bonds, pursuant to the Trust Agreement, the Trustee is required to set aside and deposit into the Series 2010A Account of the Compton Redevelopment Project Tax Allocation Bonds Housing Second Lien Reserve Fund (the “Housing Second Lien Reserve Fund”) such amount of money sufficient to maintain the Reserve Fund Requirement for such Series of Housing Second Lien Bonds. With respect to a Series of Housing Second Lien Bonds, the “Reserve Fund Requirement” means the least of (i) Maximum Annual Debt Service on the Outstanding Bonds of such Series, (ii) 125% of the average Annual Debt Service on the Outstanding Bonds of such Series, and (iii) 10% of the original principal amount, upon issuance, on the Outstanding Bonds of such Series.

Upon the issuance of the Housing Second Lien Bonds, the Agency will deposit, or cause to be deposited, approximately \$ _____ in the Series 2010A Account of the Housing Second Lien Reserve Fund.

Moneys held in the Housing Second Lien Reserve Fund shall be used for the purpose of paying principal, Accreted Value (if any), and interest on the Housing Second Lien Bonds if the amounts in the accounts shall on any date be insufficient to pay in full the interest and/or principal due on the Housing Second Lien Bonds and any Outstanding Housing Parity Second Lien Bonds on such date. The Trustee shall use all available cash in the Housing Second Lien Reserve Fund prior to drawing upon any Reserve Fund Insurance Policy deposited therein. At least annually, prior to August 1, the Trustee shall determine the market value of the Housing Second Lien Reserve Fund. A Reserve Fund Insurance Policy deposited with the Trustee shall be valued as equal to the face amount of stated amount of such policy. If, on any evaluation of the Housing Second Lien Reserve Fund, the value of the Housing Second Lien Reserve Fund shall exceed the Reserve Fund requirement for the Housing Second Lien Bonds and any Housing Parity Second Lien Bonds, such excess shall be withdrawn and transferred to the Agency to be used for any lawful purpose. In addition, at such time as the Housing Second Lien Bonds or any Series of Housing Parity Second Lien Bonds is paid in full, or deemed to have been paid in full, the Trustee shall value the Housing Second Lien Reserve Fund, and if the amount on deposit in the Housing Second Lien Reserve Fund after such Housing Second Lien Bonds or any Series of Housing Parity Second Lien Bonds is paid in full, or deemed to have been paid in full, exceeds the Reserve Fund Requirement for the then Outstanding Housing Second Lien Bonds or Housing Parity Second Lien Bonds, such excess shall be withdrawn and transferred to the Agency to be used for any lawful purpose. If on valuation of the Housing Second Lien Reserve Fund, the value is less than the applicable Reserve Fund Requirement, deposits shall be made into the Housing Second Lien Reserve Fund from and to the extent of Housing Tax Revenues as provided in the Trust Agreement until the Reserve Fund Requirement for the Housing Second Lien Reserve Fund is restored.

No Existing Housing Parity Second Lien Bonds. There are no outstanding bonds secured by the Housing Second Lien Tax Revenues.

Issuance of Additional Second Lien Bonds

Pursuant to the Trust Agreement, the Agency has covenanted that it will not issue any additional bonds secured by a first lien on Tax Revenues on a parity with the Senior Obligations.

Pursuant to the Trust Agreement, the Agency may issue additional Second Lien Bonds that are payable from Project Tax Revenues or Housing Tax Revenues and secured by a lien and charge upon the Project Tax Revenues or Housing Tax Revenues equal to and on a parity with the lien and charge securing the Project Second Lien Bonds or Housing Second Lien Bonds, but only subject to the following specific conditions precedent to the issuance of such additional Second Lien Bonds.

Pursuant to the Trust Agreement, prior to issuing any additional obligations of any priority, there shall first be delivered to the Trustee and any insurer the following:

- (i) a certificate executed by an Authorized Agency Representative stating that no Event of Default under the Trust Agreement has occurred and is then continuing; and
- (ii) a report from an Independent Accountant or Independent Redevelopment Consultant showing, as applicable:

(a) with respect to any Project Parity Second Lien Bonds, that the Project Tax Revenues to be collected in the then current Bond Year (including unitary tax revenues, using the then most recently established assessed value for the Redevelopment Project Area, an assumed basic tax rate of one percent plus any applicable tax overrides that the Agency reasonably expects to continue to receive for the years that such Project Parity Second Lien Bonds are scheduled to remain Outstanding, and assuming assessment appeals then currently on file are settled at the average rate for which such appeals were settled in the then most recently concluded two Fiscal Years, and further assuming tax delinquencies at a rate equal to the average tax delinquencies of the most recently concluded two Fiscal Years but excluding any subvention payments made by the State) will be at least equal to 150% of Maximum Annual Debt Service for all Project Parity Bonds and Project Parity Second Lien Bonds which will be Outstanding immediately after the issuance of the proposed Project Parity Second Lien Bonds, and

(b) with respect to any Housing Parity Second Lien Bonds, that the Housing Tax Revenues to be collected in the then current Bond Year (including unitary tax revenues, using the then most recently established assessed value for the Redevelopment Project Area, an assumed basic tax rate of one percent plus any applicable tax overrides that the Agency reasonably expects to continue to receive for the years that such Housing Parity Second Lien Bonds are scheduled to remain Outstanding, and assuming assessment appeals then currently on file are settled at the average rate for which such appeals were settled in the then most recently concluded two Fiscal Years, and further assuming tax delinquencies at a rate equal to the average tax delinquencies of the most recently concluded two Fiscal Years but excluding any subvention payments made by the State) will be at least equal to 150% of Maximum Annual Debt Service for all Housing Parity Bonds and Housing Parity Second Lien Bonds which will be Outstanding immediately after the issuance of the proposed Housing Parity Second Lien Bonds.

The certificate described above will not be required if the Bonds being issued are for the purpose of refunding then Outstanding Bonds and there is delivered to the Trustee and all Insurers of Outstanding Bonds instead, a certificate of the Authorized Agency Representative showing that Maximum Annual Debt Service on all Outstanding Bonds payable from Housing Tax Revenues and/or Project Tax Revenues (as applicable) after the issuance of the refunding Series of Bonds will not exceed Maximum Annual Debt Service on all Outstanding Bonds payable from such Tax Revenues prior to the issuance of such Series of Bonds.

Notwithstanding any of the foregoing, the Agency may from time to time issue bonds or other debt secured by a pledge and lien of any portion of the Tax Revenues on subordinate basis to Second Lien Bonds (the "Subordinate Debt"), so long as (i) the indenture, loan agreement or similar instrument pursuant to which such Subordinate Debt is issued shall expressly state that the pledge and lien of Tax Revenues with respect to such Subordinate Debt are subordinate to the pledge and lien of Tax Revenues with respect to the Second Lien Bonds, and (ii) prior to the issuance of such Subordinate Debt, the Agency shall have delivered to the Trustee and the Insurer(s) a report from an Independent Redevelopment Consultant showing that, for each Fiscal Year so long as the Second Lien Bonds shall remain Outstanding, the amount of the portion of Tax Revenues pledged to pay debt service on the Second Lien Bonds and Subordinate Debt shall be sufficient to pay 100 percent of the combined Maximum Annual Debt Service on the outstanding Second Lien Bonds and the Subordinate Debt.

Tax Sharing Agreements

The Agency has entered into Tax Sharing Agreements that provide for payments to the County, the School District, and the College District from Tax Revenues generated from Area A-1 of the Project Area. The Agency's obligations under the Tax Sharing Agreements are expressly subordinate to the

Agency's obligation to pay debt service on the Bonds and the Senior Obligations. The Agency is no longer authorized by the Redevelopment Law to enter into any additional tax sharing agreements. For additional information on the Tax Sharing Agreements, see APPENDIX A – "REPORT OF THE FISCAL CONSULTANT."

As discussed under "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS—Elections Under Health and Safety Code Section 33676," the County has annually deducted amounts from the revenues generated in the 1980 annex sub-area of the Walnut Industrial Park Project Area (the "1980 Annex"). Section 33401 of the Redevelopment Law no longer exists; however the section formerly provided for the creation of tax sharing agreements between redevelopment agencies and taxing entities affected by the adoption of redevelopment projects to mitigate the impact of sharing tax revenues. The Agency agreements discussed above were entered into pursuant to the provisions of Section 33401.

School District Agreement. The Agency's agreement with the School District was executed in 1993 (the "School District Agreement"). Pursuant to the School District Agreement, the School District is to receive its share of taxes annually based on a formula described therein. These amounts due to the School District are to be held in a trust fund established and administered by the School District, and, along with any investment earnings thereon, to be expended on Mutually Beneficial Projects. Mutually Beneficial Projects is defined in the School District Agreement as "those projects within the boundaries of the City of Compton selected by the District, in good faith and in its sole discretion."

As of June 30, 2009, the amount of Tax Revenues that have not been spent on Mutually Beneficial Projects, and which may be payable to the School District, was \$1,676,476 as calculated by the Agency's Auditor. See Note 7 of APPENDIX C – "AGENCY'S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2008-09."

Subsequent to the Agency's March 2010 notification to the School District of the proposed issuance of the Bonds, pursuant to the requirements of the School District Agreement (see "***Notification of School District and College District***" below), the Agency received a letter from the School District requesting the Agency to immediately remit \$1,234,213 (representing non-payment for Fiscal Year 2005-06 through Fiscal Year 2008-09) to the School District and all other amounts due for all fiscal years prior to Fiscal Year 2005-06 and from the inception of the School District Agreement. The Agency has acknowledged that no payments have been made by, or on behalf of, the Agency to the School District pursuant to the School District Agreement. Depending on the respective arrangements made at the time of entering into a Section 33401 tax sharing agreement, the distribution of tax sharing amounts pursuant to Section 33401 tax sharing agreements is either handled by the County Auditor-Controller prior to the County's distribution of tax increment to a redevelopment agency or handled directly by the redevelopment agency after receipt of the County's tax increment distribution to the redevelopment agency.

Currently, the amount of the tax sharing obligation owed by the Agency to the School District is disputed, and the Agency's consultants are working with the School District's consultants to resolve the dispute. The Agency intends to use a portion of the proceeds of the 2010C Bonds to pay to the School District such amount required to resolve the Agency's aggregate outstanding payment obligation to the School District under the School District Agreement, which amount will be set aside in a segregated fund held by the Agency. Monies (including any investments thereof and investment earnings) on deposit in such segregated fund shall be used first solely for the purpose of paying the aggregate amount required to resolve the Agency's aggregate outstanding payment obligation to the School District under the School District Agreement. Only if any excess set-aside funds remain after payment of such amount to the School District shall such excess funds become available to the Agency for any lawful purpose of the

Agency. The Agency believes that the amount it has designated for such purpose and which will be deposited into the segregated fund from the proceeds of the 2010C Bonds will be sufficient to resolve the Agency's obligation to the School District under the School District Agreement. If the aggregate amount finally determined to be required to resolve the Agency's aggregate outstanding payment obligation to the School District under the School District Agreement exceeds the set-aside funds segregated and allocated for such purpose from the proceeds of the 2010C Bonds, the Agency is obligated to pay any difference to the School District from available Tax Revenues of the Agency on a subordinate basis to the Bonds. Also, certain statutes of limitations may apply to limit the aggregate amount payable to the School District, including but not limited to California Code of Civil Procedure Section 337, which provides that an action upon any contract, obligation or liability founded upon an instrument in writing generally must be commenced within four years.

The School District claims that the past due payments are not subordinate to the Agency's obligation to pay debt service on the Bonds and that only future payments (i.e., payments due after the issuance of the Bonds) due under the School District Agreement are subordinate to the Agency's obligation to pay debt service on the Bonds. However, the School District Agreement states, "The [School] District hereby subordinates its right to payment under this Agreement to any Agency pledge of all or any portion of the Tax Increment Revenue that might otherwise be payable to the District under this Agreement in order to secure repayment of Agency long-term Indebtedness incurred for the Compton Redevelopment Project." Long-term Indebtedness, as defined in the School District Agreement, means indebtedness of the Agency with a term in excess of five years, and does not include indebtedness of the Agency to the City of Compton or any other governmental agency controlled by the Agency or the City, except if such indebtedness is incurred in connection with a bona fide issuance of bonds, certificates of participation or other evidences of indebtedness by the City, joint powers authority or other entity for the Agency.

College District Agreement. The Agency's agreement with the College District was executed in 1993 (the "1993 College District Agreement"). Pursuant to the 1993 College District Agreement, the College District was to receive its share of taxes annually based on a formula described therein. These amounts due to the College District were to be held in a trust fund established and administered by the College District, and, along with any investment earnings thereon, be expended on Mutually Beneficial Projects. Mutually Beneficial Projects is defined in the 1993 College District Agreement as "those projects within the boundaries of the City of Compton selected by the College, in good faith and in its sole discretion."

The agreement with the College District was amended in March 2007 pursuant to a Settlement Agreement and Release (the "2007 Settlement Agreement") to clarify the formula used to calculate the College District's share of taxes and to provide that the Agency will annually pay amounts due directly to the College District at the conclusion of the Agency's fiscal year, and in any event not later than September 30 immediately following the conclusion of the fiscal year in which the payment is owed.

The Agency has confirmed that it has made all payments due to the College District under the 1993 College District Agreement as amended by the 2007 Settlement Agreement. The 1993 College District Agreement also contains similar language as to the School District Agreement providing that the payments to the College District under the 1993 College District Agreement are expressly subordinate to the Agency's pledge of all or any portion of tax increment revenues in order to secured long-term indebtedness (with a term in excess of five years) incurred for the Project Area.

Notification of School District and College District. Each of the School District and College District are to be notified if the Agency expects to issue long-term debt and the Agency is required to

certify that such debt can be repaid “without demand being made on the payments due under the agreements.” The Districts were notified in writing of the pending issuance of the Bonds in March 2010.

County Tax Sharing Agreement. Pursuant to the Agreement for Cooperation, dated as of June 9, 1992, by and between the County and the Agency with respect to the Project Area (the “County Tax Sharing Agreement”), the Agency is obligated to make payments to the County based on the amount of Tax Revenue generated in the area added by the 1991 amendment (the “Amendment Area”). Pursuant to the County Tax Sharing Agreement, the County agreed to defer payments due to the County (the “Deferral Amount”) subject to certain conditions. The Deferral Amount is considered to be a loan by the County to the Agency and the Agency is required to use the Deferral Amount for its redevelopment activities in the Project Area. The Deferral Amount accrues interest at 7% per annum.

Pursuant to the provisions of the County Tax Sharing Agreement, repayment of the Deferral Amount is subordinate to the Agency’s obligation to pay debt service on the Bonds and the Senior Obligations. The County Tax Sharing Agreement further provides that the Agency agrees to “responsibly incur debt with the consideration for the full repayment” of the Deferral Amount by the fortieth year following the amendment of the redevelopment plan. According to the County, the Deferral Amount outstanding as of the end of Fiscal Year 2008-09, including accrued interest, was approximately \$20.6 million.

Pursuant to Resolution [___], adopted by the Agency on May 18, 2010, the Agency approved a plan to repay the Deferral Amount owed to the County in order to fulfill its obligations under the County Tax Sharing Agreement to responsibly incur debt and fully repay the Deferral Amount with interest, by end of calendar year 2031. In the opinion of Agency counsel, the repayment plan is consistent with the Agency’s obligation under the County Tax Sharing Agreement.

Assembly Bill 1290 Pass-Through Payments

As discussed under “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS—Assembly Bill 1290 and Senate Bill 211” below, the Agency is obligated to make statutory pass-through payments to certain affected taxing agencies. The Agency will not seek subordination of statutory pass-through payments under Assembly Bill 1290 (“AB 1290”). Thus, payment on Bonds and Senior Obligations are subordinate to such pass-through payments. For additional information on AB 1290 and the pass-through payments, see “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS—Assembly Bill 1290 and Senate Bill 211” and APPENDIX A – “REPORT OF THE FISCAL CONSULTANT.” The Fiscal Consultant has confirmed that the Agency has made all such payments to date.

RISK FACTORS

This section describes certain additional specific risk factors affecting the payment and security of the Bonds. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Bonds and the order of presentation does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors along with all other information in this Official Statement in evaluating the Bonds. There can be no assurance that other risk factors will not become material in the future.

Pledged Tax Revenues

Tax Revenues allocated to the Agency are determined in part by the amount by which the assessed valuation of property in the Project Area exceeds the base year assessed valuation for such

property, as well as by the current rate at which property in the Project Area is taxed. Assessed valuation of taxable property within the Project Area may be reduced by economic factors beyond the control of the Agency (see “Assessment Appeals and Reductions to Assessed Values” below), such as: (i) a relocation out of the Project Area by one or more major property owners; (ii) the transfer, pursuant to the State 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; (iii) the transfer of property in a Project Area to a governmental or other property tax-exempt entity; and (iv) further reductions in assessed value by the Assessor (defined below) pursuant to Proposition 8 (defined below), or as a result of substantial damage, destruction or condemnation of such property. Further, assessed valuation and/or tax rates can be reduced as a result of actions of the State Legislature or electorate. Such a reduction of assessed valuations or tax rates could result in a reduction of the Tax Revenues that secure the Bonds, which in turn could impair the ability of the Agency to make payments of principal and/or interest on the Bonds when due.

In addition, substantial delinquencies in the payment of property taxes to the County or assessment appeals of such property taxes by the owners of taxable property within the Project Area could have an adverse effect on the ability of the Agency to make payments of principal and/or interest on the Bonds when due. See “Assessment Appeals and Reductions to Assessed Values” below.

Both Article XIII A and Article XIII B of the California Constitution, which significantly affected the rate of property taxation and the expenditure of tax proceeds, were adopted pursuant to the State’s constitutional initiative process. From time to time, other initiative measures could be adopted by State voters. The adoption of any such initiative might place limitations on the ability of public entities to increase revenues or to increase appropriations. For a further description of Article XIII A and Article XIII B of the State’s Constitution, see “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS—Property Tax Limitations: Article XIII A of the State Constitution,” and “—Appropriations Limitations: Article XIII B of the State Constitution.”

In order to estimate the Tax Revenues available to pay debt service on the Bonds, the Agency has made certain assumptions with regard to the availability of Tax Revenues. The Agency believes these assumptions to be reasonable, but to the extent Tax Revenues are less than anticipated, the Tax Revenues available to pay debt service on the Bonds may be less than those projected herein. See “TAX REVENUES AND ANNUAL DEBT SERVICE FOR THE BONDS” and APPENDIX A – “REPORT OF THE FISCAL CONSULTANT.”

Assessment Appeals and Reductions to Assessed Values

Proposition 8 Appeals. Appeals may be based on ***Proposition 8*** (the 1978 voter approved amendment to Article XIII A of the State Constitution), which requires that, for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS—Property Tax Limitations: Article XIII A of the State Constitution.”

Pursuant to State law, a property owner may apply for a reduction of the property tax assessment for such owner’s property by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that the present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value.

In the County, a property owner desiring to reduce the assessed value of such owner's property in any one year must submit an application to the Los Angeles County Assessment Appeals Board (the "Appeals Board"). Applications for any tax year must be submitted by September 15 of such tax year. Following a review of the application by the County Assessor's Office (the "Assessor"), the Assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, the Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well.

These reductions are subject to yearly reappraisals and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS—Property Tax Limitations: Article XIII A of the State Constitution."

Recently Resolved Appeals and Pending Assessment Appeals. The Fiscal Consultant has conducted a review of recently resolved and pending assessment appeals filed with the County in the Project Area in order to determine potential impact on current and future Project Area value and Tax Revenues. The Fiscal Consultant's analysis of currently pending and recently resolved assessment appeals in the Project Area disclosed seventeen appeals that have recently been resolved, resulting in valuation reductions totaling \$14.6 million and a collection of appeals pending hearing before the Appeals Board that could result in reductions to Project Area value of an estimated \$21.1 million.

The following table summarizes recently resolved assessment appeals for the Project Area. The valuation reductions shown below represent the changes that are assumed to occur in the Fiscal Year 2009-10 roll value of the property.

#5.

Resolved Assessment Appeals

Assessee	2009-10 Value Reduction	Estimated Refunds
Secured		
Los Angeles Industrial Park, LLC	\$ 4,845,000	\$ 48,000
Walnut Industrial Park, LLC	5,204,000	48,000
AMB Property LP	1,728,000	13,000
Christy Holdings LLC	768,000	8,000
909 S Central Ave LLC	807,000	7,000
McKinely M. Exum, M.D.	401,000	9,000
FTI Properties LLC	253,000	2,000
10 Other Under \$600,000 Initial Value	636,000	12,000
Unsecured		
None	N/A	0
Estimated 2009/10 Impact	\$14,642,000	\$147,000

Source: Fiscal Consultant Report.

Such resolved assessment appeals will result in an estimated net refund due the taxpayers of \$147,000. The Fiscal Consultant assumed that there will be a corresponding reduction of \$147,000 in tax increment disbursements for the Project Area in Fiscal Year 2009-10. The impacts of the reduction of Project Area value and the refund of taxes that will result from the recently resolved assessment appeals are also discussed in “TAX REVENUES AND ANNUAL DEBT SERVICE FOR THE BONDS” herein.

The following table summarizes several pending assessment appeals in the Project Area. The amounts shown under the caption “Estimated 2009-10 Value Reduction” represent the potential assessed value decline which could be experienced if the appeals are resolved in favor of the taxpayers. The Fiscal Consultant assumed that pending appeals will be reduced by 25.7% of assessed value, based on the historical reductions resulting from successful appeals in the Project Area since 2004.

Pending Assessment Appeals

Assessee	Estimated 2009-10 Value Reduction	Estimated Refunds
Secured		
PRI Dominguez Hills IND CA, LLC	\$ 9,889,000	\$ 97,000
Prologis Exchange CA, LLC	4,794,000	47,000
Lionel & Nirmala Perera	1,778,096	17,000
310 Carob Street LLC	1,439,000	14,000
Sean Dayani	1,044,000	-
17 Other Under \$2.0 Million Initial Value	2,149,000	21,000
Unsecured		
C-Native Exchange I, LLC	N/A	12,000
Elite Optical Group (A Corp)	N/A	7,000
Uniscoat Inc. DBA Clearlight	N/A	5,000
Cho Ja Kwon	N/A	1,000
Estimated 2009/10 Impact	\$21,093,096	\$221,000

Source: Fiscal Consultant Report.

The total refunds associated with pending assessment appeals is estimated at \$221,000. This estimate reflects an approximation of the total refund for Fiscal Year 2009-10 and prior Fiscal Years due to the taxpayers if the tax appeals resulted in the valuation reductions shown above. These appeals are still pending; therefore, the impact of the appeals will be experienced in the Fiscal Year(s) when the appeal is resolved, assumed to be Fiscal Year 2009-10 in the Fiscal Consultant's analysis. Estimates of the impacts resulting if the pending assessment appeals are resolved in favor of taxpayers are included in the projection of tax increment revenue discussed in "TAX REVENUES AND ANNUAL DEBT SERVICE FOR THE BONDS" herein.

For more information concerning appeals to assessed values and reductions in assessed value in the Project Area, see APPENDIX A – "REPORT OF THE FISCAL CONSULTANT."

Base Year Valuation Appeals. A second type of assessment appeal involves a challenge to the base year value of an assessed property. 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.

Other Reductions in Assessed Valuation. The Assessor may also initiate Proposition 8 reductions in assessed value, independent of any individual property owner's appeal. Further Proposition 8 reductions for properties in the Project Area could cause a reduction in tax increment revenues received by the Agency from the Project Area. Such a reduction in tax increment revenues could have an adverse effect on the ability of the Agency to pay debt service on the Bonds.

No assurance can be given that property tax appeals or other reductions in the future will not significantly affect the assessed valuation of property within the Project Area.

Weakening of Housing Market; Potential Effect on Assessed Valuation

There has been a significant slowdown in the County's housing market, as in many parts of the State and the nation. Reductions in assessed values for properties in the Project Area could cause a reduction in Tax Revenues received the Agency from the Project Area. See "Assessment Appeals and Reductions to Assessed Values" above for a discussion of reductions in assessed values of properties in the Project Area. Approximately 16.5% of property within the Project Area is residential.

Development within the Project Area may be subject to unexpected delays, disruptions and changes. Real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development operations within the Project Area could be adversely affected by future governmental policies, including policies that restrict or control development. If any future development in the Project Area is delayed or halted, the economy of the Project Area could be affected, potentially causing a reduction of the Tax Revenues available to repay the Bonds.

Economic Risks

The Agency's ability to make payments on the Bonds is partially dependent upon the economic strength of the Project Area. If there is a decline in the general economy of the Project Area, or disruption of the national, State or local economy in general, the owners of property within the Project Area may be less able or less willing to make timely payments of property taxes or petition to reduce assessed valuation causing a delay or reduction in Tax Revenues received by the Agency from the Project Area. In the event of reductions to assessed values, Tax Revenues may decline even if property owners make timely payment of taxes. Future activities could adversely impact the property in or values of the Project Area and, in turn, could adversely impact the Tax Revenues available to pay the Bonds.

The Agency cannot predict the impact or duration of a weakening economy on the property values in the Project Area, but a persistently weak economy could have a prolonged negative effect on overall real estate valuations in the Project Area. An extensive downturn in the economy would likely result in significantly lowered real estate valuations, increased delinquencies in property tax collections, lessened development of property in the Project Area and a reduction in redevelopment opportunities for the Agency in the Project Area.

Concentration of Ownership

The cumulative taxable value of the ten major assessees represents 29.95% of the total taxable value of the Project Area and 37.25% of the 2009-10 incremental value of the Project Area. The timely payment of the Bonds depends upon the willingness and ability of those assessees to pay property taxes with respect to their property when due. There can be no assurance that the concentration of ownership will not adversely impact the Tax Revenues available to pay the Bonds. See "TAX REVENUES AND ANNUAL DEBT SERVICE FOR THE BONDS – Assessed Valuations" herein.

Direct and Overlapping Indebtedness

The ability of land owners within the Project Area to pay property tax installments as they come due could be affected by the existence of other taxes and assessments, imposed upon the land. In addition, other public agencies whose boundaries overlap those of the Project Area, without consent of the Agency, and in certain cases without the consent of the owners of the land within the Project Area,

could impose additional taxes or assessment liens on the property to finance public improvements. See “Bankruptcy and Foreclosure” below.

Bankruptcy and Foreclosure

The payment of the Tax Revenues and the ability of the Agency to 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. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel’s approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the liens to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds and the possibility of delinquent tax installments not being paid in full.

City Charter-Authorized Levy

In 1947, the voters of the City passed a ballot initiative authorizing the City to levy an *ad valorem* property tax for purposes of funding a pension program for certain City employees (the “Charter-Authorized Levy”). At the time this ballot initiative was passed, the maximum override tax rate that could be levied in any Fiscal Year was established as \$1.00 per \$100.00 of assessed value. On an annual basis, by resolution of the City Council, the City sets the override tax rate for the coming Fiscal Year based on the estimated dollar amount necessary to fund the then current Fiscal Year’s pension and other benefits costs. Historically, the override tax rate has varied based on the requirements of the City’s pension fund system. Since Fiscal Year 1992-93 the tax rate levied by the City has been the \$0.451632 per \$100.00 of assessed value.

Properties within the Project Area are taxed inclusive of the Charter-Authorized Levy and such tax revenues flow to the Agency in the form of tax increment revenue. The Agency does not directly control whether the electorate in future years will vote to reduce or rescind the override tax and cannot provide assurances that the Charter-Authorized Levy will not change in the future. THE OVERRIDE TAX RATE IS SET BY THE CITY. THERE IS NO ASSURANCE THAT THE CHARTER-AUTHORIZED LEVY WILL CONTINUE AT SUCH LEVELS IN THE FUTURE. IN ADDITION, THE OVERRIDE TAX MAY BE REDUCED OR RESCINDED BY THE ELECTORATE. IN THE EVENT THE CITY OR THE ELECTORATE DISCONTINUES ITS PENSION PROGRAM OR SIGNIFICANTLY LOWERS THE CHARTER-AUTHORIZED LEVY, TAX INCREMENT AVAILABLE TO THE AGENCY FOR DEBT SERVICE ON THE BONDS MAY BE ADVERSELY AFFECTED. For purposes of the projections of tax increment shown below (see Table 5 herein), it is assumed that the City will continue to levy an override tax rate of \$0.451632 per \$100.00 of assessed value for the duration of the life of the Project Area.

Parity Debt

Although the Agency has covenanted not to issue any additional Senior Obligations, the Agency may, subject to certain conditions, issue or incur obligations payable from Tax Revenues on a parity with the Project Second Lien Bonds and the Housing Second Lien Bonds, as described in “SECURITY FOR THE BONDS.” The existence of and the potential for such obligations increases the risks associated with

the Agency's payment of debt service on the Bonds in the event of a decrease in the Agency's collection of Tax Revenues.

The State Budget and the Educational Revenue Augmentation Fund

In connection with its approval of the State Budget for Fiscal Years 1992-93, 1993-94 and 1994-95, the State Legislature enacted legislation which, among other things, reallocated funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment, net of amounts due to other taxing agencies, to school districts for such fiscal years for deposit in the Education Revenue Augmentation Fund ("ERAF"). 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 project areas.

Faced with a projected \$23.6 billion budget deficit for Fiscal Year 2002-03, the State Legislature enacted Assembly Bill 1768 requiring redevelopment agencies to pay an aggregate amount of \$75 million into ERAF for Fiscal Year 2002-03. For Fiscal Year 2003-04, the State Legislature adopted Senate Bill 1045 requiring redevelopment agencies to make ERAF transfers to school districts in the aggregate amount of \$135 million. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS" below.

Due to continuing State Budget deficits, the State Legislature enacted Senate Bill 1096 requiring ERAF shifts of \$250 million for Fiscal Years 2004-05 and 2005-06. As with prior ERAF shifts, the legislation required half of the shift to be calculated on the basis of the gross tax increment of a project area and the other half of the shift to be calculated on the basis of net revenues after tax sharing payments. Senate Bill 1096 ("SB 1096") provides that the Agency's ERAF payment obligations under SB 1096 are subordinate to the payment of debt service on the Bonds.

In connection with the ERAF payments by redevelopment agencies, (i) Senate Bill 1045 ("SB 1045") allowed a redevelopment agency to extend the effective date of its redevelopment plan and the date to receive incremental Tax Revenues by one year, and (ii) SB 1096 generally allows a redevelopment agency to extend the effective date of its redevelopment plan and the date to receive incremental Tax Revenues by two years if the legislative body finds the Agency in compliance with major housing requirements. Pursuant to Ordinance No. 2,202, Ordinance No. 2,203 and Ordinance No. 2,204 adopted by the City Council on December 22, 2009, i) all sub-areas of the Project Area were amended to include the one-year extension provided by SB 1045, and ii) all sub areas of the Project Area, except Area A-1, were amended to include the two-year extension afforded by SB 1096.

The State Budgets for Fiscal Years 2005-06, 2006-07 and 2007-08 were adopted without any further reallocation of funds. However, in connection with the State Budget for Fiscal Year 2008-09, the State required the Agency to make an ERAF payment of \$1,697,718. The California Redevelopment Association (the "CRA") and two redevelopment agencies (together, the "Petitioners"), brought suit in Superior Court in Sacramento seeking to invalidate portions of the State legislation requiring the Fiscal Year 2008-09 ERAF payments from redevelopment agencies. On April 30, 2009, the Superior Court granted declaratory and injunctive relief to the Petitioners, invalidating and enjoining the operation of the legislation requiring the new ERAF payment. On May 7, 2009, the Superior Court entered a judgment enjoining the county auditor class in the case (including the County Auditor) from taking actions to carry out or enforce the ERAF payment for Fiscal Year 2008-09. Based on this judgment, the Agency is not required to make any ERAF payment for Fiscal Year 2008-09. While the State initially filed a notice of intent to appeal the ruling of the Superior Court, the State noticed its withdrawal of its appeal on September 28, 2009.

On July 24, 2009, in connection with various legislation related to the State Budget for Fiscal Year 2009-10, Assembly Bill 26 (the “2009 ERAF Legislation”) was enacted. The 2009 ERAF Legislation provides for supplemental ERAF payments (the “SERAF Payments”) in the aggregate amount of \$1.7 billion payable by redevelopment agencies by May 10, 2010 for Fiscal Year 2009-10 and SERAF Payments in the aggregate amount of \$350 million payable by May 10, 2011 for Fiscal Year 2010-11.

Based upon information provided by the CRA, total SERAF Payments payable by the Agency pursuant to the 2009 ERAF Legislation will be approximately \$8.25 million for Fiscal Year 2009-10 and \$1.7 million for Fiscal Year 2010-11. Subsequent to the delivery of the Agency’s Fiscal Year 2008-09 audit, the Agency determined to use proceeds from the sale of the Series 2010C Bonds to finance the Agency’s obligation to make the SERAF Payments in Fiscal Year 2009-10 (as reimbursement to the Agency for its remittance made by the May 10, 2010 deadline from other authorized and available funds), and, if necessary, the SERAF Payments in Fiscal Year 2010-11 required under the 2009 ERAF Legislation.

The 2009 ERAF Legislation allows for redevelopment agencies to borrow from their low and moderate income housing funds to make their mandated SERAF Payments, for their related legislative body to make the required SERAF Payments on their behalf, or for redevelopment agencies to participate in a pooled borrowing secured by a pledge of future tax increment revenues.

The 2009 ERAF Legislation imposes various restrictions on redevelopment agencies that fail to timely make the required SERAF Payments, including (i) a prohibition on adding or expanding project areas, (ii) a prohibition on the incurrence of additional debt, (iii) limitations on the expenditure of funds for operation and maintenance expenses, and, (iv) commencing with the July 1 following the due date of an annual SERAF Payment that is not timely made, a requirement that the applicable redevelopment agency allocate an additional five percent (5%) of all taxes that are allocated to the redevelopment agency under the Act for low and moderate income housing for the remainder of the time that the applicable redevelopment agency receives allocations of tax revenues under the Act. The five percent (5%) additional housing set-aside penalty provision referred to in the 2009 ERAF Legislation (the “Penalty Set-Aside Requirement”) would be in addition to the twenty percent (20%) of such tax revenues already required to be used for low and moderate income housing purposes. A redevelopment agency that borrows from its housing set-aside funds to make required SERAF Payments but does not timely repay the funds by 2015 may also be subject to the Penalty Set-Aside Requirement.

While the 2009 ERAF Legislation contains provisions that subordinate the obligation of redevelopment agencies to make the SERAF Payments specified therein to certain indebtedness (which would include a subordination of the Agency’s obligations with respect to the new SERAF Payments to the Agency’s obligation to pay debt service on the Bonds), there is no provision in the 2009 ERAF Legislation subordinating the Penalty Set-Aside Requirement to any indebtedness of a redevelopment agency that fails to timely make the SERAF Payments mandated by the 2009 ERAF Legislation. With respect to the Project Area, the existing Redevelopment Plan requires the Agency to set-aside an amount equal to the Penalty Set-Aside in the low and moderate income housing fund, so in the event the Agency was required to pay the Penalty Set-Aside Requirement, it would not adversely impact current projected debt service coverage on the Bonds.

On October 20, 2009, the CRA, along with two local redevelopment agencies (together, the “Petitioners”), brought suit in Superior Court in Sacramento seeking to invalidate portions of the State legislation that required the SERAF payments from redevelopment agencies, challenging the constitutionality of the 2009 ERAF Legislation and seeking to prevent the State from taking redevelopment funds for non-redevelopment purposes. The case was heard on February 5, 2010 in Sacramento Superior Court. The Court issued a ruling in favor of the State on May 4, 2010. The CRA

filed a Notice of Appeal on May 5, 2010. No assurance can be given that future court action will be successful. [Update prior to posting]

Text of the State Budget may be found at the website of the Department of Finance, www.dof.ca.gov. An impartial analysis of the State Budget is posted by the Office of the Legislative Analyst (the “LAO”) at www.lao.ca.gov. In addition, State 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.

The current budget bill does not resolve the State’s structural budget deficit. Additionally, litigation challenging certain revenue enhancements provided in the current budget has restricted realization of revenue, and could result in future State Budget deficits. On November 18, 2009, the LAO reported that it is currently projecting a deficit for the State budget of approximately \$7 billion in the current fiscal year, and an additional deficit of approximately \$14 billion for next fiscal year. It is anticipated that there will be additional future legislation to addresses this situation. Should such legislation be enacted, Tax Revenues available for payment of the Bonds may, in the future, be substantially reduced, and the Agency’s ability to pay debt service on the Bonds may be impaired.

Local Government Initiative Borrowing. As part of the State Budget for Fiscal Year 2004-05, the Governor and the State Legislature placed Proposition 1A on the November 2004 ballot (the “Local Government Initiative”), which passed on November 2, 2004. The Local Government Initiative amended the State Constitution to, among other things, prohibit the shift of property tax revenues from cities, counties and special district except to address a “severe state financial hardship,” and only then if (x) such amounts were agreed to be repaid with interest within three years, (y) the State had repaid any other borrowed amounts, and (z) such borrowing could not occur more often than twice in ten years. However, the Local Government Initiative does not specifically protect against reallocation of redevelopment agency funds to other uses within a corresponding city or county

Changes in the Law

There can be no assurance that the State electorate will not at some future time adopt initiatives or that the State Legislature will not enact legislation that will amend the Redevelopment Law or other laws or the State Constitution resulting in a reduction of Tax Revenues, which could have an adverse effect on the Agency’s ability to pay debt service on the Bonds. If such initiative or legislation would impair the Agency’s ability to make principal and interest payments on the Bonds, such initiative or legislation may be subject to legal challenge.

Levy and Collection of Property Taxes

The Agency has no independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues, and accordingly, could have an adverse impact on the ability of the Agency to repay on the 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.

The major component of the allocation procedures that impact the Agency’s receipt of Tax Revenues from the Project Area is the County’s current policy of allocating estimated tax increment revenues with offsets for taxable value adjustments, for refunds of taxes as a result of successful assessment appeals, for delinquencies, and for administrative charges.

Tax receipts for the Project Area were reviewed by the Fiscal Consultant in order to analyze collection trends. The Fiscal Consultant's review revealed the collection trends shown below for Fiscal Years 2005-06 through 2008-09 when compared to original levies. The effects on collection percentages of redemption payments received each year are also identified to indicate whether delinquencies in tax payments are being cured on a consistent basis.

PERCENTAGE COLLECTIONS

<u>Fiscal Year</u>	<u>Current Year Collections</u>	<u>Collections Including Redemption Payments</u>
2005-06	97.3%	101.4%
2006-07	95.2	98.0
2007-08	94.0	97.2
2008-09	95.8	101.6
Average Collections	95.58%	99.55%

Source: Fiscal Consultant Report.

The percentage collections shown above represent the revenues paid by taxpayers to the County, not necessarily the revenues realized by the Agency. In Fiscal Year 2005-06, the Agency did not receive all of the Tax Revenues generated in the Project because the indebtedness reported by the Agency as outstanding for the Project was less than the total of revenues generated. By law, the Agency may not be allocated more revenues than indebtedness outstanding. In all subsequent fiscal years the receipts of the Agency equaled the receipts realized by the County.

Reduction in Inflationary Rate

As described in greater detail below, Article XIII A of the State 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 inflation 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 XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation five times: for Fiscal Year 1983-84, 1.01%; for Fiscal Year 1995-96, 1.0119%; for Fiscal Year 1996-97, 1.0111%; for Fiscal Year 1999-2000, 1.0185%; and for Fiscal Year 2004-05, 1.0186%. For purposes of the Fiscal Consultant Report, the Fiscal Consultant assumed that there will be no inflationary growth in real property values between Fiscal Years 2009-10 and 2010-11, that real property values will increase by one percent (1.00%) between Fiscal Years 2010-11 and 2011-12, and that real property values will increase by two percent (2.00%) annually thereafter; however, there can be no assurance that this will be the case. 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. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS—Property Tax Limitations: Article XIII A of the State Constitution."

Natural Disasters; Seismic Risks

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

The Project Area, like most areas in the State, is located in a seismically active region. In January 1994, an earthquake of magnitude 6.8 on the Richter Scale occurred in nearby San Fernando Valley, which caused widespread damage to commercial and residential structures. A significant seismic event could cause substantial real property damage and have an adverse effect on assessed values and Tax Revenues within the Project Area. Such a reduction in the Tax Revenues could have an adverse effect on the Agency's ability to make timely payments of debt service on the Bonds.

Hazardous Substances

An 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 federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well known and widely applicable of these laws but State laws with regard to hazardous substances are also stringent and similar. 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 and/or other amounts.

Secondary Market

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

Loss of Tax Exemption

As discussed under "TAX MATTERS," interest on the Series 2010B Bonds and the Housing Second Lien Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Series 2010B Bonds and the Housing Second Lien Bonds were issued as a result of future acts or omissions of the Agency in violation of its covenants contained in the Trust Agreement. Should such an event of taxability occur, the Series 2010B Bonds and the Housing Second Lien Bonds are not subject to special redemption or any increase in interest rate and may remain Outstanding until maturity.

In addition, future legislative proposals, if enacted into law, clarification of the Code, or court decisions, may cause interest on the Series 2010B Bonds and the Housing Second Lien Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code, or court decisions may also affect the market price for, or marketability of, the Series 2010B Bonds and the Housing Second Lien Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation.

Agency Accounting Deficiencies

As part of its required annual audit procedures, Macias Gini & O'Connell LLP, the Agency's independent auditor (the "Auditor"), also conducted an audit of the Agency's internal financial controls and compliance with other matters, and issued a report thereon (the "Internal Control Audit"). This Internal Control Audit was filed on behalf of the Agency with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access System (referred to as "EMMA").

In the Internal Control Audit, the Auditor identified certain deficiencies in internal controls over financial reporting, some of which it considers to be significant deficiencies. In the Internal Control Audit, the Auditor found the following significant deficiencies: (i) the Agency lacked proper documentation and procedures to justify the amount of other departmental salary expenses that were being charged to the Agency's funds, (ii) the Agency lacked personnel activity reports or equivalent documentation to support the amount of the Agency's personnel costs that were allocated to the Housing Fund, (iii) the Agency lacked documentation evidencing a determination that planning and administrative expenditures were necessary for the production, improvement, or preservation of low- and moderate-income housing, (iv) the Agency was in violation of Health & Safety Code Section 33334.16 in that no physical development on certain property, acquired by the Agency in 1997 with Housing funds, had begun within the required timeframe, and (iv) the Agency was not in compliance with Health & Safety Code Section 33080 in that certain required reports were not submitted within six months after the end of the Agency's fiscal year.

In order to address these deficiencies the Agency adopted Resolution No. 1,778 on March 16, 2010 and Resolution No. [] on May 18, 2010. Resolution No. 1,778 approves the Agency sale of certain property in order to comply with Health & Safety Code Section 33334.16. Resolution No. [] requires the Agency to take other specific actions, and appoints a committee to review all Agency management functions, specifically focusing on curing the deficiencies described above. The committee will meet at least quarterly to provide oversight over audit-related matters, including financial statements and reporting requirements and the Agency's system of internal controls over financial reporting. The oversight Committee shall develop additional policies and procedures as necessary, for adoption by the Agency Board, to help ensure the timely, accurate, and complete compliance with such requirements. Also, to the extent that any proceeds of any Agency bonds are unexpended, the committee will also provide quarterly reports as to the status of projects funded by bond proceeds. The Agency believes that it has addressed certain deficiencies which might otherwise have been cause for a State Controller audit and related sanctions.

LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS

Property Tax Limitations: Article XIII A of the State Constitution

General. On June 6, 1978, California voters approved Proposition 13, which added Article XIII A to the State Constitution ("Article XIII A"). Article XIII A limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to October 1, 1978 and (as a result of an amendment to Article XIII A approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after October 1, 1978 by the voters voting on such indebtedness. Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value,' or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased from year to year by the lesser of the inflationary rate and 2%.

Article XIII A also permits the reduction of the “full cash value” base in the event of declining property values caused by reduction in the consumer price index, damage, destruction or other factors, to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in various other minor or technical ways.

The Agency has no power to levy and collect taxes. Any further reduction in the tax rate or the implementation of any constitutional or legislative property tax de-emphasis will reduce Tax Revenues, and, accordingly, would have an adverse impact on the ability of the Agency to pay debt service on the Bonds.

Implementing Legislation. Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under Article XIII A, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1978.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

In the general elections of 1986, 1988, 1990 and 2000, the voters of the State approved various measures which amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children, do not constitute a “purchase” or “change of ownership” triggering reassessment under Article XIII A. This amendment could reduce property tax revenues and the Tax Revenues of the Agency. Other amendments permitted the Legislature to allow persons over 55 who sell their residence and, on or after November 5, 1986, buy or build another of equal or lesser value within two years in the same county, to transfer the old residence’s assessed value to the new residence, and permitted the Legislature to authorize each county under certain circumstances to adopt an ordinance making such transfers or assessed value applicable to situations in which the replacement dwelling purchased or constructed after November 8, 1988, is located within that county and the original property is located in another county within the State. The County has not adopted the ordinance regarding residences replacing dwellings in other counties.

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

Beginning in Fiscal Year 1981-82, assessors in the State no longer record property values on tax rolls at the assessed value of 25% of market value, which was expressed as \$4.00 per \$100 of assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as \$1.00 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the \$1.00 per \$100 of taxable value.

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

Appropriations Limitations: Article XIII B of the State Constitution

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

Effective November 30, 1980, the State Legislature added Section 33678 to the Redevelopment Law which provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness will not be deemed the receipt by the agency of proceeds of taxes levied by or on behalf of the agency within the meaning of Article XIII B, and such portion of taxes shall not 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.

Articles XIII C and XIII D of the State Constitution

On November 5, 1996, State voters approved Proposition 218, “The Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State 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 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.

Unitary Property

Assembly Bill 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 that 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.

Assembly Bill 454 (Statutes of 1987, Chapter 921) modified Chapter 1457 regarding the distribution of tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provides for the consolidation of all State-assessed property, into a single tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State-assessed property and distribution of property tax revenues derived from State-assessed property to taxing jurisdictions within each county as follows: for revenues generated from the 1% tax rate, each jurisdiction, including redevelopment project areas, will receive a percentage up to 102% of its prior year State-assessed unitary revenue; and if county-wide revenues generated for unitary property are greater than 102% of the previous year’s unitary revenues, each jurisdiction will receive a percentage share of the excess unitary revenue generated from the application of the debt service tax rate to county wide unitary taxable value, further, each jurisdiction will receive a percentage share of revenue based on the

jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes.

The intent of Chapters 1457 and 921 is to provide redevelopment agencies with their appropriate share of revenue generated from the property assessed by the State Board of Equalization. The Project Area's collection of tax increment revenue from such State-assessed property for Fiscal Year 2008-09 was approximately \$403,144. The Agency also estimates the receipt of approximately \$403,144 in unitary taxes in Fiscal Year 2009-10.

Property Tax Collection Procedures

Classifications. In the State, 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 on the unsecured property, but may become a lien on certain other property owned by the taxpayer.

Collections and Distributions. 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 recordation 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.

Current tax payment practices by the County provide for payment to the Agency of Tax Revenues monthly throughout the Fiscal Year, with the majority of Tax Revenues derived from secured property paid to the Agency in mid-December and mid-April, and the majority of Tax Revenues derived from unsecured property paid to the Agency by mid-November. A final reconciliation is made after the close of the Fiscal Year to incorporate all adjustments to previously reported current year taxable values. The difference between the final reconciliation and Tax Revenues previously allocated to the Agency is allocated mid-August.

Penalties. A 10% 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% 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% penalty also applies to the delinquent taxes on property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such delinquent taxes on the unsecured roll 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 becomes 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.

Supplemental Assessments. A Bill enacted in 1983, Senate Bill 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. Previously, statutes enabled the assessment of such changes only as of the next tax lien date following the change and thus delayed the realization of increased property taxes from the new assessments for up to 14 months. As enacted, Chapter 498 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 tax lien date. To the extent such supplemental assessments occur within the Project Area, Tax Revenues may increase or decrease.

Property Tax Administrative Costs

In 1990, the State Legislature enacted Senate Bill 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property taxes to local government jurisdictions on a prorated basis. It has been the practice of most counties, including the County, to reduce an agency's tax increment revenues or bill an agency for its pro rata share of property tax administration costs. The amount charged by the County from Fiscal Year 2008-09 from Tax Revenues for the Project Area for this purpose was, approximately \$288,682 or 1.05% of gross tax revenue. For purposes of estimating the administrative fee for Fiscal Year 2009-10 and subsequent fiscal years, the Fiscal Consultant used 2.00% of then current year Tax Revenues. For additional information on property tax administrative costs, see APPENDIX A – "REPORT OF THE FISCAL CONSULTANT."

Elections Under Health and Safety Code Section 33676

In addition to the Tax Sharing Agreements, under earlier legislation, since repealed, taxing agencies may elect to receive their pro rata share of the tax increments attributable to an annual inflation factor of up to 2% on the base year assessed valuation.

The County has annually deducted amounts from the revenues generated in the 1980 Annex. On remittance advices that the County provides when disbursing funds to the Agency, these deductions are identified as "Annual Inflationary Growth (33401)." Section 33401 of the Redevelopment Law no longer exists, however the section formerly provided for the creation of tax sharing agreements between redevelopment agencies and taxing entities affected by the adoption of redevelopment projects to mitigate the impact of sharing tax revenues.

Neither Agency nor County representatives have been able to produce documentation of the arrangement that allows the County's deduction of payments from the 1980 Annex. The Fiscal Consultant's review of recent years' deductions indicates that the payments were made in amounts that change from year to year in the same manner as payments made pursuant to former Section 33676 of the Redevelopment Law. Such payments are commonly referred to as "2% payments" because they allow a taxing entity to receive payments based on a 2% inflationary increase in the base year assessed value of a redevelopment project under Proposition 13. In order to reflect the County's annual deduction from the 1980 Annex the Fiscal Consultant incorporated estimates of the deduction for the current and future fiscal years of the Project Area based on computations that assume the use of Section 33676 provisions.

Proposition 87 – Exclusion of Tax Revenues for General Obligation Bonds Debt Service

On November 8, 1988, the voters of the State approved Proposition 87 entitled “Property Tax Revenues Redevelopment Agencies,” which amended Article XVI, Section 16 of the State Constitution. Under prior law, a redevelopment agency using tax increment revenue receives additional property tax revenue whenever a local government increases its property tax rate to pay off its general obligation bonds. This initiative amended the State Constitution to allow the State Legislature to prohibit redevelopment agencies from receiving any of the property tax revenue raised by increased property tax rates imposed by local governments to make payments on their bonded indebtedness. The initiative only applies to tax rates levied to finance bonds issued to fund facilities approved by the voters on or after January 1, 1989. The Agency does not receive any Tax Revenues as a result of general obligation bonds which may have been approved on or after January 1, 1989.

Assembly Bill 1290 and Senate Bill 211

AB 1290 was adopted by the Legislature and became law on January 1, 1994. AB 1290 provides for the placement of time limits on the effectiveness of every redevelopment plan, and provides that after ten years (or fifteen years in the case of projects adopted after January 1, 1994) following the termination date of a plan’s effectiveness, no redevelopment agency, subject to certain exceptions, shall pay indebtedness or receive property taxes in connection therewith. AB 1290 expressly states that it shall not be construed to affect the validity of any bond, indebtedness or other obligation authorized prior to January 1, 1994, nor shall it be construed to affect the right of an agency to receive property taxes to pay such indebtedness or other obligation.

Among other amendments to the Law, AB 1290 imposed time limits on existing redevelopment plans for the incurrence of indebtedness, the duration of the plan and the collection of the tax increment revenues. Following the enactment of AB 1290, the redevelopment plan for the Project Area was initially amended to prohibit the incurrence of debt (including debt on a parity with the Bonds) after July 20, 2012. AB 1290 required the Agency to adopt a time limit for the receipt of Tax Revenues, which may not extend more than 50 years from the date of adoption of the redevelopment plan.

In 2001, the State Legislature enacted Senate Bill 211 (“SB 211”), which authorized, among other things, the deletion by ordinance of the legislative body of the AB 1290 limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994.

However, such elimination will trigger statutory tax sharing with those taxing entities that do not have tax sharing agreements, commonly referred to as AB 1290 Payments. Tax sharing will be calculated based on the increase in assessed valuation after the year in which the time limit would have otherwise become effective.

On December 16, 2003, the City Council adopted an ordinance, pursuant to the authorization contained in SB 211, deleting the limit on the Agency’s authority to incur loans, advances and indebtedness with respect to the Project Area for redevelopment plans adopted prior to January 1, 1994. As a result, the Project Area will be providing statutory payments to affected taxing agencies whose jurisdictions include the Project Area and with whom the Agency does not have a tax sharing agreement. AB 1290 payments commenced in Fiscal Year 2005-06 for the Rosecrans portion of the Project Area and for the Walnut Industrial portion (including all annexes). AB 1290 payments from Area A-1 will commence in Fiscal Year 2011-12.

Agencies may request the subordination of the AB 1290 payments to debt secured by a project’s revenue. The request must be made prior to incurring the debt and is to be accompanied by substantial

evidence that anticipated debt service and revenues will still allow the projected payments to the taxing entities to be made. An affected taxing entity may disapprove the agency's request within forty-five days of its receipt only if the entity finds, based upon substantial evidence, that the agency will not be able to pay both debt service and the payment due the taxing entity. Absent such disapproval the subordination is deemed approved. The Agency has not taken actions to subordinate such statutory pass-through payments to the Bonds. Payments on the Bonds and the Senior Obligations are subordinate to such statutory pass-through payments.

Los Angeles Unified School District Lawsuit. In March of 2007, the Los Angeles Unified School District ("LAUSD") filed suit in Superior Court alleging that the County and certain redevelopment agencies and other public entities in the County, including the Agency, have under-allocated the LAUSD's share of AB 1290 payments (discussed above). The suit seeks to have the AB 1290 payments reallocated among the affected taxing entities to include a share of the AB 1290 payments representative of the ERAF, which share, or a substantial portion thereof, would be allocated to LAUSD.

The County prevailed at the Superior Court level on the question of the LAUSD share of the AB 1290 payments, however, that decision has been reversed by an opinion of the appellate court entered January 27, 2010. The appellate court found that "LAUSD's pass-through payments have been based on an erroneous calculation of its percentage share of property taxes."

The lawsuit and the opinion of the appellate court does not affect the total amount of AB 1290 payments that must be paid by the Agency and, therefore, requires no changes in the estimates of Tax Revenues included in the Fiscal Consultant's Report and the related tables herein. Rather, the current opinion would require the reallocation of AB 1290 payments among the entities receiving the payments. Other non-fiscal impacts of the appellate court's opinion could include some uncertainty as to the entities that would be required to subordinate to the Agency's debt service on bonds as allowed by AB 1290, and, whether entities sharing in the funds allocated from the ERAF would become "affected taxing entities" in the adoption or amendment of redevelopment plans. These impacts have no effect with respect to the Bonds as the Agency has not taken actions to subordinate AB 1290 statutory pass-through payments to the Bonds.

On February 10, 2010, the County filed a petition for rehearing by the appellate court and the appellate court, in turn, has requested that LAUSD file an answer to the petition. A hearing has been scheduled in Superior Court on July 23, 2010.

For additional information on AB 1290 and AB 1290 Payments, see APPENDIX A – "REPORT OF THE FISCAL CONSULTANT."

Tax Increment Limitation

Section 33333.2 of the Redevelopment Law requires redevelopment plans adopted on or after October 1, 1976 to contain, among other things, a limitation on the number of dollars of taxes that may be divided and allocated to the redevelopment agency pursuant to the redevelopment plan. Pursuant to the provisions of the Agency's Redevelopment Plan for the Project Area, the maximum amount of tax increment the Agency may receive from the Project Area is established in the amount of \$1.9 billion.

The total amount of tax increment received by the Agency in Fiscal Year 2008-09 is approximately \$26,716,935, including delinquent amounts received for prior fiscal years. The Agency expects to receive approximately \$26,781,000 in additional increment through Fiscal Year 2009-10.

In the event that the Agency reaches its tax increment cap, it would not collect any additional tax increment to pay debt service on the Bonds.

Low and Moderate Income Housing Fund

Chapter 1337, Statutes of 1976, added Sections 33334.2 and 33334.3 to the Health and Safety Code, requiring redevelopment agencies to set-aside 20% of all tax increment allocated to redevelopment project areas adopted after December 31, 1976, into a low and moderate income housing fund. As provided by Section 33334.2, the low and moderate income housing requirement can be reduced or eliminated if a redevelopment agency finds that: (1) no need exists in the community to improve or increase the supply of low and moderate income housing; (2) that some stated percentage less than 20% of the tax increment revenues is sufficient to meet the housing need; or (3) that other substantial or equivalent efforts, including the obligation of funds of equivalent impact from state, local and federal sources for low and moderate income housing are being provided for in the community.

As amended by Assembly Bill 315 (“AB 315”), Section 33334.2 restricts the ability to reduce or eliminate the low and moderate income housing requirement. A community can claim that no need exists, or can claim that less than 20% of tax increment revenue is sufficient, only if that claim is consistent with the housing element of the community’s general plan. As of June 30, 1993, communities may no longer claim an “equivalent effort” exemption except for obligations incurred prior to May 1, 1991, which were entered into with the understanding that the “equivalent effort” exemption would remain intact.

Assembly Bill 265 (“AB 265”) amended Section 33334.3 and added Sections 33334.6 and 33334.7 to extend the requirement for redevelopment agencies to set aside 20% of allocated tax increment revenue into a low and moderate income housing fund to redevelopment project areas adopted prior to January 1, 1977, beginning with Fiscal Year 1985-86 revenues. An agency may make the same findings described above to reduce or eliminate the low and moderate income housing requirement for a “pre-1977” project area.

For pre-1977 project areas, an agency may also reduce its low and moderate income housing deposit requirement in any fiscal year that an agency finds that the reduction is necessary to make payments on “existing obligations,” i.e., indebtedness incurred prior to January 1, 1986 (e.g., the Pre-1986 Bonds), or refundings thereof, and, for fiscal years through 1995-96 only, to fund the orderly and timely completion of “public and private projects, programs or activities” approved by the Agency prior to January 1, 1985. Eligible obligations and programs under AB 265 must be included on a statement of existing obligations and/or a statement of existing programs adopted by September 1, 1986 and describing each such obligation, project, program and activity.

The original Walnut Industrial Park Project, the 1976 Annex and the Rosecrans Project were adopted prior to January 1, 1977, and are therefore subject to the requirements of AB 265. The Agency has adopted statements of existing obligations and programs pursuant to Chapter 1135; and, therefore, the Agency believes that it has taken the necessary actions to subordinate the required annual deposit into the Housing Revenue Fund to debt service on the Pre-1986 Bonds (and bonds issued to refund the Pre-1986 Bonds). The effect of such subordination is as follows: In any Fiscal Year, to the extent that 80% of the Tax Revenues is not enough to pay in full the debt service on the Pre-1986 Bonds (and the portion of the Bonds traceable to the Pre-1986 Bonds), then the Agency may deposit less than the full 20% of the Tax Revenues into the Housing Revenue Fund to the extent necessary to pay the debt service on the Pre-1986 Bonds (and the portion of the Bonds traceable to the Pre-1986 Bonds). The difference between the actual deposit and the full 20% of Tax Revenues that otherwise would have been required to be deposited into the Housing Revenue Fund becomes a deferral with respect to the Housing Revenue Fund. If such a

deferral becomes necessary in any fiscal year, the Agency must adopt a plan to make up such deferred amount in subsequent years. As shown in the tax increment projection tables in APPENDIX A, the Agency does not anticipate a need to defer any portion of Housing Tax Revenues to pay debt service on the Bonds.

Should an eligible agency defer the low and moderate income housing requirement, the amount equal to the difference between the 20% requirement for a given year and the amount deposited that year shall constitute a deficit in the housing fund and an indebtedness of the project area. An agency, per the legislation, is required to adopt a plan to eliminate the cumulative deficit created by such shortfalls in subsequent years.

As a merged redevelopment project, the Project Area is also subject to the provisions of Section 33487 of the Redevelopment Law. Section 33487 requires the set-aside of 20% of tax increment from a merged project area for housing purposes, but makes the set-aside subject to the requirements for compliance with bond resolutions or other agreements existing prior to the merger and pledging taxes from the project areas comprising the merged project. If, as a result of meeting such prior obligations, the set-aside is less than 20% of the project revenue, a deficit is created in the housing trust fund of the merged project area in the amount of the shortfall. Until any such deficit is eliminated, an agency cannot incur any new obligations pledging tax revenues of the merged project area. Because the Project Area is a merged project area, the Agency could defer the set-aside of funds for housing in order to meet obligations existing prior to the merger.

The Agency has, in some earlier Fiscal Years, reduced its deposits to the Housing Revenue Fund based on findings that other funds of the Agency and the City constituted an equivalent effort for the purposes of housing as would result from the set-aside of tax increment. However, since Fiscal Year 1993-94, the Agency has set-aside the full 20% of Tax Revenues for housing purposes and has provided assurances that it will continue to do so. For additional information on low and moderate income housing, see APPENDIX A – “REPORT OF THE FISCAL CONSULTANT.” The Agency did not make a timely deposit of 20% of Tax Revenues to the Housing Fund for Fiscal Year 2007-08. However, the moneys not paid into the Housing Fund were held by the Trustee and were not diverted to non-housing uses. The deposit to the Housing Fund was made in late March 2010 for Fiscal Years 2007-08 and 2008-09.

THE AUTHORITY

The Compton Public Finance Authority (the “Authority”) was created by a Joint Exercise of Powers Agreement (the “JPA Agreement”) dated November 16, 1987, by and between the Agency and the City. The JPA Agreement was entered into pursuant to the provisions of Articles 1 through 4, Chapter 5, Division 7, Title 1 of the California Government Code (the “JPA Law”). The Authority was created to finance the acquisition of public capital improvements and to fund the working capital requirements of the City and the Agency. The Authority is governed by five Board of Directors who are also members of the City Council.

Under the JPA Law, the Authority has the power to purchase bonds issued by a local agency at public or negotiated sale and may sell such bonds to public or private purchasers at a public or negotiated sale. The Bonds are not obligations of the Authority.

THE CITY OF COMPTON

The Project Area is located within the City of Compton. For general information concerning the City of Compton, see APPENDIX B – “THE CITY OF COMPTON.”

THE REDEVELOPMENT AGENCY

General

The Agency was activated in 1967 by an ordinance of the City Council under the provisions of the Redevelopment Law. The Compton Urban Community Development Commission (the “Commission”) was activated in 1975 pursuant to Part 1.7 of Division 24 (Section 34100 et seq.) of the Health and Safety Code, and, pursuant to such law acts as the governing board of the Agency. Members of the City Council sit as the governing board of the Agency.

Eric J. Perrodin, the Mayor of the City, currently serves as Chairperson. The current members of the Council, their offices with the Agency and expirations of their respective terms are as follows:

Name	Title	Term Expires
Eric J. Perrodin	Chairperson	June 30, 2013
Barbara Calhoun	Commissioner	June 30, 2011
Lillie Dobson	Commissioner	June 30, 2013
Yvonne Arceneaux	Commissioner	June 30, 2013
Dr. O. Willie Jones	Commissioner	June 20, 2011

Source: The Agency.

The Director of the Agency, Kofi Sefa-Boakye holds a doctorate degree in Policy, Planning and Development from the University of Southern California. Dr. Sefa-Boakye became Director of the Agency in 2006. Dr. Sefa-Boakye has over twenty years of professional experience in community economic development, urban planning, transportation planning and redevelopment. The Director is a member of the Community Redevelopment Association, International Council of Shopping Centers and a Knight Fellow in Community Building at the University of Miami. The Director’s overall duties include the fiscal and administrative management of the day-to-day operations of the Agency, including personnel and budget preparation responsibilities.

Charles Evans serves as the City Manager and as the Agency’s Executive Secretary

Powers

The Agency is charged with the responsibility of elimination of blight through the process of redevelopment. Currently, all powers of the Agency are vested in its governing body. Pursuant to the Redevelopment Law, the Agency is a separate public body and exercises governmental functions in planning and implementing redevelopment projects.

The Agency may exercise broad governmental functions and authority to accomplish its purposes, including, but not limited to, the right of eminent domain, the right to issue bonds and notes for authorized purposes and to expend their proceeds and the right to acquire, sell, rehabilitate, develop, administer or lease property. The Agency may demolish buildings, clear land and cause to be constructed certain improvements including streets, sidewalks and utilities, and can further prepare for use as a building site any real property which it owns or administers.

The Agency may, from any funds made available to it for such purposes, pay for all or part of the value or the cost of buildings, facilities or other improvements to be publicly owned and operated, provided that such improvements are of benefit to a redevelopment project area and cannot be financed by any other reasonable method. The Agency may not construct or develop buildings, with the exception of

public buildings, and must sell or lease cleared property which it acquires within a redevelopment project area for redevelopment in conformity with a particular redevelopment plan, and may further specify a period within which such redevelopment must begin and be completed.

THE PROJECT AREA

The Redevelopment Plan

Under the Redevelopment Law, every redevelopment agency is required to adopt, by ordinance, a redevelopment plan for each redevelopment project specifically authorized in a redevelopment plan. The Agency adopted its original redevelopment plan in March 9, 1971, and has subsequently amended such plan from time to time (the “Redevelopment Plan”). The overall objective of the Redevelopment Plan is to eliminate blighted conditions in the Project Area by undertaking all appropriate projects pursuant to the Redevelopment Law. While the Redevelopment Plan does not present a specific plan for the redevelopment, rehabilitation and revitalization of any area within the Project Area, the Agency has identified the general goals of the Redevelopment Plan as follows:

- Eliminate and prevent the spread of conditions of blight including vacant land and deteriorating buildings, incompatible and uneconomic land uses, obsolete structures, and other environmental, economic, and social deficiencies in order to create a more favorable environment for shopping, working, and recreation;
- Provide land for needed public facilities;
- Improve public facilities and provide adequate streets, curbs, gutters, street lights, recreational and other needed improvements;
- Stimulate commercial and industrial development and upgrade and enhance commercial buildings and offices, and encourage residential rehabilitation within the Project Area;
- Establish and implement design and use criteria and standards to assure high aesthetic and environmental quality and compatibility, and provide unity and integrity to developments within the Project Area;
- Removal of impediments to land disposition and development through assembly of land into reasonably sized and shaped parcels served by an improved street system and improved public facilities;
- Provide adequate land for parking and improve pedestrian and vehicular circulation in the Project Area;
- Promote the rehabilitation of existing housing stock where appropriate;
- Provide low and moderate income housing as is required to satisfy the needs and desires of the various age and income groups of the community, maximizing the opportunity for individual choice, and meeting the requirements of State law; and
- Develop, preserve and enhance the Project Area to encourage commercial and residential development in the City and to provide employment opportunities.

Description of Project Area

On March 9, 1971, the City Council adopted Ordinance No. 1375 establishing the Rosecrans Redevelopment Project Area No. 1, consisting of the commercial and residential structures and covering approximately 90 acres.

On August 28, 1973, the City Council adopted Ordinance No. 1437 establishing the Walnut Industrial Park Project Area, consisting of approximately 50 acres. The Walnut Industrial Park Project Area has been amended by the City Council by Ordinance No. 1455, adopted July 20, 1974, Ordinance No. 1512, adopted December 1, 1976, Ordinance No. 1583, adopted July 12, 1979 and Ordinance No. 1601, adopted May 13, 1980.

On December 10, 1991 both the Rosecrans Redevelopment Project Area No. 1 and the Walnut Industrial Park Project Area were merged into the Compton Redevelopment Project Area. In addition, the Agency added Area A-1, which consists of an additional 977 acres. The purpose of the merger was to enable the Agency to transfer tax increment revenue among all project areas and to enhance the ability of the Agency to access the financial markets. For additional information on the Project Area, see APPENDIX A – “REPORT OF THE FISCAL CONSULTANT.”

The table below summarizes the additions to the Project Area.

Project Area	Acres	% of Total
Rosecrans Redevelopment Project (1971)	94	4%
Walnut Industrial Park Redevelopment Project (1973)	50	2
Project Amendment (1974)	999	38
Project Amendment (1976)	169	6
Project Amendment (1979)	186	7
Project Amendment (1980)	160	6
Compton Project Merger Amendment (1991)	977	37
TOTAL REDEVELOPMENT ACREAGE	2,635	100%

Source: Fiscal Consultant Report.

The mission of the Agency is to expand and diversify the economic base of the community by eliminating neighborhood blight through assembling land for job-producing and revenue-generating retail, commercial and industrial developments while fostering homeownership opportunities to create a viable and sustainable community that enhances the quality of life for City residents and businesses. The Agency serves as the economic development arm of the City for rebuilding and generating economic vitality in the community.

Under the new Director, the Agency has introduced a Smart Growth Implementation Strategy as the road map for creating pedestrian-friendly neighborhoods with an integrated mix of land uses for retail, office, residential, entertainment, and sports that will set standards and goals for designated sub-areas of the Project Area. The Agency plans to complete at least five of these plans during the next five years.

Using a Smart Growth Implementation Strategy is expected to provide greater control of the redevelopment of these areas by more tightly integrating the City’s planning functions and redevelopment objectives. It is also expected that the process will lead to improvement in project specification and design and greater control over the type of projects permitted, targeted acquisitions and relocations, and

focused land assemblages. Once the plan process is completed, the Agency's ability to attract high value commercial and residential projects will increase, leading to a significant positive impact on the tax base.

Additionally, the Agency desires to maximize the development potential of the two Metro Blue Line light rail transit stops in the City by encouraging transit-oriented development along the rail corridor. This transit asset is an important land development determinant that encourages new developments specifically designed to take advantage of this resource. By creating development opportunities along the rail corridor, the redevelopment process in the downtown area will excel, leading to population growth and a stronger retail sector, and increasing the attraction of the City as an important destination in the Los Angeles area.

In the spirit of the City's goal of "Birthing a New Compton," the Agency is also coordinating the revitalization of the City's historic downtown as a vibrant, pedestrian-oriented center for entertainment, shopping and dining. Several key downtown development projects have emerged to reinforce the Agency's focus on transit-oriented and mixed-use development. The "Willow Walk" mixed-use development, including 124 townhome units, developed by The Olson Company is in the final stages of completion. As of February 1, 2010, approximately ninety townhomes have been sold, and buyers have already moved into the residential development. Directly across from the downtown light rail transit center, the "Willow Walk" development complements the Smart Growth and Downtown Specific Plan objective of transforming the downtown into a pedestrian-friendly City center. Along with the renovation of the MLK Transit Center, the Agency is financing the construction of a new public parking structure, a senior activity center, a community center and a senior housing residential development. In addition, the Alameda Court project, a 28-unit townhome development on Alameda Boulevard at Myrrh Street, expects to have a grand opening in March 2010.

In partnership with Prism Realty Corporation, the Agency unveiled the Gateway Towne Center in 2008, an \$80 million retail shopping outlet constructed at a former Compton Auto Mall. The Gateway Towne Center is home to Target, Best Buy, T.G.I. Friday's restaurant, 24-Hour Fitness and Starbucks Coffee and also has the advantage of close proximity to the 91 Freeway and one of two light rail transit stops in the City. Additionally, the shopping center is located near the Crystal Hotel and Casino, which could generate additional development of entertainment venues.

TAX REVENUES AND ANNUAL DEBT SERVICE FOR THE BONDS

Tax Rates

Property tax rates levied in the Project Area include the 1% tax rate and debt service tax rates, the latter levied by various taxing entities, including the City, to repay voter-approved indebtedness but accruing to the Agency within the Project Area. The Fiscal Year 2009-10 secured tax rate is 1.531274%. The respective override taxing agencies and their override rates are shown on the following table:

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Taxing Agency	Tax Rate
City of Compton	0.451632%
Compton Unified School District	0.062375
Compton Community College District	0.012963
Metropolitan Water District	0.004300
General	1.000000
Total	1.531274%

Source: Fiscal Consultant Report.

The override tax rate levied by the City is allowed under current law and provides revenues to fund the City's annual contributions to a voter approved pension fund for certain City employees. The City has indicated that the tax rate being levied will remain at the current rate for the foreseeable future. See "RISK FACTORS—City Charter-Authorized Levy" and APPENDIX A – "REPORT OF THE FISCAL CONSULTANT."

Those portions of the override tax levied by the School District and by the College District provide funds to cover debt service payments on bonds issued for the purpose of constructing and renovating facilities. Authority for the levy was provided through voter approval of the issuance of bonds. Pursuant to State Constitutional and statutory provisions, the taxes generated by application of these levies to incremental value in a redevelopment project are to be paid to the School District and the College District and not included in tax increment paid to the Agency. The following table shows the deducted portion of the override rate and the applicable tax rate.

	Secured Tax Rate
Full Tax Rate	1.531274%
CUSD Facility Levy	(0.062375)
CCCD	(0.012963)
Net Tax Rate	1.455932%

Source: Fiscal Consultant Report.

For additional information on tax rates, see APPENDIX A – "REPORT OF THE FISCAL CONSULTANT."

Unitary Property Taxes

Unitary property taxes for the Project Area are generated by certain properties of utilities within the County. The tax revenues are allocated among taxing entities and redevelopment projects in the County according to formula. Shown below are annual unitary property tax receipts for the Project Area over the period analyzed from 2005-06 through 2008-09.

HISTORICAL UNITARY PROPERTY TAXES RECEIPTS

2005-06	\$ 370,169
2006-07	372,304
2007-08	391,847
2008-09	403,144

Source: Fiscal Consultant Report.

For more information about unitary property taxes see “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS—Unitary Property” herein and APPENDIX A – “REPORT OF THE FISCAL CONSULTANT.”

Supplemental Property Taxes

The Agency typically receives supplemental revenues on an annual basis. Supplemental property taxes are a function of new construction activity and transfers of ownership occurring in a project area after the March 1 property tax lien date. Shown below are annual supplemental property tax receipts for the Project Area from 2005-06 through 2008-09. For more information about supplemental property taxes see APPENDIX A – “REPORT OF THE FISCAL CONSULTANT.”

SUPPLEMENTAL RECEIPTS

2005-06	\$ 754,528
2006-07	3,181,210
2007-08	918,274
2008-09	848,490

Source: Fiscal Consultant Report.

Assessed Valuations

The assessed valuation of properties located in the Project Area is \$2.3 billion for Fiscal Year 2009-10. This represents an increase of approximately \$34.1 million (or 1.51%) over the value of the Project Area for Fiscal Year 2008-09. Tables 1 and 2 show the historical assessed values and Tax Revenues for Fiscal Years 2005-06 to 2008-09 based upon the County Auditor-Controller’s equalized rolls. Table 3 shows the ten largest assessees located within the Project Area and Table 4 shows the vacancy rates among the ten largest assessees located within the Project Area.

#5.

TABLE 1
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON
COMPTON REDEVELOPMENT PROJECT
Historical Assessed Taxable Value

Fiscal Year	Total Assessed Value⁽¹⁾	Percentage Growth
2005-06	\$1,619,363,423	N/A
2006-07	1,783,935,474	10.16%
2007-08	2,009,911,285	12.67
2008-09	2,263,613,002	12.62
2009-10	2,297,712,683	1.51

Source: Fiscal Consultant Report.

⁽¹⁾ Values are as reported by the Los Angeles Auditor-Controller.

TABLE 2
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON
COMPTON REDEVELOPMENT PROJECT
Historical Incremental Taxable Value And Tax Receipts

Fiscal Year	Historical Incremental Taxable Value	Original Levy	Levy Adjustment	Adjusted Receivable	Historical Receipts⁽¹⁾
2005-06	\$1,169,153,334	\$17,392,361	\$(82,377)	\$17,309,984	\$17,545,461
2006-07	1,333,725,385	19,391,428	1,291,239	20,682,667	20,271,944
2007-08	1,559,701,196	23,067,913	465,365	23,533,277	22,872,615
2008-09	1,813,402,913	25,284,551	1,017,475	26,302,026	26,713,935

Source: Fiscal Consultant Report.

⁽¹⁾ Includes all current taxes and redemption payments collected.

TABLE 3
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON
COMPTON REDEVELOPMENT PROJECT
Ten Major Assesseees for the Fiscal Year 2009-10⁽¹⁾

Rank	Major Assesseees	No. of Assessments	Use	2009-10 Value	% of Project Value
1.	PR I Dominguez Hills	19	Warehouse/Distribution/Parking	\$157,569,612	6.86%
2.	AMB Property LP	27	Lgt. Manufacturing	129,953,549	5.66
3.	Ralphs Grocery Company	11	Food Processing/Unsecured	94,469,781	4.11
4.	South Bay Industrials Co. LLC	12	Lgt. Manufacturing/Office	75,416,011	3.28
5.	Prologis California I LLC	11	Lgt. Manufacturing/ Warehousing	52,258,236	2.27
6.	Prism IQ Partners LLC	11	Shopping Center	45,153,740	1.97
7.	Los Angeles Industrial Park LLC	8	Lgt. Manufacturing/Offices	44,789,217	1.95
8.	CCL Tube Inc.	1	Unsecured	35,813,501	1.56
9.	Inland Empire Realty Holding Co.	7	Warehousing/Parking	27,750,586	1.21
10.	NL Ventures VII Euclid LLC	11	Lgt. Manufacturing/Distribution/ Parking	25,035,000	1.09
TOTAL VALUE MAJOR ASSESSEES				\$ 688,209,233	
TOTAL 2009-10 PROJECT VALUE				\$2,297,712,683	
TOTAL % OF 2009-10 PROJECT VALUE					29.95%
TOTAL % OF 2009-10 INCREMENTAL VALUE					37.25%

Source: Fiscal Consultant Report.

⁽¹⁾ Based on information provided by the County. Includes all secured and unsecured value located within the Project Area attributable to each assessee.

#5.

TABLE 4
TOP TEN ASSESSEE VACANCY RATES
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON
COMPTON REDEVELOPMENT PROJECT
Vacancy Rates for Ten Major Assesseees as of March 2010

		Total Assessments	Vacant SF ⁽¹⁾	Total SF ⁽²⁾	% Vacant
1	PR I Dominguez Hills	19	35,996	1,406,168	2.56%
2	AMB Property LP	27	410,828	2,243,393	18.31
3	Ralphs Grocery Company	11	0	410,330	0.00
4	South Bay Industrials Co. LLC	12	205,760	1,455,781	14.13
5	Prologis California I LLC	11	218,250	1,069,800	20.40
6	Prism IQ Partners LLC	11	13,900	470,000	2.96
7	Los Angeles Industrial Park LLC	8	64,016	386,412	16.57
8	CCL Tube Inc. (Unsecured)				
	Inland Empire Realty Holding				
9	Co.	7	0	299,047	0.00
10	NL Ventures VII Euclid LLC	11	0	336,889	0.00
	Totals	117	948,750	8,077,820	11.75%

Source: The Agency.

⁽¹⁾ Vacant square footages determined from property owner interviews and LoopNet listings.

⁽²⁾ Total square footage obtained from County Assessor records.

Projected Tax Revenues

Table 5 shows a schedule of Tax Revenues for the Project Area for Fiscal Years 2009-10 through 2040-41. Such projections were prepared by the Fiscal Consultant based on certain assumptions, including trends in taxable values, maintenance of the pension fund levy, and assessment appeals which assumptions the Fiscal Consultant and the Agency deem reasonable; however, there can be no assurance that the actual collection of tax increment revenue with respect to the Project Area will not differ significantly from the projections provided herein. See APPENDIX A – “REPORT OF THE FISCAL CONSULTANT.”

TABLE 5
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON
COMPTON REDEVELOPMENT PROJECT
Projected Tax Revenues* (in thousands)

Fiscal Year	Total Assessed Value ⁽¹⁾	Incremental Assessed Value	Gross Tax Revenues ⁽²⁾	County Admin Charge ⁽³⁾	AB1290 Payments to Taxing Entities ⁽⁴⁾	County Tax Sharing Agreement ⁽⁵⁾	Net Tax Revenues ⁽⁶⁾	Housing Tax Revenues ⁽⁷⁾	Discretionary Tax Revenues
2009-10	\$ 2,261,978	\$ 1,811,768	\$ 26,781	\$ 536	\$ 1,189	\$ 81	\$ 24,607	\$ 5,249	19,358
2010-11	2,261,978	1,811,768	26,703	534	1,179	81	24,909	5,234	19,675
2011-12	2,282,548	1,832,338	27,002	540	1,233	83	25,146	5,292	19,854
2012-13	2,324,101	1,873,891	27,605	552	1,342	87	25,624	5,411	20,214
2013-14	2,366,485	1,916,274	28,220	564	1,454	90	26,112	5,531	20,581
2014-15	2,409,716	1,959,506	28,848	577	1,567	94	26,609	5,654	20,955
2015-16	2,453,812	2,003,602	29,488	590	1,750	98	27,050	5,780	21,271
2016-17	2,498,790	2,048,580	30,141	603	1,935	102	27,500	5,908	21,593
2017-18	2,544,667	2,094,457	30,807	616	2,125	107	27,959	6,038	21,921
2018-19	2,591,462	2,141,252	31,486	630	2,318	111	28,427	6,171	22,256
2019-20	2,639,193	2,188,983	32,179	644	2,515	115	28,905	6,307	22,598
2020-21	2,687,879	2,237,668	32,886	658	2,717	120	29,392	6,446	22,946
2021-22	2,737,538	2,287,328	33,607	672	2,957	124	29,854	6,587	23,267
2022-23	2,788,190	2,337,980	34,342	687	3,202	129	30,325	6,731	23,594
2023-24 ⁽⁸⁾	2,839,856	2,389,645	35,092	702	3,452	134	30,805	6,878	23,927
2024-25	2,804,239	2,358,844	34,643	693	3,554	138	30,257	6,790	23,467
2025-26 ⁽⁸⁾	2,856,232	2,410,836	35,398	708	3,805	143	30,741	6,938	23,804
2026-27	1,593,380	1,309,616	19,139	383	1,716	148	16,892	3,751	13,141
2027-28	1,623,457	1,339,693	19,575	392	1,848	153	17,182	3,837	13,346
2028-29	1,654,135	1,370,371	20,021	400	1,983	159	17,479	3,924	13,555
2029-30 ⁽⁸⁾	1,685,427	1,401,663	20,475	409	2,121	164	17,781	4,013	13,768
2030-31	1,511,414	1,253,535	18,276	366	1,814	169	15,927	3,582	12,345
2031-32	1,539,986	1,282,106	18,690	374	1,936	175	16,206	3,663	12,543
2032-33 ⁽⁸⁾	1,569,129	1,311,249	19,113	382	2,060	180	16,491	3,746	12,744
2033-34	995,392	756,582	10,986	220	1,482	-	9,284	2,153	7,131
2034-35	1,013,948	775,138	11,256	225	1,581	-	9,449	2,206	7,243
2035-36	1,032,875	794,066	11,530	231	1,682	-	9,617	2,260	7,358
2036-37	1,052,181	813,371	11,811	236	1,785	-	9,789	2,315	7,474
2037-38	1,071,873	833,063	12,097	242	1,891	-	9,964	2,371	7,593
2038-39	1,091,958	853,149	12,388	248	1,998	-	10,142	2,428	7,714
2039-40	1,112,445	873,636	12,685	254	2,107	-	10,324	2,486	7,838
2040-41	1,133,343	894,533	12,989	260	2,219	-	10,510	2,546	7,964
2041-42 ⁽⁸⁾	1,154,658	915,848	13,298	266	2,368	-	10,665	2,606	8,058
TOTALS			\$769,557	\$15,391	\$68,884	\$2,986	\$681,928	\$150,833	\$51,094

Source: Fiscal Consultant Report.

* The deadlines for the receipt of Tax Revenues include effect of ordinances per SB 1045 and SB 1096, as applicable.

⁽¹⁾ Real property value in the Project Area is not assumed to grow from Fiscal Year 2009-10 to Fiscal Year 2010-11. Real property value is expected to grow at 1.00% from Fiscal Year 2010-11 to Fiscal Year 2011-12 and at 2.00% thereafter. The 2009-10 total assessed value is reduced by approximately \$35.7 million to reflect actual and expected assessment appeals impact.

⁽²⁾ Gross Tax Revenues includes the reported 2008-09 Unitary Revenue amount of \$403,144.

⁽³⁾ The property tax administrative charge is based on 2.00% of Gross Tax Revenues and Unitary Revenue.

⁽⁴⁾ Because the Project Area was amended in to remove the limit on debt establishment, AB 1290 Payments commenced in Fiscal Year 2005-06 for the Walnut Industrial Park and Rosecrans Project Sub Areas, and commence in Fiscal Year 2011-012 for the Area A-1. These payments are only for taxing entities that do not have existing Tax Sharing Agreements.

⁽⁵⁾ Computed assuming the provisions of former Section 33676 of the Redevelopment Law.

⁽⁶⁾ Net Tax Revenues has been adjusted for resolved and pending assessment appeals. Refunds are approximately \$147,000 and \$221,000, respectively.

⁽⁷⁾ Housing Tax Revenues computed as 20% of Tax Revenues less the County administrative charge.

⁽⁸⁾ The time limit for Rosecrans to receive tax increment to repay indebtedness is March 9, 2024. The time limit for Walnut Industrial Park to receive tax increment to repay indebtedness is August 28, 2026. The time limit for Walnut Industrial Park Project Amendment 1976 to receive tax increment to repay indebtedness is December 1, 2029. The time limit for Walnut Industrial Park Project Amendment 1980 to receive tax increment to repay indebtedness is May 13, 2033. The time limit for Area A-1 to receive tax increment to repay indebtedness is March 19, 2042.

Outstanding Indebtedness of the Agency

Certification of Agency Indebtedness. A significant provision of the Redevelopment Law, Section 33675, was added by the State Legislature in 1976, providing for the filing not later than October 1 of each year with the county auditor of a statement of indebtedness certified by the chief fiscal officer of the agency for each redevelopment project that receives tax increment. The statement of indebtedness is required to contain the date on which any bonds or other indebtedness were delivered, the principal amount, term, purpose and interest rate of bonds and the outstanding balance and amount due on bonds. Similar information must be given for each loan, advance or indebtedness that the agency has incurred or entered into to be payable from tax increment. The Agency has complied with the requirements of Section 33675 each year since its effective date, although the Auditor was unable to reconcile the Agency's statement of indebtedness with the Agency's financial records for Fiscal Years 2007-08 and 2008-09. The Auditor was unable to find support for a lease payment due to the City from the Agency and stated that changes in indebtedness reported in the reconciliation statement section of the statement of indebtedness did not agree with the Agency's financial records. However, since the lease is no longer valid and lease payment are no longer due to the City from the Agency, this lease payment will not be included in future Agency statements of indebtedness.

Section 33675 also provides that the county auditor is limited in payment of tax increment to the agency to the amounts shown on the agency's statement of indebtedness. The section further provides that the statement of indebtedness is prima facie evidence of the indebtedness of the agency, but that the county auditor may dispute the amount of indebtedness shown on the statement in certain cases. Provision is made for time limits under which the dispute can be made by the county auditor as well as provisions for determination by the Superior Court in a declaratory relief action of the property disposition of the matter. The issue in any such action must involve only the amount of the indebtedness and not the validity of any contract or debt instrument, or any expenditures pursuant thereto. An exception is made for payments to a public to public agency in connection with payments by such public agency pursuant to a bond issue which shall not be disputed in any action under Section 33675.

Bonded Indebtedness. Other than the Senior Obligations, the Agency has incurred no other bonded indebtedness. Pursuant to the Trust Agreement, the Agency has covenanted not to issue any additional Senior Obligations.

Loans and Other Indebtedness. Pursuant to Agency Resolution 1,773, the Agency approved an advance made by the City to the Agency in the amount of \$5,000,000 (the "City Advance"). The City advanced \$5,000,000 to the Agency to enable the Agency to provide a loan to a developer pursuant to a loan agreement between the developer and the Agency. Pursuant to the Resolution, the Agency agreed to repay the City Advance by June 30, 2010 from all legally available revenues, including tax increment revenues derived from the Project Area. The Agency expects to borrow funds from the Housing Fund to repay approximately \$2.6 million currently outstanding on the City Advance.

Other than the City Advance and the Deferral Amount due under the County Tax Sharing Agreement, the Agency has no other loans outstanding with any other entity. However, as of June 30, 2009, the amount of Tax Revenues that have not been spent on Mutually Beneficial Projects, and which may be payable to the School District, was \$1,676,476. See Note 7 of APPENDIX C – "AGENCY'S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2008-09."

Future Financings. The Agency anticipates issuing indebtedness to finance redevelopment projects and to fulfill its obligations to increase, improve and/or preserve the community's supply of low and moderate income housing. If issued, the payment of debt service on such indebtedness would be on a

parity with or subordinate to the payment of debt service on the Housing Second Lien Bonds and the Project Second Lien Bonds.

ESTIMATED ANNUAL DEBT SERVICE AND PROJECTED DEBT SERVICE COVERAGE RATIOS

The following tables show estimated annual debt service and projected debt service coverage with respect to the Bonds. The debt service coverages shown on Table 8 and Table 9 are derived from projections of available tax increment prepared by the Agency, the Fiscal Consultant and the Underwriter. While the Agency, in conjunction with the Fiscal Consultant and the Underwriter, has based these projections on assumptions it deems reasonable, there can be no assurance that the actual collection of tax increment by the Agency with respect to the Project Area will not differ significantly from the projections provided herein. Assumptions made by the Fiscal Consultant and the Agency in preparing such projections include, but are not limited to, an increase in assessed value each year based on an assumed 2.0% annual inflation factor as detailed in APPENDIX A – “REPORT OF THE FISCAL CONSULTANT.” See also “RISK FACTORS—Assessment Appeals and Reductions to Assessed Values.”

#5.

TABLE 6
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON
COMPTON REDEVELOPMENT PROJECT
Estimated Debt Service Schedule for the
Housing Second Lien Bonds

Bond Year Ending August 1	Principal	Interest	Annual Debt Service
2010	\$ -	\$ 541,631	\$ 541,631
2011	550,000	1,839,500	2,389,500
2012	585,000	1,803,750	2,388,750
2013	625,000	1,765,725	2,390,725
2014	890,000	1,725,100	2,615,100
2015	945,000	1,667,250	2,612,250
2016	1,010,000	1,605,825	2,615,825
2017	1,075,000	1,540,175	2,615,175
2018	1,145,000	1,470,300	2,615,300
2019	1,220,000	1,395,875	2,615,875
2020	1,300,000	1,316,575	2,616,575
2021	1,380,000	1,232,075	2,612,075
2022	1,470,000	1,142,375	2,612,375
2023	1,565,000	1,046,825	2,611,825
2024	1,670,000	945,100	2,615,100
2025	1,690,000	836,550	2,526,550
2026	1,800,000	726,700	2,526,700
2027	695,000	609,700	1,304,700
2028	745,000	564,525	1,309,525
2029	790,000	516,100	1,306,100
2030	840,000	464,750	1,304,750
2031	725,000	410,150	1,135,150
2032	775,000	363,025	1,138,025
2033	825,000	312,650	1,137,650
2034	340,000	259,025	599,025
2035	360,000	236,925	596,925
2036	385,000	213,525	598,525
2037	410,000	188,500	598,500
2038	435,000	161,850	596,850
2039	465,000	133,575	598,575
2040	495,000	103,350	598,350
2041	530,000	71,175	601,175
2042	565,000	36,725	601,725
Total	\$ 28,300,000	\$ 27,246,881	\$ 55,546,881

Source: Grigsby & Associates, Inc.

TABLE 7
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON
COMPTON REDEVELOPMENT PROJECT
Estimated Debt Service Schedule for the
Project Second Lien Bonds

Bond Year Ending August 1	Principal	Interest	Annual Debt Service
2010	\$ -	\$ 1,501,417	\$ 1,501,417
2011	-	4,504,250	4,504,250
2012	-	4,504,250	4,504,250
2013	-	4,504,250	4,504,250
2014	1,675,000	4,504,250	6,179,250
2015	1,810,000	4,370,250	6,180,250
2016	1,955,000	4,225,450	6,180,450
2017	2,110,000	4,069,050	6,179,050
2018	2,280,000	3,900,250	6,180,250
2019	2,460,000	3,717,850	6,177,850
2020	2,655,000	3,521,050	6,176,050
2021	2,870,000	3,308,650	6,178,650
2022	310,000	3,079,050	3,389,050
2023	335,000	3,058,900	3,393,900
2024	355,000	3,037,125	3,392,125
2025	5,865,000	3,014,050	8,879,050
2026	6,250,000	2,632,825	8,882,825
2027	2,480,000	2,226,575	4,706,575
2028	2,640,000	2,065,375	4,705,375
2029	2,815,000	1,893,775	4,708,775
2030	2,995,000	1,710,800	4,705,800
2031	2,615,000	1,516,125	4,131,125
2032	2,785,000	1,346,150	4,131,150
2033	2,965,000	1,165,125	4,130,125
2034	1,275,000	972,400	2,247,400
2035	1,360,000	889,525	2,249,525
2036	1,445,000	801,125	2,246,125
2037	1,540,000	707,200	2,247,200
2038	1,640,000	607,100	2,247,100
2039	1,750,000	500,500	2,250,500
2040	1,860,000	386,750	2,246,750
2041	1,980,000	265,850	2,245,850
2042	2,110,000	137,150	2,247,150
Total	\$ 65,185,000	\$ 78,644,442	\$ 143,829,442

Source: Grigsby & Associates, Inc.

TABLE 8
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON
COMPTON REDEVELOPMENT PROJECT
Projected Debt Service Coverage for the
Housing Second Lien Bonds

Fiscal Year	Available Housing Tax Revenues⁽¹⁾	Senior Obligation Debt Service⁽²⁾	Housing Second Lien Bonds Debt Service	Total Housing Bonds Debt Service	Net Available Housing Tax Revenues	Housing Bonds Debt Service Coverage
2010	\$ 5,249,125	\$ 444,263	\$ 541,631	\$ 985,893	\$ 4,263,232	5.32
2011	5,233,855	445,250	2,389,500	2,834,750	2,399,105	1.85
2012	5,292,383	446,025	2,388,750	2,834,775	2,457,608	1.87
2013	5,410,608	447,300	2,390,725	2,838,025	2,572,583	1.91
2014	5,531,198	—	2,615,100	2,615,100	2,916,098	2.12
2015	5,654,200	—	2,612,250	2,612,250	3,041,950	2.16
2016	5,779,661	—	2,615,825	2,615,825	3,163,836	2.21
2017	5,907,632	—	2,615,175	2,615,175	3,292,457	2.26
2018	6,038,163	—	2,615,300	2,615,300	3,422,863	2.31
2019	6,171,304	—	2,615,875	2,615,875	3,555,429	2.36
2020	6,307,108	—	2,616,575	2,616,575	3,690,533	2.41
2021	6,445,628	—	2,612,075	2,612,075	3,833,553	2.47
2022	6,586,918	—	2,612,375	2,612,375	3,974,543	2.52
2023	6,731,034	—	2,611,825	2,611,825	4,119,209	2.58
2024	6,878,033	—	2,615,100	2,615,100	4,262,933	2.63
2025	6,790,016	—	2,526,550	2,526,550	4,263,466	2.69
2026	6,937,946	—	2,526,700	2,526,700	4,411,246	2.75
2027	3,751,164	—	1,304,700	1,304,700	2,446,464	2.88
2028	3,836,738	—	1,309,525	1,309,525	2,527,213	2.93
2029	3,924,024	—	1,306,100	1,306,100	2,617,924	3.00
2030	4,013,055	—	1,304,750	1,304,750	2,708,305	3.08
2031	3,582,001	—	1,135,150	1,135,150	2,446,851	3.16
2032	3,663,293	—	1,138,025	1,138,025	2,525,268	3.22
2033	3,746,211	—	1,137,650	1,137,650	2,608,561	3.29
2034	2,153,317	—	599,025	599,025	1,554,292	3.59
2035	2,206,113	—	596,925	596,925	1,609,188	3.70
2036	2,259,964	—	598,525	598,525	1,661,439	3.78
2037	2,314,893	—	598,500	598,500	1,716,393	3.87
2038	2,370,920	—	596,850	596,850	1,774,070	3.97
2039	2,428,067	—	598,575	598,575	1,829,492	4.06
2040	2,486,358	—	598,350	598,350	1,888,008	4.16
2041	2,545,814	—	601,175	601,175	1,944,639	4.23
2042	2,606,459	—	601,725	601,725	2,004,734	4.33
Total		\$1,782,838	\$55,546,881	\$57,329,718	\$93,503,481	

Source: Grigsby & Associates, Inc.

⁽¹⁾ The source for this column is the Fiscal Consultant Report. Assumptions made by the Fiscal Consultant and the Agency in preparing such projections include, but are not limited to, no increase in assessed value from Fiscal Year 2009-10 to Fiscal Year 2010-11, an increase in assessed value from Fiscal Year 2010-11 to Fiscal Year 2011-12 year based on an assumed 1.00% annual inflation factor, and an increase in assessed value from Fiscal Year 2011-12 to Fiscal Year 2041-2042 based on an assumed 2.00% annual inflation factor. There can be no assurance that the actual collection of tax increment by the Agency with respect to the Project Area will not differ significantly from the projections provided herein.

⁽²⁾ A portion of the Senior Obligations are payable with Housing Tax Revenues pursuant to the Trust Agreement through Fiscal Year 2012-13.

TABLE 9
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON
COMPTON REDEVELOPMENT PROJECT
Projected Debt Service Coverage for the
Project Second Lien Bonds

Fiscal Year	Available Project Tax Revenues^{(1) (2)}	Senior Obligation Debt Service	Project Second Lien Bonds Debt Service	Total Project Bond Debt Service	Net Available Project Tax Revenues	Project Bonds Debt Service Coverage
2010	\$19,802,486	\$8,885,250	\$1,501,417	\$10,386,667	\$9,415,819	1.91
2011	20,120,680	8,905,000	4,504,250	13,409,250	6,711,430	1.50
2012	20,299,627	8,920,500	4,504,250	13,424,750	6,874,877	1.51
2013	20,660,809	8,946,000	4,504,250	13,450,250	7,210,559	1.54
2014	20,580,614	5,800,000	6,179,250	11,979,250	8,601,364	1.72
2015	20,955,062	5,800,000	6,180,250	11,980,250	8,974,812	1.75
2016	21,270,713	5,800,000	6,180,450	11,980,450	9,290,263	1.78
2017	21,592,676	5,800,000	6,179,050	11,979,050	9,613,626	1.80
2018	21,921,079	5,800,000	6,180,250	11,980,250	9,940,829	1.83
2019	22,256,050	5,800,000	6,177,850	11,977,850	10,278,200	1.86
2020	22,597,721	5,800,000	6,176,050	11,976,050	10,621,671	1.89
2021	22,946,225	5,800,000	6,178,650	11,978,650	10,967,575	1.92
2022	23,266,717	5,800,000	3,389,050	9,189,050	14,077,667	2.53
2023	23,593,618	5,800,000	3,393,900	9,193,900	14,399,718	2.57
2024	23,927,058	5,800,000	3,392,125	9,192,125	14,734,933	2.60
2025	23,467,263	—	8,879,050	8,879,050	14,588,213	2.64
2026	23,803,545	—	8,882,825	8,882,825	14,920,720	2.68
2027	13,140,864	—	4,706,575	4,706,575	8,434,289	2.79
2028	13,345,701	—	4,705,375	4,705,375	8,640,326	2.84
2029	13,554,635	—	4,708,775	4,708,775	8,845,860	2.88
2030	13,767,747	—	4,705,800	4,705,800	9,061,947	2.93
2031	12,345,121	—	4,131,125	4,131,125	8,213,996	2.99
2032	12,542,783	—	4,131,150	4,131,150	8,411,633	3.04
2033	12,744,399	—	4,130,125	4,130,125	8,614,274	3.09
2034	7,131,176	—	2,247,400	2,247,400	4,883,776	3.17
2035	7,243,232	—	2,249,525	2,249,525	4,993,707	3.22
2036	7,357,529	—	2,246,125	2,246,125	5,111,404	3.28
2037	7,474,111	—	2,247,200	2,247,200	5,226,911	3.33
2038	7,593,026	—	2,247,100	2,247,100	5,345,926	3.38
2039	7,714,319	—	2,250,500	2,250,500	5,463,819	3.43
2040	7,838,037	—	2,246,750	2,246,750	5,591,287	3.49
2041	7,964,230	—	2,245,850	2,245,850	5,718,380	3.55
2042	8,058,292	—	2,247,150	2,247,150	5,811,142	3.59
Total	\$532,877,144	\$99,456,750	\$143,829,442	\$243,286,192	\$289,590,952	

Source: Grigsby & Associates, Inc.

⁽¹⁾ The source for this column is the Fiscal Consultant Report. Assumptions made by the Fiscal Consultant and the Agency in preparing such projections include, but are not limited to, no increase in assessed value from Fiscal Year 2009-10 to Fiscal Year 2010-11, an increase in assessed value from Fiscal Year 2010-11 to Fiscal Year 2011-12 year based on an assumed 1.00% annual inflation factor, and an increase in assessed value from Fiscal Year 2011-12 to Fiscal Year 2041-2042 based on an assumed 2.00% annual inflation factor. There can be no assurance that the actual collection of tax increment by the Agency with respect to the Project Area will not differ significantly from the projections provided herein.

⁽²⁾ A portion of the Senior Obligations are payable with Housing Tax Revenues pursuant to the Trust Agreement through Fiscal Year 2012-13. The available Housing Tax Revenues are included in this column.

TAX MATTERS

Housing Second Lien Bonds (Series 2010A Bonds) and Series 2010B Bonds

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements which must be met subsequent to the issuance and delivery of the Housing Second Lien Bonds and the Series 2010B Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause interest on the Housing Second Lien Bonds and the Series 2010B Bonds to be included in gross income for Federal income tax purposes retroactive to their date of issue. These requirements include, but are not limited to, provisions which limit how the proceeds of the Housing Second Lien Bonds and the Series 2010B Bonds may be spent and invested, and generally require that certain investment earnings be rebated on a periodic basis to the United States of America. The Agency has made certifications and representations and has covenanted to maintain the exclusion of the interest on the Housing Second Lien Bonds and the Series 2010B Bonds from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code.

In the opinion of Richards, Watson & Gershon, A Professional Corporation, Bond Counsel, under existing law and assuming the accuracy of such certifications and representations by the Agency and compliance with such covenants, (i) interest on the Housing Second Lien Bonds and the Series 2010B Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code, and (ii) the Housing Second Lien Bonds and the Series 2010B Bonds are not “specified private activity bonds” within the meaning of Section 57(a)(5) of the Code and, therefore, interest on the Housing Second Lien Bonds and the Series 2010B Bonds is not a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code. Bond Counsel is also of the opinion that interest on the Housing Second Lien Bonds and the Series 2010B Bonds is exempt from State of California personal income taxes.

Although a portion of the interest on certain tax-exempt obligations earned by certain corporations may be included in the calculation of adjusted current earnings for purposes of the federal corporate alternative minimum tax, interest on certain tax-exempt obligations issued in 2009 and 2010, including the Housing Second Lien Bonds and the Series 2010B Bonds, is excluded from that calculation. Interest on the Housing Second Lien Bonds and the Series 2010B Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. The exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals eligible for the earned income tax credit. Bond Counsel will express no opinion regarding these and other such consequences.

Bond Counsel has not undertaken to advise in the future whether any circumstances or events occurring after the date of issuance of the Housing Second Lien Bonds and the Series 2010B Bonds may affect the tax status of interest on the Housing Second Lien Bonds and the Series 2010B Bonds. No assurance can be given that future legislation, or amendments to the Code, if enacted into law, will not contain provisions which could eliminate, or directly or indirectly reduce the benefit of the exclusion of interest on the Housing Second Lien Bonds and the Series 2010B Bonds from gross income for Federal income tax purposes. Certain requirements and procedures contained or referred to in relevant documents 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 nationally recognized bond counsel. Bond Counsel expresses no opinion as to any Housing Second Lien Bond or

Series 2010B Bond, or the interest thereon, if any such change occurs or action is taken upon the advice or approval of bond counsel other than Richards, Watson & Gershon, A Professional Corporation.

If the issue price of a Housing Second Lien Bond or Series 2010B Bond (the first price at which a substantial amount of the bonds of a maturity are to be sold to the public) is less than the stated redemption price at maturity of such Housing Second Lien Bond or Series 2010B Bond, the difference constitutes original issue discount, the accrual of which is excluded from gross income for Federal income tax purposes to the same extent as interest on the Housing Second Lien Bonds and the Series 2010B Bonds. Further, such original issue discount accrues actuarially on a constant yield method over the term of each such Housing Second Lien Bond or Series 2010B Bond and the basis of each Housing Second Lien Bond or Series 2010B Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Housing Second Lien Bonds or Series 2010B Bonds. Purchasers who acquire Housing Second Lien Bonds and Series 2010B Bonds with original issue discount are advised that they should consult with their own independent tax advisors with respect to the state and local tax consequences of owning such Housing Second Lien Bonds and Series 2010B Bonds.

If the issue price of a Housing Second Lien Bond or Series 2010B Bond is greater than the stated redemption price at maturity of such Housing Second Lien Bond or Series 2010B Bond, the difference constitutes original issue premium, the amortization of which is not deductible from gross income for Federal income tax purposes. Original issue premium is amortized over the period to maturity of such Housing Second Lien Bond or Series 2010B Bond based on the yield to maturity of that Bond (or, in the case of a Housing Second Lien Bond or Series 2010B Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Bond), compounded semiannually. For purposes of determining gain or loss on the sale or other disposition of such Housing Second Lien Bond or Series 2010B Bond, the purchaser is required to decrease such purchaser's adjusted basis in such Housing Second Lien Bond or Series 2010B Bond by the amount of premium that has amortized to the date of such sale or other disposition.

Payments of interest on tax-exempt obligations, including the Housing Second Lien Bonds and Series 2010B Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If an owner of a Housing Second Lien Bond or a Series 2010B Bond is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Prospective purchasers of the Housing Second Lien Bonds and the Series 2010B Bonds should consult their own independent tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Housing Second Lien Bonds and the Series 2010B Bonds at other than their original issuance at the respective prices indicated on the cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

The Internal Revenue Service has established a program to audit issues of tax-exempt bonds in order to determine whether, in its view, interest should instead be included in gross income of the Bondholders for purposes of federal income taxation. It cannot be predicted whether or not the Housing Second Lien Bonds and the Series 2010B Bonds will be subjected to such an audit. If such an audit is undertaken, it could adversely affect the market value of the Housing Second Lien Bonds and the Series 2010B Bonds until the audit is concluded, regardless of the ultimate outcome of the audit.

Series 2010C Bonds

INTEREST ON THE SERIES 2010C BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. Bond Counsel expresses no opinion as to any other tax consequences regarding the Series 2010C Bonds.

THE LEGAL DEFEASANCE OF THE SERIES 2010C BONDS MAY RESULT IN A DEEMED SALE OR EXCHANGE OF THE SERIES 2010C BONDS UNDER CERTAIN CIRCUMSTANCES; OWNERS OF THE SERIES 2010C BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE FEDERAL INCOME TAX CONSEQUENCES OF SUCH AN EVENT. PROSPECTIVE PURCHASERS OF THE SERIES 2010C BONDS SHOULD ALSO CONSULT WITH THEIR OWN TAX ADVISORS AS TO THE FEDERAL, STATE AND LOCAL, AND FOREIGN TAX CONSEQUENCES OF THEIR ACQUISITION, OWNERSHIP AND DISPOSITION OF THE SERIES 2010C BONDS. If a beneficial owner of a Series 2010C Bond fails to provide its taxpayer identification number or fails to report all interest on its federal income tax returns, payments of principal and interest made on the Series 2010C Bond will be subject to backup withholding. Beneficial owners of the Series 2010C Bonds should consult their tax advisors with respect to this and other tax consequences of ownership of the Series 2010C Bonds.

In the opinion of Bond Counsel, interest on the Series 2010C Bonds is excluded from personal income taxation by the State of California.

The following discussion is generally limited to “U.S. owners,” meaning beneficial owners of Series 2010C Bonds that for United States federal income tax purposes are individual citizens or residents of the United States, corporations or other entities taxable as corporations created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), and certain estates or trusts with specific connections to the United States. ***Partnerships holding Series 2010C Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2010C Bonds (including their status as U.S. owners).***

Certain of the Series 2010C Bonds (Discount Bonds) may be offered and sold to the public at an original issue discount (OID). OID is the excess of the stated redemption price at maturity (the principal amount) over the “issue price” of such Bonds, provided that excess equals or exceeds a statutory *de minimis* amount (one-quarter of one percent of the Bond’s stated redemption price at maturity multiplied by the number of complete years to its maturity). The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity are sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the time a U.S. owner owns a Discount Bond (i) constitutes interest includable in the U.S. owner's gross income for federal income tax purposes and (ii) is added to the U.S. owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale, or other disposition of the Discount Bond. The effect of OID is to accelerate the recognition of taxable income during the term of the Discount Bond.

Certain of the Series 2010C Bonds (Premium Bonds) may be offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. If a U.S. owner purchases a Premium Bond, that owner will be considered to have purchased such a Premium Bond with

“amortizable bond premium” equal in amount to such excess. The U.S. owner may elect, in accordance with the applicable provisions of Section 171 of the Code, to amortize that premium as an offset to the interest payments on the Premium Bond using a constant yield to maturity method over the remaining term of the Premium Bond (or, if required by applicable Treasury Regulations, to an earlier call date). Pursuant to Section 67(b)(11) of the Code, the amortization of that premium is not considered a miscellaneous itemized deduction. Any amortization of bond premium will reduce the basis of the Premium Bond pursuant to Section 1016(a)(5) of the Code.

Owners of Discount or Premium Bonds (or book entry interests in them) should consult their own tax advisers as to the determination for federal tax purposes of the amount of OID or amortizable bond premium properly accruable in any period with respect to the Discount or Premium Bonds and as to other federal tax consequences and the treatment of OID and amortizable bond premium for purposes of state or local taxes on (or based on) income.

General information reporting requirements will apply to payments of principal and interest made on Series 2010C Bonds and the proceeds of the sale of Series 2010C Bonds to non-corporate owners, and “backup withholding” at a rate of 28% will apply to such payments if the owner fails to provide an accurate taxpayer identification number in the manner required or fails to report all interest required to be shown on its federal income tax returns. A beneficial owner of Series 2010C Bonds that is a U.S. owner can obtain complete exemption from backup withholding by providing a properly completed IRS Form W-9 (Request for Taxpayer Identification Number and Certification).

Under the Code, interest and OID on any Series 2010C Bonds whose beneficial owner is a nonresident alien, foreign corporation or other non-United States person (Nonresident) are generally not subject to United States income tax or withholding tax (including backup withholding) if the Nonresident provides the payor of interest on the Series 2010C Bonds with an appropriate statement as to its status as a Nonresident. This statement can be made on IRS Form W-8BEN or a successor form. If, however, the Nonresident conducts a trade or business in the United States and the interest or OID on the Series 2010C Bond held by the Nonresident is effectively connected with such trade or business, that interest or OID will be subject to United States income tax but will generally not be subject to United States withholding tax (including backup withholding).

A copy of the proposed forms of opinions of Bond Counsel are attached hereto as Appendix F.

Non-U.S. Owners

Under the Code, interest and OID on any Series 2010C Bond whose beneficial owner is not a U.S. owner are generally not subject to United States income tax or withholding tax (including backup withholding) if the non-U.S. owner provides the payor of interest on the Series 2010C Bonds with an appropriate statement as to its status as a non-U.S. owner. This statement can be made on IRS Form W-8BEN or a successor form. If, however, the non-U.S. owner conducts a trade or business in the United States and the interest or OID on the Series 2010C Bonds held by the non-U.S. owner is effectively connected with such trade or business, that interest or OID will be subject to United States income tax but will generally not be subject to United States withholding tax (including backup withholding). The foregoing is a brief summary of certain federal income tax consequences to a non-U.S. owner. ***Non-U.S. owners should consult their own tax advisors regarding the tax consequences of an investment in the Series 2010C Bonds.***

Circular 230

THE FOREGOING DISCUSSION OF TAX MATTERS WITH RESPECT TO THE SERIES 2010C BONDS WAS NOT INTENDED OR WRITTEN BY BOND COUNSEL TO BE USED, AND IT CANNOT BE USED, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON AN OWNER OF THE BONDS. THE FOREGOING DISCUSSION OF TAX MATTERS WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE BONDS. EACH PROSPECTIVE PURCHASER OF THE BONDS SHOULD SEEK ADVICE BASED ON THE PROSPECTIVE PURCHASER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

LITIGATION

There is no litigation pending and served or, to the Agency's knowledge, threatened in any way to restrain or enjoin the issuance, execution or delivery of the Bonds, or to contest the validity of the Bonds or the Trust Agreement. Except as described herein, there is no litigation pending and served or, to the Agency's knowledge, threatened in any way to contest or affect the Agency's ability to receive and pledge the Tax Revenues, or any proceedings of the Agency with respect thereto. For more information, see "SECURITY FOR THE BONDS – Tax Sharing Agreements."

In the opinion of the Agency and its counsel, there are no lawsuits or claims pending against the Agency which will materially affect the Agency's finances so as to impair its ability to pay principal of and interest on the Bonds when due.

RATING**The Project Second Lien Bonds**

Standard & Poor's Ratings Services ("S&P") has assigned its municipal bond rating of "A-" to the Project Second Lien Bonds. Such rating reflects only the views of the rating agency and an explanation of the significance of such rating and any rating on any of the Agency's outstanding obligations may be obtained only from such rating agency as follows: Standard & Poor's Ratings Services, 25 Broadway, 21st Floor, New York, New York 10004.

There is no assurance that such rating will continue for any given period or that it will not be revised downward or withdrawn entirely by such rating agency, if in its judgment, circumstances so warrant. The Agency and the Trustee undertake no responsibility either to notify the owners of the Project Second Lien Bonds of any revision or withdrawal of the rating or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Project Second Lien Bonds.

The Housing Second Lien Bonds

S&P has assigned its municipal bond rating of "A-" to the Housing Second Lien Bonds. Such rating reflects only the views of the rating agency and an explanation of the significance of such rating and any rating on any of the Agency's outstanding obligations may be obtained only from such rating agency as follows: Standard & Poor's Ratings Services, 25 Broadway, 21st Floor, New York, New York 10004.

There is no assurance that such rating will continue for any given period or that it will not be revised downward or withdrawn entirely by such rating agency, if in its judgment, circumstances so

warrant. The Agency and the Trustee undertake no responsibility either to notify the owners of the Housing Second Lien Bonds of any revision or withdrawal of the rating or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Housing Second Lien Bonds.

INDEPENDENT ACCOUNTANTS

The financial statements of the County for the fiscal year ended June 30, 2009 included in APPENDIX C to this Official Statement, have been audited by Macias Gini & O'Connell LLP, the Agency's independent auditor, as set forth in their report dated February 25, 2010, which also appears in APPENDIX C. Macias Gini & O'Connell LLP has not been engaged to and has not performed any procedures subsequent to the date of their report related to the financial statements included herein nor performed any procedures related to this Official Statement.

See "RISK FACTORS – Agency Accounting Deficiencies" for additional information regarding the Agency's audited financial statements.

CONTINUING DISCLOSURE

The Agency has covenanted for the benefit of Bondholders to provide certain financial information and operating data relating to the Agency (the "Annual Report") and to provide notices of the occurrence of certain enumerated material events. The Annual Report will be filed by the Trustee or Dissemination Agent (if the Agency has appointed a Dissemination Agent) on behalf of the Agency with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access System (referred to as "EMMA"). The notices of material events will be filed by the Trustee or Dissemination Agent (if the Agency has appointed a Dissemination Agent) on behalf of the Agency with the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of material events as set forth in APPENDIX G – "FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

Primarily due to delays in finalizing the City's and the Agency's audited financial statements, the Agency filed its Annual Report later than eight months after the end of the Agency's fiscal year for fiscal years ending June 30, 2003 through 2008. The Agency filed its Annual Report for Fiscal Year 2008-09 on March 1, 2010. As of the date of this Official Statement, the Agency is currently in compliance with the requirements of its Continuing Disclosure Agreements for the Senior Obligations. In order to prevent late filings of the Agency's annual report, the Agency has taken action to provide increased oversight over audit-related matters, including financial statements and reporting requirements and the Agency's system of internal controls over financial reporting. See "RISK FACTORS – Agency Accounting Deficiencies" for additional information.

CERTAIN LEGAL MATTERS

The legal opinions of Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, Bond Counsel, approving the validity of the Bonds, will be made available to purchasers at the time of original delivery of the Bonds. The proposed forms of the legal opinions of Bond Counsel are attached hereto as APPENDIX F. Certain legal matters will be passed upon for the Underwriter by their counsel, Sidley Austin LLP, San Francisco, California. Bond Counsel and Underwriter Counsel undertake no responsibility for the accuracy, completeness, or fairness of this Official Statement. Certain legal matters will be passed upon for the Agency and for the Authority by the City Attorney. Payment of the

fees of Bond Counsel is contingent upon sale and delivery of the Bonds. Richards, Watson & Gershon also acts as special counsel to the Agency and the City on a variety of legal matters.

UNDERWRITING

The Project Second Lien Bonds

The Project Second Lien Bonds will be sold to the Authority and concurrently resold by the Authority to the Underwriter. The Underwriter has agreed, subject to certain conditions, to purchase the Project Second Lien Bonds from the Authority at an aggregate purchase price of \$_____. For a complete analysis of the sources and uses of funds, including the underwriter's discount and original discount, see "PLAN OF FINANCE—Project Second Lien Bonds Sources and Uses of Funds." The Purchase Contract provides that the Underwriter will be obligated to purchase all such Project Second Lien Bonds if any such Project Second Lien Bonds are purchased. The public offering prices of such Project Second Lien Bonds may be changed from time to time by the Underwriter.

The Housing Second Lien Bonds

The Housing Second Lien Bonds will be sold to the Authority and concurrently resold by the Authority to the Underwriter. The Underwriter has agreed, subject to certain conditions, to purchase the Housing Second Lien Bonds from the Authority at an aggregate purchase price of \$_____. For a complete analysis of the sources and uses of funds, including the underwriter's discount and original discount, see "PLAN OF FINANCE—Housing Second Lien Bonds Sources and Uses of Funds." The Purchase Contract provides that the Underwriter will be obligated to purchase all such Housing Second Lien Bonds if any such Housing Second Lien Bonds are purchased. The public offering prices of such Housing Second Lien Bonds may be changed from time to time by the Underwriter.

MISCELLANEOUS

All references herein to the Bonds and to the Trust Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete statements of any or all of such provisions and reference is hereby made to such documents on file with the Agency for further information in connection therewith.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

**COMPTON URBAN COMMUNITY
DEVELOPMENT COMMISSION, ACTING AS
THE COMMUNITY REDEVELOPMENT
AGENCY OF THE CITY OF COMPTON**

By: _____
Executive Secretary

**COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF
COMPTON, CALIFORNIA**

**Compton Redevelopment Project
Second Lien Tax Allocation Bonds (Housing)
Series 2010A**

**Compton Redevelopment Project
Second Lien Tax Allocation Bonds**

Series 2010B

**Series 2010C
(Taxable)**

BOND PURCHASE CONTRACT

May __, 2010

Compton Public Finance Authority
205 S. Willowbrook Ave.
Compton, CA 90220

Compton Urban Community Development Commission,
acting as the Community Redevelopment Agency of the
City of Compton
205 S. Willowbrook Ave.
Compton, CA 90220

Ladies and Gentlemen:

The undersigned (the “Underwriter”) offers to enter into this purchase contract (the “Bond Purchase Contract”) with the Compton Public Finance Authority (the “Authority”) and the Compton Urban Community Development Commission, acting as the Community Redevelopment Agency of the City of Compton (the “Agency”), which will be binding upon the Authority, the Agency and the Underwriter upon the acceptance hereof by the Authority and the Agency. This offer is made subject to its acceptance by the Authority and the Agency by execution of this Bond Purchase Contract and its delivery to the Underwriter on or before 5:00 P.M., California time, on the date hereof. All terms used herein and not otherwise defined shall have the respective meanings given to such terms in the Trust Agreement (as herein defined), and if not defined in the Trust Agreement, as defined in the Official Statement.

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriter hereby agrees to purchase from the Authority for offering to the public, and the Authority hereby agrees to sell to the Underwriter for such purpose, all of the Agency's Second Lien Tax Allocation Bonds (Housing), Series 2010A (the "Housing Second Lien Bonds"), its Compton Redevelopment Project, Second Lien Tax Allocation Bonds, Series 2010B (the "Series 2010B Bonds"), and its Compton Redevelopment Project, Second Lien Tax Allocation Bonds (Taxable), Series 2010C (the "Series 2010C Bonds," and, together with the Series 2010B Bonds, the "Project Second Lien Bonds," and, together with the Project Second Lien Bonds and the Housing Second Lien Bonds, the "Bonds").

The purchase price of the Housing Second Lien Bonds shall be \$_____ (representing an aggregate principal amount of the Housing Second Lien Bonds of \$_____, less [plus] a net original issue [premium/discount] in the amount of \$_____, and less an Underwriter's discount in the amount of \$_____).

The purchase price of the Series 2010B Bonds shall be \$_____ (representing an aggregate principal amount of the Series 2010B Bonds of \$_____, less [plus] a net original issue [premium/discount] in the amount of \$_____, and less an Underwriter's discount in the amount of \$_____).

The purchase price of the Series 2010C Bonds shall be \$_____ (representing an aggregate principal amount of the Series 2010C Bonds of \$_____, less [plus] a net original issue [premium/discount] in the amount of \$_____, and less an Underwriter's discount in the amount of \$_____).

The Bonds shall be purchased by the Authority from the Agency pursuant hereto for resale and delivery to the Underwriter concurrently with the purchase of the Bonds by the Underwriter from the Authority; provided that the obligation of the Authority to purchase the Bonds from the Agency shall be satisfied solely with moneys provided to the Authority by the Underwriter in connection with the purchase by the Underwriter of the Bonds from the Authority.

It shall be a condition to the Agency's obligations to sell and to deliver the Bonds to the Authority for resale to the Underwriter, and to the Underwriter's obligation to purchase, to accept delivery of and to pay for the Bonds that the entire principal amount of the Bonds shall be issued, sold and delivered by the Agency to the Authority for resale to the Underwriter, and purchased, accepted and paid for by the Underwriter at the Closing (as defined herein).

Section 2. Description of the Bonds. The Bonds will be issued pursuant to a Master Trust Agreement, dated as of June 1, 1995 (the "Master Trust Agreement"), by and between the Agency and Seattle-First National Bank, as succeeded by U.S. Bank National Association, as trustee (the "Trustee"), as previously amended and supplemented, and as further amended and supplemented by the Sixth Supplemental Trust Agreement relating to the Housing Second Lien Bonds, dated as of June 1, 2010 (the "Sixth Supplemental Trust Agreement"), the Seventh Supplemental Trust Agreement relating to the Series 2010B Bonds, dated as of June 1, 2010 (the "Seventh Supplemental Trust Agreement"), the Eighth Supplemental Trust Agreement relating

to the Series 2010C Bonds, dated as of June 1, 2010 (the “Eighth Supplemental Trust Agreement,” and collectively with the Sixth Supplemental Trust Agreement, Seventh Supplemental Trust Agreement, and the Master Trust Agreement, as previously supplemented and amended, the “Trust Agreement”), and pursuant to the California Community Redevelopment Law, constituting Part 1, Division 24 (commencing with Section 33000) of the California Health and Safety Code (the “Redevelopment Law”).

The Bonds shall mature and shall be subject to redemption on the dates and in the amounts and shall bear interest at the rates set forth in the Official Statement, dated the date hereof, relating to the Bonds (which, together with all exhibits and appendices included therein or attached thereto and such amendments or supplements thereto which shall be approved by the Underwriter, is hereinafter called the “Official Statement”).

The Agency will use the proceeds of the Project Second Lien Bonds to (i) finance redevelopment activities with respect to the Compton Redevelopment Project Area (the “Project Area”), (ii) finance the Agency’s obligation to deposit moneys in the Supplemental Educational Revenue Augmentation Fund (the “SERAF payments”) in Fiscal Year 2009-10 (as reimbursement to the Agency for its remittance made by the May 10, 2010 deadline from other authorized and available funds) and, if necessary, in Fiscal Year 2010-11, (iii) finance the Agency’s obligation to make statutory tax sharing payments with respect to tax increment revenues received in Fiscal Year 2008-09 to non-local educational agencies, (iv) finance certain tax sharing amounts payable to the Compton Unified School District under an Agreement for Cooperation with the Compton Unified School District, (v) fund reserve accounts, and (iv) pay the costs of issuance of the Project Second Lien Bonds.

The Project Second Lien Bonds are payable from and secured by the Project Second Lien Tax Revenues and certain funds and accounts held under the Trust Agreement. In addition, the Series 2010D Bonds are payable from and secured by the Refundable Credits.

The Agency will use the proceeds of the Housing Second Lien Bonds to (i) finance additional low and moderate income housing redevelopment activities with respect to the Project Area, (ii) fund a reserve account within the Housing Second Lien Reserve Fund, and (iii) pay the costs of issuance of the Housing Second Lien Bonds.

The Housing Second Lien Bonds are payable from and secured by the Housing Second Lien Tax Revenues and certain funds and accounts held under the Trust Agreement.

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

Section 4. Delivery of Official Statement. The Agency has delivered or caused to be delivered to the Underwriter prior to the execution of this Bond Purchase Contract, copies of

the Preliminary Official Statement relating to the Bonds (the “Preliminary Official Statement”). The Preliminary Official Statement is the official statement deemed final by the Agency for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934 (the “Rule”) and approved for distribution by resolution of the Agency. The Agency hereby ratifies, approves and confirms the distribution of the Preliminary Official Statement in connection with the public offering and sale of the Bonds by the Underwriter. The Agency shall have executed and delivered to the Underwriter a certification to such effect in the form attached hereto as Appendix B.

Within 7 business days from the date hereof, the Agency shall deliver to the Underwriter a final Official Statement, executed on behalf of the Agency by an authorized representative of the Agency and dated the date hereof, which shall include information permitted to be omitted from the Preliminary Official Statement by paragraph (b)(1) of the Rule and with such other amendments or supplements as shall have been approved by the Agency and the Underwriter. The Agency shall also deliver to the Underwriter, at the Agency’s sole cost and at such address as the Underwriter shall specify, as many copies of the Official Statement as the Underwriter shall reasonably request as necessary to comply with paragraph (b)(4) of the Rule, and with Rule G-32 and all other applicable rules of the Municipal Securities Rulemaking Board.

The Agency will undertake, pursuant to its Resolution No. __, adopted on May 18, 2010, and a continuing disclosure agreement, between the Agency and the Trustee, as dissemination agent (the “Continuing Disclosure Agreement”), to provide certain annual financial information and notices of the occurrence of certain material events. The form of the Continuing Disclosure Agreement is appended to the Official Statement.

Section 5. The Closing. At 8:00 A.M., California time, on June __, 2010, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the Agency, the Authority and the Underwriter, the Authority and the Agency shall deliver (i) the Bonds in definitive form (one bond for each maturity of each Series of Bonds) to the Trustee at the Closing or to The Depository Trust Company (“DTC”) in New York, New York, or such other location as may be specified by the Underwriter, with CUSIP identification numbers printed thereon, in fully registered form and registered in the name of Cede & Co., and (ii) the closing documents hereinafter mentioned at the offices of Richards, Watson & Gershon, A Professional Corporation, Bond Counsel (“Bond Counsel”) in Los Angeles, California, or another place to be mutually agreed upon by the Agency, the Authority and the Underwriter. The Underwriter will accept such delivery and pay the purchase price of each Series of the Bonds as set forth in Section 1 by federal funds wire payable to the order of the Trustee on behalf of the Agency. This payment and delivery, together with the delivery of the aforementioned documents, is herein called the “Closing.”

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

- (a) *Due Organization and Existence of Agency.* The Agency is a public body corporate and politic, organized and existing under the laws of the State of California, including the Redevelopment Law, with full right, power and authority to issue the Bonds and to execute, deliver and perform its obligations under this Bond Purchase Contract, the Continuing Disclosure Agreement, the Bonds and the Trust Agreement (collectively,

the “Agency Documents”), and to carry out and consummate the transactions contemplated by the Agency Documents and the Official Statement.

(b) *Due Authorization and Approval.* The Agency has, by all necessary official action, duly authorized and approved the execution and delivery of, and the performance by the Agency of the obligations contained in, the Agency Documents, and, as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, the Agency Documents will constitute the legally valid and binding obligations of the Agency, enforceable against the Agency in accordance with their respective terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors’ rights generally. The Agency has complied, and will, at the Closing, be in compliance in all respects, with the terms of the Agency Documents. The Agency has duly authorized and approved the Preliminary Official Statement and the Official Statement.

(c) *Official Statement Accurate and Complete.* The Preliminary Official Statement was, as of its date, and the final Official Statement will be, and at all times subsequent to the date of the final Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement contains and the final Official Statement will contain, and up to and including the Closing will contain, no misstatement of any material fact and do not, and up to and including the Closing will not, omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading.

If between the date hereof and the Closing, any event occurs which could or would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, the Agency shall notify the Underwriter, and, if in the opinion of the Agency or the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Agency will cause the Official Statement to be amended or supplemented in a form and in a manner approved by the Underwriter, and will cause a reasonable number of copies of the supplement or amendment to be furnished to the Underwriter.

(d) *Agency Agreement to Amendments and Supplements to Official Statement.* The Agency covenants with the Underwriter that during the period of 25 days after the end of the “underwriting period” (as defined in the Rule), if an event occurs of which the Agency has knowledge, which might or would cause the information contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact, or to omit to state a 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, the Agency shall notify the Underwriter, and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Agency shall cooperate with the Underwriter in the preparation of an amendment or supplement to the Official Statement in a form and in

a manner approved by the Underwriter, and all printing expenses thereby incurred shall be paid for by the Agency. The Agency will (i) furnish such information with respect to itself as the Underwriter may from time to time reasonably request; and (ii) advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

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

(f) *No Secured Indebtedness.* Except as disclosed in the Official Statement, the Agency does not have outstanding any indebtedness which is secured by a lien on the Project Second Lien Tax Revenues prior to or on a parity with the lien of the Project Second Lien Bonds. This lien is, however, subordinate to the lien on the portion of Project Tax Revenues which secures the Senior Bonds. Except as disclosed in the Official Statement, the Agency does not have outstanding any indebtedness which indebtedness is secured by a lien on the Housing Second Lien Tax Revenues prior to or on a parity with the lien of the Housing Second Lien Bonds. This lien is, however, subordinate to the lien on the portion of Housing Tax Revenues which secures the Senior Bonds.

(g) *No Lien or Encumbrance.* The Agency has not entered into any contract, lease agreement, or arrangement of any kind, other than as set forth in (f) above, which

might give rise to any senior or parity lien or encumbrance on the Project Second Lien Tax Revenues or the Housing Second Lien Tax Revenues.

(h) *No Litigation.* Except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, notice of which has been served on the Agency, at law or in equity, before or by any court, government agency, public board or body, pending or, to the knowledge of the Agency, threatened (i) in any way questioning the corporate existence of the Agency or the titles of the officers of the Agency to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of the Project Second Lien Tax Revenues pledged or to be pledged to pay the principal of and interest on the Project Second Lien Bonds, or the payment or collection of the Housing Second Lien Tax Revenues pledged or to be pledged to pay the principal of and interest on the Housing Second Lien Bonds, or in any way contesting or affecting the validity of the Agency Documents, the power of the Agency to execute and deliver the Agency Documents or the Official Statement or the consummation of the transactions contemplated thereby, or contesting the exclusion of the interest on the Housing Second Lien Bonds or the Series 2010B Bonds from taxation, or contesting the powers of the Agency and its authority to pledge the Project Second Lien Tax Revenues to the payment of the principal of and the interest on the Project Second Lien Bonds or to pledge the Housing Second Lien Tax Revenues to the payment of the principal of and interest on the Housing Second Lien 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 final Official Statement, or any supplement or amendment thereto, or asserting that the Preliminary Official Statement or the final 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 there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of this sentence.

(i) *Preliminary Official Statement.* For purposes of the Rule, the Agency has heretofore deemed final the Preliminary Official Statement prior to its use and distribution by the Underwriter, except for the information specifically permitted to be omitted by paragraph (b)(1) of the Rule. Except as disclosed in the Official Statement, the Agency has not failed to comply timely with the filing requirements under the Rule.

(j) *Compliance with Redevelopment Law.* The Agency is in compliance with its obligations under Sections 33334.2, 33334.3, 33334.6, 33334.16 and 33487 of the Redevelopment Law, and has complied with the filing requirements of Article 6 of Chapter 1 of the Redevelopment Law, including, but not limited to, Sections 33080(a), 33080(b), 33080.1, and 33675.

(k) *Excess Surplus.* The Agency's Low and Moderate Income Housing Fund established pursuant to Section 33334.3 of the Redevelopment Law does not, on the date hereof, contain an "excess surplus" (within the meaning of Section 33334.12 of the

Redevelopment Law) that would cause the Agency to be subject to the sanctions contained in Section 33334.12(e)(1) of the Redevelopment Law.

(l) *Arbitrage Certificate.* The Agency has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certificates may not be relied upon.

(m) *No Required Consents.* All approvals, consents and orders of any governmental authority, board, agency or commission having jurisdiction which would constitute conditions precedent to the execution and delivery by the Agency of any of the Agency Documents or the Official Statement, or the performance by the Agency of its obligations thereunder, have been obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds.

(n) *Certificates of the Agency.* Any certificate signed by an authorized officer of the Agency and delivered to the Underwriter shall be deemed a representation and warranty of the Agency to the Underwriter as to the statements made therein.

(o) *Tax Exemption.* The Agency covenants that it will not take any action that would cause interest on the Housing Second Lien Bonds or the Series 2010B Bonds to be subject to federal income taxation or would cause interest on any of the Bonds to be subject to California personal income taxes.

(p) *Compliance with Rule.* Other than as disclosed in the Official Statement, there has been no instance in which the Agency has failed to comply in all respects with any undertakings with regard to the Rule (as defined above).

Section 7. Authority Representations, Warranties and Covenants. The Authority represents, warrants and covenants to the Underwriter that:

(a) *Due Organization and Existence of Authority.* The Authority is a joint exercise of powers authority, duly organized and existing, and authorized to transact business and exercise powers under and pursuant to the provisions of the laws of the State of California and the joint exercise of powers agreement pursuant to which the Authority was created and has, and on Closing date will have, full legal right, power and authority to enter into this Bond Purchase Contract, and to carry out and to consummate the transactions contemplated by this Bond Purchase Contract and the Official Statement.

(b) *Due Authorization and Approval.* The Authority has, by all necessary official action, duly authorized and approved the execution and delivery of, and performance by the Authority of the obligations contained in, this Bond Purchase Contract and, as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, this Bond Purchase Contract will constitute the legally valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights

generally. The Authority has complied, and will at the Closing be in compliance in all respects, with the terms of this Bond Purchase Contract.

(c) *Official Statement Accurate and Complete.* The information relating to the Authority contained in the Preliminary Official Statement and the final Official Statement as amended or supplemented, is correct in all material respects, and does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

(d) *Purchase and Sale of Bonds.* The Bonds will be purchased and sold by the Authority pursuant to and in accordance with the provisions of the Mark-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5, Division 7 of Title 1 (commencing with Section 6584) of the California Government Code (the “JPA Act”).

(e) *Compliance with Law and Joint Exercise of Powers Agreement.* The Authority has complied, and will on the Closing Date be in compliance, in all respects, with the JPA Act and all other applicable laws of the State of California and the joint exercise of powers agreement pursuant to which the Authority was created. The Authority has made all filings required by Sections 6503.5 through 6503.7 of the California Government Code.

(f) *No Breach or Default.* Except as otherwise disclosed in the Official Statement, the Authority is not and will not be, in any material respect, in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State of California or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Authority is a party or is otherwise subject, which breach or default has or may have a materially adverse effect on the ability of the Authority to perform its obligations under this Bond Purchase Contract, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such default or event of default under any such instrument; and, as of such times, except as disclosed in the Official Statement, the authorization, execution and delivery of this Bond Purchase Contract and compliance with the provisions hereof do not and will not, in any material respect, conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State of California or the United States, or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Authority (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound, which breach or default has or may have a materially adverse effect on the ability of the Authority to perform its obligations under this Bond Purchase Contract, and any such authorization, execution, delivery or compliance will not result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by this Bond Purchase Contract.

(g) *No Litigation.* Except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, notice of which has been served on the Authority, at law or in equity, before or by any court, government agency, public board or body, pending or, to the knowledge of the Authority, threatened (i) in any way questioning the corporate existence of the Authority or the titles of the officers of the Authority to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the sale of the Bonds or in any way contesting or affecting the validity of this Bond Purchase Contract, the power of the Authority to execute and deliver this Bond Purchase Contract or the consummation of the transactions contemplated hereby; or (iii) which may result in any material adverse change relating to the Authority, and there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iii) of this sentence.

(h) *No Required Consents.* All approvals, consents and orders of any governmental authority, board, agency or commission having jurisdiction which would constitute conditions precedent to the execution and delivery by the Authority of this Bond Purchase Contract and the performance by the Authority of its obligations thereunder have been obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds.

(i) *Certificates of the Authority.* Any certificate signed by an authorized officer of the Authority and delivered to the Underwriter shall be deemed a representation and warranty of the Authority to the Underwriter as to the statements made therein.

Section 8. Closing Conditions. The Underwriter has entered into this Bond Purchase Contract in reliance upon the representations, warranties and covenants herein and the performance by the Agency and the Authority of their respective obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriter's obligations under this Bond Purchase Contract to purchase, accept delivery of, and pay for the Bonds on the Closing Date are subject to the performance by the Agency and the Authority of their respective obligations hereunder at or prior to the Closing. The Underwriter's obligations under this Bond Purchase Contract shall also be subject to the following conditions:

(a) *Bring-Down Representation.* The representations and warranties of the Agency and the Authority contained in Sections 6 and 7, respectively, shall be true, complete and correct at the date hereof and, at the time of the Closing, as if made on the date of the Closing.

(b) *Executed Agreements and Performance Thereunder.* At the time of the Closing (i) the Agency Documents shall be in full force and effect, and shall not have been amended, modified or supplemented except with the written consent of the Underwriter; (ii) there shall be in full force and effect such resolutions of the Agency, the City and the Authority (the "Resolutions") as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated by this Bond Purchase Contract, the Official Statement and the Agency Documents; and (iii) the Agency, the City, and the Authority shall perform or have performed all of their respective obligations

required under or specified in the Official Statement and the Agency Documents to be performed at or prior to the Closing.

(c) *Agency Representation Regarding Audited Financial Statements.* At the time of the Closing, the Agency will certify that the issues raised by the Agency's independent auditor in the Agency's audited financial statements that are material to the issuance of the Bonds and the Agency's performance of its obligations under the Agency Documents are resolved pursuant to official Agency action.

(d) *Agency Representation Regarding Payment to Compton Unified School District.* A certificate of the Agency, dated the date of the Closing, signed on behalf of the Agency by the Executive Secretary or other duly authorized officer of the Agency, to the effect that:

(i) it will promptly set aside, transfer, and deposit into a segregated fund established and held by the Agency the amount of \$1,700,000.00 from the proceeds of the 2010C Bonds.

(ii) monies (including any investments thereof and investment earnings thereon) on deposit in such segregated fund shall be used first solely for the purpose of paying to the Compton Unified School District (the "School District") the aggregate amount required to resolve the Agency's aggregate outstanding payment obligation to the School District under the School District Agreement.

(iii) only if any excess set-aside funds remain after payment of such amount to the School District shall such remaining excess funds become available to the Agency for any lawful purpose of the Agency.

(iv) To the best of its knowledge after due inquiry, no event affecting the Agency has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, including but not limited to the information and statements under the caption, "SECURITY FOR THE BONDS – Tax Sharing Agreements."

(e) *Closing Documents.* At or prior to the Closing, the Underwriter shall receive each of the documents identified in Section 9, such documents shall be in full force and effect, and shall not have been amended, modified or supplemented, except as therein permitted or as may have been agreed to in writing by the Underwriter.

Section 9. Closing Documents. In addition to the other conditions to the Underwriter's obligations under this Bond Purchase Contract to purchase and pay for the Bonds at or before the Closing, the Underwriter shall receive each of the following documents; provided the Underwriter may in its sole discretion waive one or more of the conditions imposed by this Bond Purchase Contract for the protection of the Underwriter and the Trustee and proceed with the Closing.

(a) *Bond Counsel Opinion.* For each Series of Bonds, an approving opinion of Bond Counsel, dated the date of the Closing and substantially in the form for such Series of Bonds appended to the Official Statement, together with a letter or letters from such counsel, dated the date of the Closing and addressed to the Underwriter and the Trustee, to the effect that the foregoing opinions may be relied upon by the Underwriter and the Trustee to the same extent as if such opinions were addressed to it.

(b) *Supplemental Opinion.* A supplemental opinion of Bond Counsel, dated the date of the Closing and addressed to the Underwriter, to the following effect:

(i) The statements contained in the Official Statement under the captions “INTRODUCTION,” “THE BONDS,” “SECURITY FOR THE BONDS,” “TAX MATTERS,” “CONTINUING DISCLOSURE,” “APPENDIX D – Summary of Certain Provisions of the Trust Agreement,” “APPENDIX F – Form of Opinions of Bond Counsel,” and “APPENDIX G – Form of Continuing Disclosure Agreement,” excluding any material that may be treated as included under such captions by cross-reference, insofar as such statements expressly summarize certain provisions of the Bonds, the Trust Agreement, the Continuing Disclosure Agreement and Bond Counsel’s final approving opinions delivered with respect to the Housing Second Lien Bonds and the Series 2010B Bonds concerning certain federal tax matters relating to these two Series of Bonds, and delivered with respect to each Series of the Bonds concerning California personal income tax matters relating to each Series of the Bonds, are accurate in all material respects; but excluding therefrom information about DTC, the book-entry only system, and any financial, statistical, or numerical information contained therein.

(ii) The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

(iii) Without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in [sections __ of] the Official Statement, and based upon the information made available to such counsel in the course of its participation in the preparation [of sections __] of the Official Statement as Bond Counsel for the Agency, nothing has come to such counsel’s attention which would cause such counsel to believe that the Official Statement (excluding therefrom the financial statements and the statistical data included in the Official Statement and any information relating to DTC, Cede & Co., and the book-entry only system, as to which no opinion need be expressed), as of the date thereof and the Closing Date, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(c) *Agency Counsel Opinion.* An opinion of Craig Cornwell, Agency General Counsel, dated the date of the Closing and addressed to the Underwriter and Bond Counsel, in form and substance acceptable to the Underwriter, to the following effect:

(i) The Agency is a public body corporate and politic duly organized and validly existing under the laws of the State of California, including the Redevelopment Law, with full right, power and authority to execute, deliver and perform its obligations under the Agency Documents.

(ii) The Agency is in compliance with its obligations under Sections 33334.2, 33334.3, 33334.6 and 33487 of the Redevelopment Law; and the Agency's Low and Moderate Income Housing Fund, established pursuant to Section 33334.3 of the Redevelopment Law, does not, on the date hereof, contain an "excess surplus" (within the meaning of Section 33334.12 of the Redevelopment Law) that would cause the Agency to be subject to the sanctions contained in Section 33334.12(e)(1) of the Redevelopment Law.

(iii) Resolution No. _____ of the Agency adopted on May 18, 2010, which authorized the execution and delivery of the Agency Documents and the Official Statement therein approved (the "Agency Resolution"), was duly adopted at a meeting of the Agency which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and is in full force and effect and has not been modified, amended or rescinded.

(iv) Except as otherwise disclosed in the Official Statement, there is no litigation, proceeding, action, suit, or investigation, notice of which has been served on the Agency, at law or in equity before or by any court, governmental agency or body, pending or, to the best knowledge of such counsel, threatened against the Agency, challenging the creation, organization or existence of the Agency, the right or title of any member or officer of the Agency to hold his or her respective office or exercise or perform the powers and duties pertaining thereto, the validity of the Agency Documents, or seeking to restrain or enjoin the issuance, sale or repayment of the Bonds, or in any way contesting or affecting the validity of the Agency Documents or the authority of the Agency to enter into or perform its obligations under any of the Agency Documents or under which a determination adverse to the Agency would have a material adverse effect upon the financial condition or the revenues of the Agency, or which, in any manner, questions the right of the Agency to use the Project Second Lien Tax Revenues for payment of the Project Second Lien Bonds or the Housing Second Lien Tax Revenues for payment of the Housing Second Lien Bonds, or affects in any manner the right or ability of the Agency to collect or pledge the Project Second Lien Tax Revenues to the payment of the principal of and interest on the Project Second Lien Bonds or to collect or pledge the Housing Second Lien Tax Revenues to the payment of the principal of and interest on the Housing Second Lien Bonds.

(v) The Agency Documents have each been duly authorized, executed and delivered by the Agency, and, assuming the due authorization, execution and delivery by the other parties thereto, as necessary, the Agency Documents constitute the valid and binding legal obligations of the Agency enforceable against the Agency in accordance with their respective terms except as such enforceability may be limited or otherwise affected by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws or general principles of equity limiting or otherwise affecting the enforcement of creditors' rights, whether now existing or hereafter enacted.

(vi) To the best of such counsel's knowledge after due inquiry, the authorization, execution and delivery by the Agency of, and the performance by the Agency of its obligations under the Agency Documents do not conflict with, violate or constitute a default, in any material respect, under any provision of any law, court order or decree or any contract, instrument or agreement to which the Agency is a party or by which it is bound.

(vii) To the best of such counsel's knowledge after due inquiry, the Agency has obtained all authorizations, approvals, consents or other orders of the State of California or any other governmental authority or agency within the State of California having jurisdiction over the Agency required for the valid authorization, issuance and delivery by the Agency of the Bonds and the execution and delivery of the Agency Documents, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds.

(viii) To the best of such counsel's knowledge, except as described in the Official Statement, there are no outstanding bonds, notes or other obligations or indebtedness of the Agency which are secured by a lien on the Project Second Lien Tax Revenues prior to or on a parity with the payments of the Project Second Lien Bonds or secured by a lien on the Housing Second Lien Tax Revenues prior to or on a parity with the payment of the Housing Second Lien Bonds.

(ix) To the best of such counsel's knowledge, except as described in the Official Statement, the Agency has not entered into any contract or arrangement of any kind which might give rise to any senior or parity lien or encumbrance on the Project Second Lien Tax Revenues or the Housing Second Lien Tax Revenues pledged pursuant to the Trust Agreement.

(x) [Without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, and based upon the information made available to such counsel in the course of its participation in the preparation of the Official Statement as general counsel for the Agency, nothing has come to such counsel's attention which would cause such counsel to believe that the Official Statement (excluding therefrom the financial statements and the statistical data included in the Official

Statement and any information relating to DTC, Cede & Co., and the book-entry only system, as to which no opinion need be expressed), as of the date thereof and the Closing Date, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.]

(d) *Authority Counsel Opinion.* An opinion of Craig Cornwell, Counsel to the Authority, dated the date of the Closing and addressed to the Underwriter and Bond Counsel, in form and substance acceptable to the Underwriter, substantially to the following effect:

(i) The Authority is a joint exercise of powers agency duly organized and validly existing under the laws of the State of California.

(ii) The Authority has made all filings required by Sections 6503.5 through 6503.7 of the California Government Code.

(iii) Resolution No. _____ of the Authority, adopted on May 18, 2010, which approved and authorized the execution and delivery of this Bond Purchase Contract (the “Authority Resolution”), was duly adopted at a meeting of the Authority which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and is in full force and effect and has not been modified, amended or rescinded.

(iv) Except as otherwise disclosed in the Official Statement, there is no litigation, proceeding, action, suit, or investigation, notice of which has been served on the Authority, at law or in equity before or by any court, governmental agency or body, pending or, to the best knowledge of such counsel, threatened against the Authority, challenging the creation, organization or existence of the Authority, the right or title of any member or officer of the Authority to hold his or her respective office or exercise or perform the powers and duties pertaining thereto, the validity of this Bond Purchase Contract, or seeking to restrain or enjoin the sale of the Bonds, or in any way contesting or affecting the validity of this Bond Purchase Contract or the authority of the Authority to enter into or perform its obligations under this Bond Purchase Contract or under which a determination adverse to the Authority would have a material adverse effect upon the consummation of the transactions contemplated hereby.

(v) This Bond Purchase Contract has been duly authorized, executed and delivered by the Authority, and, assuming the due authorization, execution and delivery by the Underwriter, this Bond Purchase Contract constitutes the valid and binding legal obligation of the Authority enforceable against the Authority in accordance with its terms except as such enforceability may be limited or otherwise affected by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws or general principles of equity limiting or

otherwise affecting the enforcement of creditors' rights, whether now existing or hereafter enacted.

(vi) To the best of such counsel's knowledge after due inquiry, the execution and delivery by the Authority of, and the performance by the Authority of its obligations under, this Bond Purchase Contract do not conflict with, violate or constitute a default, in any material respect, under any provision of any law, court order or decree or any contract, instrument or agreement to which the Authority is a party or by which it is bound.

(vii) To the best of such counsel's knowledge after due inquiry, the Authority has obtained all authorizations, approvals, consents or other orders of the State of California or any other governmental authority or agency within the State of California having jurisdiction over the Authority required for the execution and delivery of this Bond Purchase Contract, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds.

(e) *Trustee and Escrow Agent Counsel Opinions.* The opinion of counsel to the Trustee, dated the date of the Closing, addressed to the Agency and the Underwriter, to the effect that:

(i) The Trustee is a national banking association with trust powers, duly organized and validly existing and in good standing under the laws of the United States, having the legal authority to exercise trust powers in the State of California;

(ii) The Trustee has full legal power and authority to accept the duties and obligations imposed on it by the Trust Agreement, to authenticate and deliver the Bonds, to own its properties and to carry on its business;

(iii) No consent, approval, authorization or order of any court, regulatory authority or governmental body is required for the authentication of the Bonds or the consummation by the Trustee of the transactions contemplated herein and the Trust Agreement except such as have been obtained and except such as may be required under the state securities or blue sky laws in connection with the purchase and distribution of the Bonds by the Underwriter; and

(iv) The acceptance of its duties under the Trust Agreement and the authentication of the Bonds by the Trustee and performance by the Trustee of its obligations thereunder will not conflict with or result in a breach of any of the terms, conditions or provisions of its Articles of Incorporation or Bylaws, or to the best of such counsel's knowledge, any other agreement or instrument to which the Trustee is a party or by which it is bound, or any other existing law, regulation, court order or consent decree to which the Trustee is subject or constitute a default thereunder.

The opinion of counsel to the Escrow Agent, dated the date of the Closing, addressed to the Agency and the Underwriter, to the effect that:

(v) The Escrow Agent is a national banking association with trust powers, duly organized and validly existing and in good standing under the laws of the United States, having the legal authority to exercise trust powers in the State of California;

(vi) The Escrow Agent has full legal power and authority to accept the duties and obligations imposed on it by the Escrow Agreement, to own its properties and to carry on its business;

(vii) No consent, approval, authorization or order of any court, regulatory authority or governmental body is required for the consummation by the Escrow Agent of the transactions contemplated herein and the Escrow Agreement except such as have been obtained and except such as may be required under the state securities or blue sky laws in connection with the purchase and distribution of the Bonds by the Underwriter; and

(viii) The acceptance of its duties under the Escrow Agreement and performance by the Escrow Agent of its obligations thereunder will not conflict with or result in a breach of any of the terms, conditions or provisions of its Articles of Incorporation or Bylaws, or to the best of such counsel's knowledge, any other agreement or instrument to which the Escrow Agent is a party or by which it is bound, or any other existing law, regulation, court order or consent decree to which the Escrow Agent is subject or constitute a default thereunder.

(f) *Underwriter's Counsel Opinion.* A letter from Sidley Austin LLP, San Francisco, California, as Underwriter's Counsel, dated the date of the Closing, addressed to the Underwriter, to the effect that, based upon its participation in the preparation of the Official Statement and without having undertaken to determine independently the fairness, accuracy or completeness of the statements contained in the Official Statement, such counsel does not believe that, as of the date of the Closing, the Official Statement (excluding therefrom statements of material fact related to the Agency which are the subject of opinions and certificates of others, and the reports, financial and statistical data and forecasts therein, and the information included in Appendices A, B, C, D, E, F, H and I and information about DTC, Cede & Co., and the book-entry only system, as to which it need express no view) contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make fact or omits to state a 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.

(g) *Agency Certificate.* A certificate of the Agency, dated the date of the Closing, signed on behalf of the Agency by the Executive Secretary or other duly authorized officer of the Agency, to the effect that:

(i) The Agency Resolution was duly adopted at a meeting of the Agency which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the Agency Resolution is in full force and effect and has not been modified, amended or rescinded.

(ii) No Event of Default under the Trust Agreement or the Agency Documents has occurred and is continuing.

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

(iv) To the best knowledge of the Agency after due inquiry, no event affecting the Agency has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(v) The Agency Documents are in full force and effect and none has been amended in any respect, except as approved in writing by the Underwriter.

(vi) Except as otherwise disclosed in the Official Statement, there is no litigation, proceeding, action, suit, or investigation, notice of which has been served on the Agency, at law or in equity before or by any court, governmental agency or body, pending or, to the best knowledge of such signing officer after due inquiry, threatened against the Agency, challenging the creation, organization or existence of the Agency, or the validity of the Agency Documents or seeking to restrain or enjoin the repayment of the Bonds or in any way contesting or affecting the validity of the Agency Documents or contesting the authority of the Agency to enter into or perform its obligations under any of the Agency Documents, or under which a determination adverse to the Agency would have a material adverse effect upon the financial condition or the revenues of the Agency, or which, in any manner, questions the right of the Agency to use the Project Second Lien Tax Revenues for payment of the Project Second Lien Bonds or the Housing Second Lien Tax Revenues for payment of the Housing Second Lien Bonds, or affects in any manner the right or ability of the Agency to collect or pledge the Project Second Lien Tax Revenues to the payment of the principal of and interest on the Project Second Lien Bonds or to collect or pledge the Housing Second Lien Tax Revenues to the payment of the principal of and interest on the Housing Second Lien Bonds.

(h) *Authority Certificate.* A certificate of the Authority, dated the date of the Closing, signed on behalf of the Authority by the Executive Secretary or other duly authorized officer of the Authority, to the effect that:

(i) The Authority is a joint exercise of powers agency, duly organized and existing under the laws of the State of California, including the JPA Act.

(ii) The Authority Resolution was duly adopted at a meeting of the Authority which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and the Authority Resolution is in full force and effect and has not been modified, amended or rescinded.

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

(iv) Except as disclosed in the Official Statement, there is no litigation, proceeding, action, suit, or investigation, notice of which has been served on the Authority, at law or in equity before or by any court, governmental Authority or body, pending or, to the best of such signing officer's knowledge after due inquiry, threatened against the Authority, challenging the creation, organization or existence of the Authority, or the validity of this Bond Purchase Contract or contesting the authority of the Authority to enter into or perform its obligations under this Bond Purchase Contract.

(i) *Trustee and Escrow Agent Certificates.* A certificate of the Trustee, dated the date of Closing, in form and substance acceptable to the Underwriter, to the following effect:

(i) The Trustee is duly organized and existing as a national banking association in good standing under the laws of the United States, having the full power and authority to accept the trusts and to enter into and perform its duties under the Trust Agreement.

(ii) The Bonds have been duly authenticated and delivered to the Underwriter pursuant to direction from the Agency.

(iii) Compliance with the provisions on the Trustee's part contained in the Trust Agreement will not conflict with or constitute a breach of or default under any judgment, decree, loan agreement, agreement, bond, note, resolution, agreement or other instrument to which the Trustee is a party or is otherwise subject, or, to the best knowledge of the Trustee, any material law or administrative regulation to which the Trustee is subject, as a result of which the Trustee's ability to perform its obligations under the Trust Agreement would be

impaired, nor will any such compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the lien created by the Trust Agreement under the terms of any such law, administrative regulation, judgment, decree, loan agreement, agreement, bond, note, resolution, agreement or other instrument, except as provided by the Trust Agreement.

(iv) There is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental agency, public board or body pending against the Trustee or to the best knowledge of the Trustee, threatened against the Trustee which in the reasonable judgment of the Trustee would affect the existence of the Trustee or in any way contesting or affecting the validity or enforceability of the Trust Agreement or contesting the powers of the Trustee or its authority to enter into and perform its obligation under the Trust Agreement.

(v) No consent, approval, authorization, or other action by any governmental agency or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the executing and delivery of the Bonds and the Trust Agreement or the consummation by the Trustee of the other transactions contemplated by the Trust Agreement.

A certificate of the Escrow Agent, dated the date of Closing, in form and substance acceptable to the Underwriter, to the following effect:

(vi) The Escrow Agent is duly organized and existing as a national banking association in good standing under the laws of the United States, having the full power and authority to accept the trusts and to enter into and perform its duties under the Escrow Agreement.

(vii) Compliance with the provisions on the Escrow Agent's part contained in the Escrow Agreement will not conflict with or constitute a breach of or default under any judgment, decree, loan agreement, agreement, bond, note, resolution, agreement or other instrument to which the Escrow Agent is a party or is otherwise subject, or, to the best knowledge of the Escrow Agent, any material law or administrative regulation to which the Escrow Agent is subject, as a result of which the Escrow Agent's ability to perform its obligations under the Escrow Agreement would be impaired, nor will any such compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Escrow Agent pursuant to the lien created by the Escrow Agreement under the terms of any such law, administrative regulation, judgment, decree, loan agreement, agreement, bond, note, resolution, agreement or other instrument, except as provided by the Escrow Agreement.

(viii) There is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental agency, public board or body pending against the Escrow Agent or to the best knowledge of the Escrow Agent,

threatened against the Escrow Agent which in the reasonable judgment of the Escrow Agent would affect the existence of the Escrow Agent or in any way contesting or affecting the validity or enforceability of the Escrow Agreement or contesting the powers of the Escrow Agent or its authority to enter into and perform its obligation under the Escrow Agreement.

(ix) No consent, approval, authorization, or other action by any governmental agency or regulatory authority having jurisdiction over the Escrow Agent that has not been obtained is or will be required for the executing and delivery of the Escrow Agreement or the consummation by the Escrow Agent of the other transactions contemplated by the Escrow Agreement.

(j) *Documents.* An original executed copy of each of the Agency Documents and the Official Statement, except that it shall be sufficient to provide a copy of the Bonds marked “specimen.”

(k) *Rating.* Evidence that the Bonds have been rated “A-” by Standard and Poor’s, a Division of The McGraw-Hill Companies, Inc.

(l) *Fiscal Consultant Certificate.* A certificate of Katz Hollis, dated the Closing Date, in form and substance acceptable to the Agency and the Underwriter, substantially in the form attached hereto as Appendix C.

(m) *Statement of Indebtedness.* Certified copies of the most recently filed Statement of Indebtedness and Reconciliation Statement (including information regarding the Agency’s available revenues).

(n) *Additional Documents.* Such additional certificates, instruments and other documents as Bond Counsel, the Agency or the Underwriter may reasonably deem necessary.

If the Agency or the Authority is unable to satisfy the conditions contained in this Bond Purchase Contract, or if the obligations of the Underwriter are terminated for any reason permitted by this Bond Purchase Contract, this Bond Purchase Contract shall terminate and neither the Underwriter, the Agency, or the Authority shall be under further obligation hereunder, except as further set forth in Section 10.

Section 10. Termination Events. The Underwriter has entered into this Bond Purchase Contract in reliance upon the representations, warranties and agreements of the Agency and the Authority contained herein and upon the accuracy of the statements to be contained in the documents, opinions, and instruments to be delivered at the Closing. Accordingly, the Underwriter’s obligations under this Bond Purchase Contract to purchase, accept delivery of, and pay for the Bonds on the Closing Date is subject to the performance by the Agency and the Authority of their respective obligations hereunder at or prior to the Closing. The Underwriter shall have the right to terminate this Bond Purchase Contract, without liability therefor, by notification to the Agency and the Authority if at any time between the date hereof and prior to the Closing:

(a) any event shall occur which causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading; or

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

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

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

(e) additional material restrictions including, without limitation, those relating to the extension of credit by, or the charge to the net capital requirements of, not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which restrictions materially adversely affect the Underwriter's ability to trade any of the Bonds; or

(f) a general banking moratorium shall have been established by federal or State of California authorities; or

(g) the United States has become engaged in hostilities which have resulted in a declaration of war or a national emergency or there has occurred any other outbreak of hostilities or a national or international calamity or crisis, or there has occurred any escalation of existing hostilities, calamity or crisis, financial or otherwise, the effect of which on the financial markets of the United States being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market any of the Bonds or enforce contracts for sale of any of the Bonds; or

(h) any rating of the Bonds shall have been downgraded, suspended or withdrawn by a national rating service, or an official announcement as to the possibility thereof, which, in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Bonds; or

(i) the commencement of any action, suit or proceeding described in Section 6(h) which, in the reasonable opinion of the Underwriter, materially adversely affects the marketability or the market price of the Bonds; or

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

(k) there shall have been any materially adverse change in the affairs of the Authority or the Agency which in the Underwriter's reasonable opinion materially adversely affects the market for the Bonds.

Section 11. Expenses. The Underwriter shall be under no obligation to pay and the Agency shall pay or cause to be paid the expenses incident to the performance of the obligations of the Agency and the Authority hereunder including, but not limited to, (a) the costs of the preparation and printing, or other reproduction (for distribution on or prior to the date hereof) of the Agency Documents and the cost of preparing, printing, issuing and delivering the definitive Bonds, (b) the fees and disbursements of any counsel, financial advisors, accountants or other experts or consultants retained by the Agency; (c) the fees and disbursements of Bond Counsel, (d) the cost of printing the Preliminary Official Statement and any supplements and amendments thereto and the cost of printing the Official Statement, including the requisite number of copies

thereof for distribution by the Underwriter; (e) charges of rating agencies for the rating of the Bonds; and (f) the fees and disbursements of the Trustee, including but not limited to, fee and disbursements of its counsel, travel and other expenses.

The Underwriter shall pay all expenses incurred by it in connection with the public offering and distribution of the Bonds, including but not limited to, travel, and miscellaneous fees of the California Debt and Investment Advisory Commission, DTC, MSRB, or the California Public Securities Association, the cost of preparation of any Blue Sky and Legal Investment Memoranda and all Blue Sky filing fees in connection with the public offering of the Bonds, all advertising expenses in connection with the public offering of the Bonds, the fees of Underwriter's counsel, and the CUSIP Service Bureau charge for the assignment of CUSIP numbers to the Bonds.

Section 12. Notice. Any notice or other communication to be given to the Agency and the Authority under this Bond Purchase Contract may be given by delivering the same in writing to such entity at the address set forth above. Any notice or other communication to be given to the Underwriter under this Bond Purchase Contract may be given by delivering the same in writing to:

Grigsby & Associates, Inc.
311 California Street, Suite 320
San Francisco, CA 94104
Attn: Jerry Liang

Section 13. Entire Agreement. This Bond Purchase Contract, when accepted by the Agency and the Authority, shall constitute the entire agreement between the Agency, the Authority and the Underwriter and is made solely for the benefit of the Agency, the Authority and the Underwriter (including the successors or assigns of any Underwriter). No other person shall acquire or have any right hereunder by virtue hereof, except as provided herein. All the Agency's and the Authority's representations, warranties and covenants in this Bond Purchase Contract shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Underwriter.

Section 14. Counterparts. This Bond Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 15. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

Section 16. State of California Law Governs. The validity, interpretation and performance of this Bond Purchase Contract shall be governed by the laws of the State of California.

Section 17. No Assignment. The rights and obligations created by this Bond Purchase Contract shall not be subject to assignment by the Underwriter, the Authority or the Agency without the prior written consent of the other parties hereto.

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If the foregoing is in accordance with your understanding of our agreement, please sign and return to us a counterpart hereof, whereupon this instrument will become a binding agreement among the Agency, the Authority and the Underwriter in accordance with its terms.

GRIGSBY & ASSOCIATES, INC.

By: _____

Accepted as of the date first stated above:

COMPTON PUBLIC FINANCE AUTHORITY

By: _____
Authorized Signatory

COMPTON URBAN COMMUNITY
DEVELOPMENT COMMISSION,
ACTING AS THE COMMUNITY
REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON

By: _____
Authorized Signatory

APPENDIX A

**COMPTON REDEVELOPMENT PROJECT
SECOND LIEN TAX ALLOCATION BONDS (HOUSING)
SERIES 2010A**

(SERIES 2010A BONDS)

Aggregate Principal Amount:	\$
Original Issue Premium:	
Underwriting Discount:	
Purchase Price:	\$

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield

APPENDIX A
(Continued)

COMPTON REDEVELOPMENT PROJECT
SECOND LIEN TAX ALLOCATION BONDS
SERIES 2010B

(SERIES 2010B BONDS)

Aggregate Principal Amount:	\$
Original Issue Premium:	
Underwriting Discount:	
Purchase Price:	\$

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield

**APPENDIX A
(Continued)**

**COMPTON REDEVELOPMENT PROJECT
SECOND LIEN TAX ALLOCATION BONDS (TAXABLE)
SERIES 2010C**

(SERIES 2010C BONDS)

Aggregate Principal Amount:	\$
Original Issue Premium:	
Underwriting Discount:	
Purchase Price:	\$

<u>Maturity Date (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>

APPENDIX B

**CERTIFICATE OF COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON, CALIFORNIA
AS TO FINALITY OF PRELIMINARY OFFICIAL STATEMENT**

I, [____], hereby certify that I am the Executive Secretary of the Compton Urban Community Development Commission, acting as the Community Redevelopment Agency of the City of Compton, California (the “Agency”), and, as such, I am authorized to execute this Certificate on behalf of the Agency.

I hereby further certify that there has been delivered to Grigsby & Associates, Inc. (the “Underwriter”) \$[____]* of the Compton Redevelopment Project Second Lien Tax Allocation Bonds (Housing), Series 2010A (the “Housing Second Lien Bonds”), \$[____]* of the Compton Redevelopment Project, Second Lien Tax Allocation Bonds, Series 2010B (the “Series 2010B Bonds”), \$[____]* of the Compton Redevelopment Project, Second Lien Tax Allocation Bonds (Taxable), Series 2010C (the “Series 2010C Bonds,” and, together with the Housing Second Lien Bonds and the Series 2010B Bonds, the “Bonds”), a preliminary official statement relating to the Bonds, dated [May __, 2010] (including the cover page, the introductory statement and all appendices thereto, the “Preliminary Official Statement”), which the Agency deems to be final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), except for information permitted to be omitted therefrom by Rule 15c2-12 as such statements and information relate to the Agency.

The Agency hereby approves of the use and distribution by the Underwriters of the Preliminary Official Statement and the posting and distribution of the Preliminary Official Statement through the MuniOS.com website.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.]

* Preliminary, subject to change.

IN WITNESS WHEREOF, the undersigned has executed this certificate on behalf of the Agency as to the finality of the Preliminary Official Statement as of the date thereof.

COMPTON URBAN COMMUNITY
DEVELOPMENT COMMISSION,
ACTING AS THE COMMUNITY
REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON

By: _____
Executive Secretary

APPENDIX C**CERTIFICATE OF FISCAL CONSULTANT**

Katz Hollis, Los Angeles, California (the “Fiscal Consultant”), has prepared the Fiscal Consultant Report (the “Report”) described in the Preliminary Official Statement, dated May __, 2010 (the “Preliminary Official Statement”) and the Final Official Statement, dated May __, 2010 (the “Final Official Statement”), related to the issuance by the Compton Urban Community Development Commission, acting as the Community Redevelopment Agency of the City of Compton (the “Agency”), of the Agency’s Second Lien Tax Allocation Bonds (Housing), Series 2010A (the “Housing Second Lien Bonds”), its Compton Redevelopment Project, Second Lien Tax Allocation Bonds, Series 2010B (the “Series 2010B Bonds”), and its Compton Redevelopment Project, Second Lien Tax Allocation Bonds (Taxable), Series 2010C (the “Series 2010C Bonds,” and, together with the Series 2010B Bonds, the “Project Second Lien Bonds,” and, together with the Project Second Lien Bonds and the Housing Second Lien Bonds, the “Bonds”).

This Certificate of Fiscal Consultant (the “Certificate”) is rendered pursuant to Section 9(n) of the Bond Purchase Contract between the Agency, the Compton Public Finance Authority, and Grigsby & Associates, Inc. (the “Underwriter”).

The Fiscal Consultant hereby certifies that:

1. The Report has been prepared in order to substantiate the availability of Project Second Lien Tax Revenues and Housing Second Lien Tax Revenues (as defined in the Preliminary Official Statement and the Final Official Statement) generated within the Compton Redevelopment Project Area (the “Project Area”). The Fiscal Consultant understands that Project Second Lien Tax Revenues will be required to pay debt service for the Project Second Lien Bonds and that the Housing Second Lien Tax Revenues will be required to pay debt service for the Housing Second Lien Bonds.

2. The Report represents the Fiscal Consultant’s professional judgment as to the availability of such Project Second Lien Tax Revenues and Housing Second Lien Tax Revenues. The Report is subject to certain assumptions, all of which are identified in the Report, under the heading “_____.” In the Fiscal Consultant’s professional judgment, each of the assumptions is reasonable.

3. The Fiscal Consultant prepared the Report in accordance with sound industry practices in the municipal securities market relating to the issuance, offering and sale of tax allocation bonds, such as the Bonds. The Fiscal Consultant has had full access to all information necessary or desirable in order to prepare the Report and to render this Certificate.

4. The Fiscal Consultant prepared the Report pursuant to a contract with the Agency. In serving pursuant to that contract, the Fiscal Consultant was independent of all other parties, other than the Agency and the City of Compton, involved in the issuance, offering and sale of the Bonds, and in so serving, the Fiscal Consultant did not have any conflicts of interest.

5. The Fiscal Consultant consents to all references to and descriptions of the Fiscal Consultant and the Report in the Preliminary Official Statement and the Final Official Statement, and to the inclusion of the Report in the Preliminary Official Statement and the Final Official Statement.

6. The Fiscal Consultant understands that the Preliminary Official Statement and the Final Official Statement would not have been delivered except in anticipation of, and that the Bonds would not be issued and delivered without, the execution by the Fiscal Consultant of this Certificate.

7. The Fiscal Consultant has reviewed the Report contained in APPENDIX A of the Preliminary Official Statement and the Final Official Statement. Nothing has come to the attention of the Fiscal Consultant between the date of the Report and the date hereof that would materially alter any of the provisions of either the Preliminary Official Statement or the Final Official Statement, or in any of the data contained therein that references the Report.

8. Specifically, and without limitation, all references in the Preliminary Official Statement and the Final Official Statement relating to the Fiscal Consultant and the Report under the headings “SECURITY FOR THE BONDS—Tax Sharing Agreements,” “RISK FACTORS - Assessment Appeals and Reductions to Assessed Values – Recently Resolved Appeals and Pending Assessment Appeals,” “RISK FACTORS – Concentration of Ownership,” “RISK FACTORS – Reduction in Inflationary Rate,” “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS – Property Tax Administrative Cost,” “THE PROJECT AREA,” and “TAX REVENUES AND ANNUAL DEBT SERVICE FOR THE BONDS,” are, as of the date hereof, fairly presented and accurate and complete in all material respects.

9. In connection with the Fiscal Consultant’s participation in the preparation of the Preliminary Official Statement and the Final Official Statement, the Fiscal Consultant has no reason to believe that the Final Official Statement contains, as of the date hereof, any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

10. The Sixth Supplemental Trust Agreement pursuant to which the Housing Second Lien Bonds are issued provide that the pledge and lien of Tax Revenues, as defined in the Trust Agreement, with respect to such Housing Second Lien Bonds, are subordinate to the pledge and lien of Tax Revenues to the outstanding senior lien bonds (defined in the Trust Agreement as “Parity Bonds”) being the Agency’s Series 1995-1 Bonds and the Series 2006A Bonds, issued under the Trust Agreement. For each Fiscal Year so long as the senior lien bonds shall remain outstanding, the amount of the Tax Revenues pledged to pay debt service on the outstanding senior bonds and the Housing Second Lien Bonds, if collected in the maximum amount permitted pursuant to the Redevelopment Plan, considering the statutory and contractual limitations thereon, is sufficient to pay 100 percent of the combined debt service on the outstanding senior bonds and the Housing Second Lien Bonds. However, no representation is made herein as to the amount of Tax Revenues that will actually be collected in any such year.

11. The Seventh and Eighth Supplemental Trust Agreements pursuant to which the Project Second Lien Bonds are issued provide that the pledge and lien of Tax Revenues, as defined in the Trust Agreement, with respect to such Project Second Lien Bonds, are subordinate

#5.

to the pledge and lien of Tax Revenues to the outstanding senior lien bonds (defined in the Trust Agreement as “Parity Bonds”) being the Agency’s Series 1995-1 Bonds and the Series 2006A Bonds, issued under the Trust Agreement. For each Fiscal Year so long as the senior lien bonds shall remain outstanding, the amount of the Tax Revenues pledged to pay debt service on the outstanding senior bonds and the Project Second Lien Bonds, if collected in the maximum amount permitted pursuant to the Redevelopment Plan, considering the statutory and contractual limitations thereon, is sufficient to pay 100 percent of the combined debt service on the outstanding senior bonds and the Project Second Lien Bonds. However, no representation is made herein as to the amount of Tax Revenues that will actually be collected in any such year.

12. The undersigned is qualified and duly authorized to execute and deliver this Certificate for and in the name and on behalf of the Fiscal Consultant; is doing so pursuant to that authorization; and is knowledgeable as to all certifications set forth herein.

Dated: June __, 2010

KATZ HOLLIS

By: _____
Name: _____
Title: _____

APPENDIX B

THE CITY OF COMPTON

The information in this Appendix B concerning the City is provided as supplementary information only. The Bonds are special obligations of the Agency and as such are not a debt of the City of Compton (the "City") or the State of California (the "State") or any of its political subdivisions (other than the Agency), and neither the City, the State or any of its political subdivisions (other than the Agency) is liable for the payment thereof. In no event shall the Bonds be payable out of any funds or properties other than the funds set forth in the Trust Agreement. The Agency has no taxing power. See "SECURITY FOR THE BONDS."

General Description

Centrally located between the greater Los Angeles and Long Beach metropolitan areas, the City encompasses approximately 10 square miles. The City is one of the oldest cities in the county and was founded in 1887 by a group of settlers led by Griffin Dickson Compton and William Morton. It was officially incorporated on May 11, 1888. The City is the home of the first greyhound racing track, as well as the home of the first international air show in the United States.

From 2005 to 2009, the City's population grew from 98,470 to 99,431. Today, the City is a community consisting of commercial, residential and light industrial areas. Several freeways and highways cross through the City, making it accessible for industrial, manufacturing, and commercial enterprises. In addition, the City is within a short distance of several major national and international airports.

MUNICIPAL GOVERNMENT

General

The City operates under a City Charter with a Council-Manager form of government. The four City Council members are elected to four-year terms in alternate slates of two and two every second odd-numbered year with the Mayor being elected every four years. The Mayor is elected from the City at large and is the presiding officer of the City Council. The Mayor has a voice and vote in all proceedings. The current Mayor is Eric J. Perrodin, who was elected to a four-year term commencing June 1, 2009.

The members of the City Council and the expirations of their respective terms are as follows:

CITY OF COMPTON CITY COUNCIL

Name	Title	Term Expires
Eric J. Perrodin	Mayor	June 30, 2013
Barbara J. Calhoun	Councilmember	June 30, 2011
Lillie Dobson	Councilmember	June 30, 2013
Yvonne Arceneaux	Councilmember	June 30, 2013
Dr. Willie O. Jones	Councilmember	June 30, 2011

The City Council appoints the City Manager, who heads the executive branch of the government, implements City Council directives and policies and manages the administrative and operational functions

through the various department heads, who are appointed by the City Manager. Charles Evans has served as City Manager, since June 2007. Rico Smith and David Hewitt have served as Assistant City Managers since June 2007.

DEMOGRAPHIC AND ECONOMIC INFORMATION

Introduction

The demographic and economic information provided below has been collected from sources that the City has determined to be reliable. Because it is difficult to obtain complete and timely regional economic and demographic information, the City's economic condition may not be fully apparent in all of the publicly available regional economic statistics provided herein.

Population

The State Department of Finance estimated the population of the City to be 99,431 in 2009. This represents increases of approximately 4.25% since 2000 and 6.51% since 1990. The following table summarizes the City's population history during the years 1990 and 1995-2009.

**TABLE 1
CITY, COUNTY AND STATE POPULATION STATISTICS**

Year	City of Compton	Los Angeles County	State of California
1990	93,352	8,863,052	29,758,213
1995	91,128	9,103,900	31,617,000
1996	93,268	9,104,700	31,837,000
1997	94,487	9,147,100	32,207,000
1998	95,452	9,225,800	32,657,000
1999	96,847	9,330,100	33,140,000
2000	95,381*	9,519,330	33,873,086
2001	94,579*	9,663,491	34,441,561
2002	95,987	9,829,725	35,088,671
2003	97,022	9,980,168	35,691,534
2004	97,924	10,101,547	36,252,878
2005	98,470	10,191,080	36,743,186
2006	99,078	10,257,994	37,195,240
2007	99,451	10,331,939	37,662,518
2008	98,674	10,301,658	37,883,992
2009	99,431	10,393,185	38,292,687

Source: California Department of Finance

* The population figures for 2000 and 2001 include a readjustment by the State Department of Finance using the 2000 United States decennial census as the benchmark for the estimates.

Employment

The annual average civilian labor force in the City increased to 36,400 in 2008, an approximate 8.66% increase from an average of 33,500 in 2000. The following table summarizes the labor force, employment and unemployment figures over the past five years for the City and the State.

TABLE 2
CITY OF COMPTON
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
Calendar Years 2000 through 2008

	Labor Force	Employment	Unemployment	Unemployment Rate
<u>2000</u>				
Compton	33,500	30,400	3,100	9.2%
California	16,857,500	16,024,300	833,200	4.9
<u>2001</u>				
Compton	34,100	30,800	3,300	9.6
California	17,152,100	16,220,000	932,100	5.4
<u>2002</u>				
Compton	34,400	30,500	3,900	11.4
California	17,330,700	16,168,200	1,162,500	6.7
<u>2003</u>				
Compton	34,400	30,400	4,000	11.7
California	17,403,900	16,212,600	1,191,300	6.8
<u>2004</u>				
Compton	34,400	30,600	3,800	11.0
California	17,499,600	16,407,900	1,091,700	6.2
<u>2005</u>				
Compton	34,400	31,300	3,100	9.0
California	17,695,600	16,746,900	948,700	5.4
<u>2006</u>				
Compton	34,700	31,800	2,900	8.5
California	17,907,200	17,029,900	877,300	4.9
<u>2007</u>				
Compton	35,300	32,200	3,100	8.9
California	18,188,100	17,208,900	979,200	5.4
<u>2008</u>				
Compton	36,400	31,700	4,800	13.1
California	18,391,800	17,059,600	1,332,300	7.2

Source: State of California Employment Development Department.

Major Employers

The following table presents major private sector employers in the City. There are also significant public sector employers such as the City of Compton, the Compton Unified School District (the “School District”), Compton Community College District (the “College District”), and the County.

TABLE 3
MAJOR PRIVATE SECTOR EMPLOYERS 2009

Company	Employees
L.A. County Superior Court	1,300
Ralph's Grocery Company	1,185
California Casino Mgt., Inc.	600
Belkin Components Inc.	500
Intercontinental Art	400
City of Compton	350
Leslie Lock Inc.	350
Waste Management	330
ADVO Inc.	300
Kraco Enterprises Inc.	300
Con Agra Foods	250
Head West Inc.	250
Dameron Alloy Foundries	225
USF Bestway Inc.	220
CCL Plastic Packaging	180
Continental Forge Co.	168
Aurora World Inc.	160
Orange Plastics Inc.	150
Fibernetics Inc.	150
L.A. County Sanitation Districts	150
Magnadyne Corp.	130
Beauchamp Distributing Co.	130
Newport	125
Daewoo Motors America Inc.	115
Bowman Plating Co.	115
National Fire Hose Corp	110
De Menno-Kerdoon	105
Cal State Steel Corp.	100
Executive Office Concepts	100
UMA Enterprises	100
Towne Advertiser's Mailing Svc	100
Ambassador Sales Co	100

Source: City of Compton

Effective Buying Income

“Effective Buying Income” is defined as money income less personal tax and non-tax payments, a number often referred to as “disposable” or “after-tax” income. Money income is the aggregate of wages and salaries, net farm and non-farm self-employment income, interest, dividends, net rental and royalty income, Social Security and railroad retirement income, other retirement and disability income, public assistance income, unemployment compensation, Veterans Administration payments, alimony and child support, military family allotments, net winnings from gambling and other periodic income. Deducted from this total money income are personal income taxes (federal, state and local), personal contributions to social insurance (Social Security and federal retirement payroll deductions), and taxes on owner-occupied non-business real estate.

The following table summarizes the median effective buying income for the City, the County and the State for calendar years 2004 through 2008. Demographics USA estimated median household effective buying income is to be \$34,002 for Compton in 2008.

TABLE 4
CITY OF COMPTON, LOS ANGELES COUNTY AND THE STATE OF CALIFORNIA
TOTAL EFFECTIVE BUYING INCOME 2004-2008

	2004	2005	2006	2007	2008
City of Compton	\$29,249	\$30,262	\$30,730	\$32,378	\$34,002
Los Angeles County	38,311	39,414	40,020	41,683	43,710
California	42,924	43,915	44,681	46,275	48,203

Source: *Survey of Buying Power*, Sales & Marketing Management Magazine for years 2002 to 2005 and *Demographics USA* for year 2006 to 2008.

Retail Sales

Total taxable retail sales from all outlets increased approximately 55.3% from 2004 to 2008. The following table shows the taxable retail sales in the City for calendar years 2004 through 2008.

TABLE 5
CITY OF COMPTON
TAXABLE RETAIL SALES
(Valuations in Thousands of Dollars)
(Calendar Years 2004 through 2008)

	2004	2005	2006	2007	2008
Taxable Retail Sales	\$239,584	\$257,320	\$271,493	\$308,822	\$372,203

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

Construction Activity

Table 6 sets forth the number of residential building permits issued for the City for calendar years 2004 through 2008.

TABLE 6
BUILDING PERMITS COMPTON, CALIFORNIA 2004-2008

Year	Single Family Units	Multi Family Units	Total Units
2004	33	7	40
2005	121	31	152
2006	19	15	34
2007	29	10	39
2008	143	14	159

Source: *Construction Industry Research Board*.

Table 7 sets forth the breakdown of permit valuation by type of construction for the City for calendar years 2004 through 2009.

TABLE 7
CITY OF COMPTON
BUILDING PERMIT VALUATION BY TYPE OF CONSTRUCTION*

Type	2004	2005	2006	2007	2008	2009
Residential ⁽¹⁾	\$14,201,300	\$29,457,100	\$48,591,300	\$14,381,195	\$26,961,695	\$5,978,119
Non-Residential ⁽²⁾	14,981,100	11,234,700	17,525,700	51,148,153	17,867,269	6,243,411
Total						
Valuations	\$29,182,400	\$40,691,800	\$66,117,000	\$65,529,348	\$44,828,964	\$12,221,530

* Figures rounded to nearest hundred.

(1) Includes single family, multi-family and alterations and additions.

(2) Includes new commercial, new industrial, other new non-residential and alterations and additions.

Sources: *Construction Industry Research Board (2004 – 2009); City of Compton Building and Safety Department – (2006-2007).*

Community Facilities

The City contains several hospitals, theaters and other recreational venues, including the Compton Par 3 Golf Course and the Compton/Woodley Airport that offers flight training programs for adults and youth as well as access to the Tomorrow's Aeronautical Museum.

Transportation

The City is known as the "Hub City" because of its unique position in almost the exact geographical center of the Los Angeles basin. Five freeways outline the general boundaries of the City and provide superior access to destinations throughout the region. These include Interstate Highways 105, 110, 710, and 405, along with State Highway 91. The Long Beach and Los Angeles Ports are less than 20 minutes from downtown Compton, providing easy access to international destinations for customers, suppliers and leisure travelers. The Alameda Corridor, a passageway for 25% of all U.S. waterborne international trade, runs directly through the City from north to south.

Regional Airports

Compton/Woodley Airport is a small general aviation airport located in the City and is situated within a few miles of both Los Angeles International Airport and Long Beach Airport.

Public Transit

The Los Angeles Metropolitan Transportation Authority provides the Metro Blue Line light rail service that runs north-south through the city and connects the City to downtown Los Angeles and downtown Long Beach. The Compton Renaissance Transit System serves the local community and connects with Greyhound lines.

Education

The School District was formed in the early 1970's, and currently operates twenty-four elementary schools, eight middle schools and three senior high schools. The School District also maintains one adult school and three alternative schools.

The College District, has a full schedule of academic and vocational classes and offers the possibility of achieving Associate Degrees in Arts and Sciences as well as obtaining credits that are transferable to universities within the State system.

Utilities

Southern California Edison Co. provides electricity and Southern California Gas Co. provides natural gas to the City. Telephone service to the community is supplied by AT&T and Verizon.

Water supply and planning for the area is provided by the City Water Department. The major sources of water are provided by the Metropolitan Water Department and the Water Replenishment District.

CITY OF COMPTON DIRECT AND OVERLAPPING DEBT STATEMENT

Set forth below is a direct and overlapping debt report as of April 1, 2010 (the "Debt Report") prepared by California Municipal Statistics Inc. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies who boundaries overlap the boundaries of the City in whole or in part. Such long-term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by property within the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

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#5.

CITY OF COMPTON

2009-10 Assessed Valuation:	\$4,963,130,453
Redevelopment Incremental Valuation:	<u>1,846,318,501</u>
Adjusted Assessed Valuation:	\$3,116,811,952

	<u>% Applicable</u>	<u>Debt 4/1/10</u>
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		
Los Angeles County Flood Control District	0.330%	\$ 229,713
Metropolitan Water District	0.172	454,458
Compton Community College District	25.822	13,166,638
Compton Unified School District	44.741	30,827,929
Long Beach Unified School District	0.007	36,228
Lynwood Unified School District	1.429	263,005
Paramount Unified School District	0.021	12,465
Los Angeles County Regional Park and Open Space Assessment District	0.335	745,911
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$45,736,347</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles County General Fund Obligations	0.335%	\$ 2,907,451
Los Angeles County Pension Obligations	0.335	789,564
Los Angeles County Superintendent of Schools Certificates of Participation	0.335	44,171
Compton Unified School District Certificates of Participation	44.741	14,422,261
Lynwood Unified School District Certificates of Participation	1.429	326,455
Paramount Unified School District Certificates of Participation	0.021	5,726
City of Compton Certificates of Participation	100.	45,730,000⁽¹⁾
Los Angeles County Sanitation District No. 1 Authority	13.847	3,121,723
Los Angeles County Sanitation District No. 2 Authority	0.005	1,741
Los Angeles County Sanitation District No. 8 Authority	3.133	431,518
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		<u>\$67,780,610</u>
COMBINED TOTAL DEBT		<u><u>\$113,516,957⁽²⁾</u></u>
<u>Ratios to 2009-10 Assessed Valuation:</u>		
Total Overlapping Tax and Assessment Debt	0.92%	
<u>Ratios to Adjusted Assessed Valuation:</u>		
Combined Direct Debt (\$45,730,000).....	1.47%	
Combined Total Debt	3.64%	

⁽¹⁾ Excludes issue to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: \$0

APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the Compton Urban Community Development Commission acting as the Community Redevelopment Agency of the City of Compton (the “Agency”), in connection with the issuance of its \$_____ Compton Redevelopment Project, Second Lien Tax Allocation Bonds (Housing), Series 2010A (the “Housing Second Lien Bonds”), its \$_____ Compton Redevelopment Project, Second Lien Tax Allocation Bonds, Series 2010B (the “Series 2010B Bonds”), and its \$_____ Compton Redevelopment Project, Second Lien Tax Allocation Bonds (Taxable), Series 2010C (the “Series 2010C Bonds,” and, together with the Series 2010B Bonds, the “Project Second Lien Bonds,” and together with the Housing Second Lien Bonds, the “Bonds”). The Bonds are being issued pursuant to the Constitution and the laws of the State of California (the “State”), including the State Community Redevelopment Law (Part 1, commencing with Section 33000, of Division 24 of the Health and Safety Code of the State), a Master Trust Agreement, dated as of June 1, 1995 (the “Master Trust Agreement”), by and between the Agency and U.S. Bank National Association, as trustee (the “Trustee”), as heretofore supplemented and as further amended and supplemented by the Sixth Supplemental Trust Agreement relating to the Housing Second Lien Bonds, dated as of June 1, 2010 (the “Sixth Supplemental Trust Agreement”), the Seventh Supplemental Trust Agreement relating to the Series 2010B Bonds, dated as of June 1, 2010 (the “Seventh Supplemental Trust Agreement”) and the Eighth Supplemental Trust Agreement relating to the Series 2010C Bonds, dated as of June 1, 2010 (the “Eighth Supplemental Trust Agreement,” and collectively with the Sixth Supplemental Trust Agreement, Seventh Supplemental Trust Agreement, and the Master Trust Agreement, the “Trust Agreement”), and resolutions by the City of Compton and the Agency.

The Agency and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement 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 Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Agreement 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 Agreement.

“Beneficial Owner” shall mean any person that has the power, directly or indirectly, to vote or consent with respect to or to dispose of ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” means U.S. Bank, National Association, 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.

“Holder” or “Holders” shall mean registered owners of the Bonds.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board, or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” means the Official Statement, dated May __, 2010, relating to the Bonds.

“Participating Underwriter” means Grigsby & Associates, Inc.

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

SECTION 3. Provision of Annual Reports.

(a) The Agency shall provide, or shall cause the Dissemination Agent to provide, to MSRB (pursuant to (e) below) an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement by not later than eight months after the end of the Agency’s fiscal year in each year commencing with the report for 2009-10 fiscal year. Not later than fifteen (15) Business Days prior to said 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 Agreement. 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(f).

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Agency to determine if the Agency is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall provide to the MSRB (with a copy to the Trustee) a notice, in substantially the form attached as Exhibit A. In lieu of filing the notice as described in the proceeding sentence, the Agency or the Dissemination Agent may file such notice solely with the MSRB.

(d) The Dissemination Agent shall (if the Dissemination Agent is other than the Agency), file a report with the Agency certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Agreement.

SECTION 4. Content of Annual Reports. The Agency’s Annual Report shall be in a format suitable for filing with the MSRB and shall contain or incorporate by reference historical quantitative data concerning the Project Area (as defined in the Official Statement), including the following: (i) the Agency’s Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, and as further modified according the applicable State law; however, if the Agency’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), then 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; and (ii) historical assessed valuation, tax increment revenues, assessment appeals, outstanding tax increment

indebtedness, subvention revenues and, to the extent available to the Agency, such other historic economic data reflecting development in the Project Area that the Agency determines is required to comply with Section 1 of this Disclosure Agreement. The Agency is solely responsible for the content and format of the Annual Report.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which are available to the public from the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The Agency shall clearly identify each such other document so included by reference.

Each Annual Report shall state on the cover that is being filed with respect to the Bonds.

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, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions or events affecting the tax-exempt status of the security.
7. Modifications to rights of security holders.
8. Bond calls.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds.
11. Rating changes.

(b) Promptly after obtaining actual knowledge of the occurrence of any of the Listed Events at the principal corporate trust office of the Trustee in Seattle, Washington, the Trustee shall contact the Agency at its notice address in the Agreement, inform such person of the event, and request that the Agency promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the Agency shall determine as soon as possible if such event would constitute material information for Holders of Bonds within the meaning of the federal securities laws.

(d) If the Agency has determined that knowledge of the occurrence of a Listed Event would be material, the Agency shall notify the Trustee promptly in writing. Such notice shall instruct the Trustee to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Agency determines that the Listed Event would not be material, the Agency shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence pursuant to subsection (f).

(f) If the Trustee has been instructed by the Agency to report the occurrence of a Listed Event, the Trustee shall file or request the Dissemination Agent (if other than the Trustee) to file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Agreement and notice of any other Listed Event is only required following the actual occurrence of the Listed Event.

(g) The Trustee may conclusively rely on an opinion of counsel that the Agency's instructions to the Trustee under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. The Agency's, the Trustee's and the Dissemination Agent's obligations under this Disclosure Agreement 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(f) hereof.

SECTION 7. 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 Agreement, and may discharge any such Dissemination Agents with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Agency may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) 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 the holders of the Bonds in the manner provided in the Agreement for amendments to the Agreement with the consent of holders, or (ii) in the opinion of the Trustee or nationally recognized bond counsel, does not materially impair the interests of the holders or beneficial owners of the Bonds.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement. 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 Agreement, the Agency shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Agreement, any holder or beneficial owner of the Bonds or the Trustee may (and, at the request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, the Trustee shall) 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 Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Agency to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, 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 Dissemination Agent shall not be required to consent to any amendment which would impose any greater duties or risk of liability on the Dissemination Agent. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach of this Disclosure Agreement.

SECTION 12. Notices. Any notices given hereunder shall be given in writing at the addresses (including the facsimile numbers set forth below):

If to the Agency: Compton Urban Community Redevelopment
 Commission, acting as the Community Redevelopment Agency
 of the City of Compton
 205 South Willowbrook Avenue
 Compton, CA 90220
 Attention: Redevelopment Director
 Telephone: (310) 605-5511
 Fax: (310) 637-3484

#5.

Trustee/
Dissemination
Agent:

U.S. Bank National Association
1420 5th Avenue, 7th Floor
PD-WA-T7CT
Seattle, WA 98101
Attention: Corporate Trust
Telephone: (206) 344-4678
Fax: (206) 344-4630

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SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Agency, the Trustee, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2010

COMPTON URBAN COMMUNITY DEVELOPMENT
COMMISSION acting as the COMMUNITY
REDEVELOPMENT AGENCY OF THE CITY OF
COMPTON

By: _____
Executive Secretary

APPROVED AS TO FORM:

Agency Counsel

The undersigned hereby agrees to act as Dissemination Agent pursuant to the foregoing Disclosure Agreement.

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____

Its: _____

ACKNOWLEDGED:

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____

Its: _____

#5.

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Community Redevelopment Agency of the City of Compton,
California

Name of Bond Issues: \$_____ Compton Redevelopment Project, Second Lien Tax
Allocation Bonds (Housing), Series 2010A

\$_____ Compton Redevelopment Project, Second Lien Tax
Allocation Bonds, Series 2010B

\$_____ Compton Redevelopment Project, Second Lien Tax
Allocation Bonds (Taxable), Series 2010C

Date of Issuance: _____, 2010

NOTICE IS HEREBY GIVEN to the MSRB that the Agency has not provided an annual Disclosure Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of _____, 2010, by the Agency and accepted by U.S. Bank National Association, as Dissemination Agent. The Agency anticipates that the annual Disclosure Report will be filed by _____.

Dated: _____

U.S. BANK NATIONAL ASSOCIATION, as
Dissemination Agency

By: _____

Its: _____

APPENDIX E

THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix E concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book-entry system has been obtained from DTC and the Agency takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Compton Urban Community Development Commission acting as the Community Redevelopment Agency of the City of Compton (the “Agency”), in connection with the issuance of the its Compton Redevelopment Project, Second Lien Tax Allocation Bonds (Housing), Series 2010A (the “Housing Second Lien Bonds”), its Compton Redevelopment Project, Second Lien Tax Allocation Bonds, Series 2010B (the “Series 2010B Bonds”), and its Compton Redevelopment Project, Second Lien Tax Allocation Bonds (Taxable), Series 2010C (the “Series 2010C Bonds,” and, together with the Series 2010B Bonds, the “Project Second Lien Bonds,” and together with the Housing Second Lien Bonds, the “Bonds”). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such 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.

#5.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each 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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that the use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all 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 the 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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 the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the 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 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 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 Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 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 a 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 Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to a tender or remarketing agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to such tender or remarketing agent. The requirement for physical delivery of the Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to such tender or remarketing agent's DTC account.

DTC may discontinue providing its services as depository with respect to the 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, replacement Bonds 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, replacement Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Agency believes to be reliable, but the Agency takes no responsibility for the accuracy thereof.

The Agency and the Underwriter cannot and do not give any assurance that DTC will distribute to the Participants, or that the Participants or other will distribute to the Beneficial Owners, payment of principal, interest or purchase price, if any, on the Bonds paid or any other notices or that they will do so on a timely bases or will serve and act in the manner described in this Official Statement. The Agency and the Underwriter are not responsible or liable for the failure of DTC or any Direct Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay related thereto.

The foregoing description of DTC and the procedures and record keeping with respect to beneficial ownership interest in the Bonds, payment of principal, interest and purchase price, if any, on the Bonds to Direct Participants, Indirect Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Bonds and other related transactions by and between DTC, the Direct Participants, the Indirect Participants and the Beneficial Owners is based solely on information provide by DTC, which source is believed to be reliable, but the Agency and the Underwriter do not assume any responsibility therefor. Accordingly, no representations can be amended concerning these matters and the Direct Participants, the Indirect Participants and the Beneficial Owners should not rely on the following information with respect to such matters but should instead confirm the same with DTC or the Direct Participants or the Indirect Participants, as the case may be.

RESOLUTION SIGN-OFF FORM

DEPARTMENT:

Community Redevelopment

RESOLUTION TITLE:

A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON AUTHORIZING THE SALE, ISSUANCE AND DELIVERY BY THE AGENCY OF TAX ALLOCATION BONDS, AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION WITH SUCH BONDS, MAKING FINDINGS PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 33445 WITH RESPECT THERETO, AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO

<ManagersName>

DEPARTMENT MANAGER’S SIGNATURE

<ManagersDate>

DATE

REVIEW / APPROVAL

<LegalName>

CITY ATTORNEY

<LegalDate>

DATE

<ControllerName>

CITY CONTROLLER

<ControllerDate>

DATE

<CityManager>

CITY MANAGER

<CityManagerDate>

DATE

Use when:	
Public Works:	When contracting for Engineering Services.
City Attorney:	When contracting for legal services; contracts that require City Attorney’s review.
Controller/Budget Officer:	Amending Budget; appropriating and/or transferring funds; adding and/or deleting positions; any resolution having account numbers.
Asst. City Manager/OAS:	All personnel actions.

May 18, 2010

TO: CHAIRMAN AND COMMISSIONERS

FROM: EXECUTIVE SECRETARY

SUBJECT: A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION, ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON, AUTHORIZING THE EXECUTIVE SECRETARY TO ENTER INTO AN AGREEMENT AND ISSUE A PURCHASE ORDER TO MUNICIPAL RESOURCES CENTER FOR THE PREPARATION AND PROCESSING OF THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) COMPLIANCE DOCUMENTS FOR THE PROPOSED COMMUNITY CENTER, SENIOR ACTIVITY CENTER AND PARKING STRUCTURE LOCATED IN THE NORTH DOWNTOWN AREA

SUMMARY

Agency staff is requesting that the Commission authorize the Executive Secretary to enter into an agreement and issuance of a purchase order to Municipal Resources Center for the preparation and processing of the CEQA compliance documents for the proposed Community Center, Senior Activity Center and Parking Structure located in the North Downtown Area.

STATEMENT OF THE ISSUE

As part of the Agency's due diligence and statutory obligations for the construction of the proposed Community Center, Senior Activity Center and Parking Structure projects pursuant to CEQA guidelines, the Agency must prepare an environmental impact report in connection with the projects. The environmental impact report should identify any potential adverse impacts and recommend mitigation measures (if any) that would reduce such impact to a level of significance. Furthermore, the CEQA report on the project would enable the Agency to leverage multiple funding sources for project implementation.

Municipal Resources Center prepared the Mitigated Negative Declaration CEQA documents for the Agency proposed for the 2010 Tax Allocation Bond issuance and prepared environmental documents for the City's General Plan EIR. The firm's unique knowledge of the community and familiarity with current vision for Compton's future makes it uniquely qualified for selection.

#6.

The general scopes of work outlined for these services to be provided by the Municipal Resources Center are as follows:

Task 1.1 – Kick-Off Meeting: *Meetings with Agency staff to discuss the project, finalize the work schedule and to obtain all of the documents and information that is required to prepare the Initial Study.*

Task 2.1 – Initial Study and Notice of Intent: *An Initial Study will be prepared following a format that is acceptable to the City of Compton and will include a completed Environmental Checklist Form and written explanations as to how each environmental discipline will or will not be impacted by the proposed project.*

Task 3.1 - Mitigation Monitoring Program: *A Mitigation Monitoring Program (MMP) will be prepared as required by Public Resources Code Section 21081(6) for those measures in the Mitigated Negative Declaration that are recommended to mitigate potential significant impacts*

Task 4.1 – Attend Project Meetings and Public Hearings: *All project meetings and public hearings relating to the preparation and processing of the environmental documentation for the Community Center, Seniors Activity Center and Parking Structure will be attended.*

Task 5.1 – Reports and Presentations: *Assistance will be provided to the Agency for the preparation of all reports and presentations relating to the preparation and processing of the environmental documentation for the Community Center, Seniors Activity Center and Parking Structure.*

FISCAL IMPACT

The cost for this service will not exceed \$8,500 and the Agency funds available in account number 1200-80-0000-4262

RECOMMENDATION

Agency staff respectfully recommends that the Commission authorize the Executive Secretary to enter into an agreement and issuance of a purchase order to Municipal Resources Center for the preparation and processing of the necessary CEQA compliance documents for the proposed Community Center, Senior Activity Center and Parking Structure.

DR. KOFI SEFA-BOAKYE
DIRECTOR OF REDEVELOPMENT

CHARLES EVANS
EXECUTIVE SECRETARY

RESOLUTION NO. _____

A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION, ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON, AUTHORIZING THE EXECUTIVE SECRETARY TO ENTER INTO AN AGREEMENT AND ISSUE A PURCHASE ORDER TO MUNICIPAL RESOURCES CENTER FOR THE PREPARATION AND PROCESSING OF THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) COMPLIANCE DOCUMENTS FOR THE PROPOSED COMMUNITY CENTER, SENIOR ACTIVITY CENTER AND PARKING STRUCTURE LOCATED IN THE NORTH DOWNTOWN AREA

WHEREAS, the Community Redevelopment Agency of the City of Compton (the "Agency") is carrying out the Redevelopment Plan for the Compton Redevelopment Project Area, as merged and amended by Ordinance No. 2,114 adopted by the City Council and Commission on November 16, 2004; and

WHEREAS, as part of the Agency due diligence and statutory obligations for the proposed Community Center, Senior Activity Center and Parking Structure projects, the Agency, pursuant to CEQA guidelines must prepare an environmental impact report; and

WHEREAS, the environmental impact report should identify any potential adverse impacts and recommend mitigation measures (if any) that would reduce such impact to a level of significance. Furthermore, the CEQA report on the project would enable the Agency to leverage multiple funding sources for project implementation; and

WHEREAS, Municipal Resources Center prepared the Mitigated Negative Declaration CEQA documents for the Agency proposed for the 2010 Tax Allocation Bond issuance and prepared environmental documents for the City's General Plan EIR. The firm's unique knowledge of the community and familiarity with current vision for Compton's future makes it uniquely qualified for selection.

NOW, THEREFORE, THE URBAN COMMUNITY DEVELOPMENT COMMISSION, ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY COUNCIL OF THE CITY OF COMPTON HEREBY RESOLVE AS FOLLOWS:

Section 1. That Agency staff will work with Municipal Resources Center and prepare the necessary environmental documents as required in accordance with CEQA regulations.

Section 2. That the Executive Secretary is hereby authorized to execute the necessary agreements upon the advice of the City Attorney.

Section 3. That a certified copy of this resolution shall be filed in the offices of the Executive Secretary, City Attorney, City Controller, Community Redevelopment Agency, and Clerk.

Section 4. That the Chairman shall sign and the Clerk shall attest to the adoption of this resolution.

Section 5. That the Agency has funds available in account number 1200-80-0000-4262 in the amount of \$8,500.00

ADOPTED this _____ day of _____ 2010.

CHAIRMAN OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION

RESOLUTION NO. _____
Page 2

ATTEST:

CLERK OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION

STATE OF CALIFORNIA
CITY OF LOS ANGELES
CITY OF COMPTON

I, Alita Godwin, Clerk of the Urban Community Development Commission of the City of Compton, hereby certify that the forgoing resolution was adopted by the Commission, signed by the Chairman, and attested by the Clerk at a regular meeting thereof held on the ____ day of _____2010.

That said resolution was adopted by the following vote, to wit:

AYES:	COMMISSIONERS-
NOES:	COMMISSIONERS-
ABSENT:	COMMISSIONERS-
ABSTAIN:	COMMISSIONERS-

CLERK OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION

RESOLUTION SIGN-OFF FORM

DEPARTMENT: Community Redevelopment

RESOLUTION TITLE: A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION, ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON, AUTHORIZING THE EXECUTIVE SECRETARY TO ENTER INTO AN AGREEMENT AND ISSUE A PURCHASE ORDER TO MUNICIPAL RESOURCES CENTER FOR THE PREPARATION AND PROCESSING OF THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) COMPLIANCE DOCUMENTS FOR THE PROPOSED COMMUNITY CENTER, SENIOR ACTIVITY CENTER AND PARKING STRUCTURE LOCATED IN THE NORTH DOWNTOWN AREA

<ManagersName>
DEPARTMENT MANAGER’S SIGNATURE

<ManagersDate>
DATE

REVIEW / APPROVAL

<LegalName>
CITY ATTORNEY

<LegalDate>
DATE

<ControllerName>
CITY CONTROLLER

<ControllerDate>
DATE

<CityManager>
CITY MANAGER

<CityManagerDate>
DATE

Use when:	
Public Works:	When contracting for Engineering Services.
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Asst. City Manager/OAS:	All personnel actions.

May 18, 2010

TO: CHAIRMAN AND COMMISSIONERS

FROM: EXECUTIVE SECRETARY

SUBJECT: A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION, ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON, AUTHORIZING THE EXECUTIVE SECRETARY TO ENTER INTO AN AGREEMENT AND ISSUE A PURCHASE ORDER TO HBJ ASSOCIATES FOR ENFORCEMENT OF DAVIS BACON LABOR STANDARDS COMPLIANCE LAWS AND MONITORING OF FEDERAL AND STATE FUNDED AGENCY PROJECTS IN THE CITY OF COMPTON

SUMMARY

Agency staff is requesting the Commission to authorize the Executive Secretary to enter into an agreement and the issuance of a purchase order to HBJ Associates for enforcing Davis Bacon Labor Standards Compliance and Monitoring of Federally and State funded Agency projects in the City of Compton.

STATEMENT OF THE ISSUE

In compliance with Federal and State Labor laws the Agency is required to ensure that all contractors comply with the applicable laws and regulations governing Davis Bacon and other mandated labor laws in connection with the implementation of construction and rehabilitation projects in the City. In order to accomplish this objective, the Agency recommends the selection of HBJ Associates to serve as the primary Labor Compliance Officer for the MLK Transit Center project and other Agency projects.

Over the past years, HBJ Associates have been performing services related to federal and state labor standards in an exemplary manner for various City Departments including s the Planning Department, Fire Department and General Services Department. Additionally, HBJ has been providing these services on the MLK Transit Center project in an exceptional and professional manner and in the interest of continuity and specific knowledge based experience for Agency projects and programs; HBJ Associates is highly desirable and uniquely qualified.

In addition, to the City of Compton, this firm has provided similar services for City of Gardena, the County of Los Angeles and other local jurisdictions. In light of the firms' demonstrated capacity, necessary technical expertise of labor compliance laws and in depth knowledge of Compton's labor force profile staff believes that HBJ Associates is uniquely qualified to undertake the service.

#7.

What's more, HBJ Associates received approval for this type service during the City's annual Requests for Proposal (RFP) process for the CDBG and HOME program funds, which concluded in April 2009.

The general scope of work outlined for these services to be provided by HBJ Associates is as follows:

- 1.) Review all payroll documentation of each construction employee*
- 2.) Provide Procurement and contract technical assistance*
- 3.) Provide monthly reports on the status of all Labor Compliance issues*
- 4.) Provide prevailing wage technical assistance to the general contractor and City*

FISCAL IMPACT

The cost for this service will not exceed \$50,000 and that Agency funds are available in account number 1200-80-0000-4269 in the amount of \$50,000.

RECOMMENDATION

Agency staff respectfully recommends that the Commission authorize the Executive Secretary to enter into an agreement and issue a purchase order to HBJ Associates for Davis Bacon and Labor Standards Compliance and Monitoring for Federal and State funded Agency projects.

DR. KOFI SEFA-BOAKYE
DIRECTOR OF REDEVELOPMENT

CHARLES EVANS
EXECUTIVE SECRETARY

RESOLUTION NO. _____

A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION, ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON, AUTHORIZING THE EXECUTIVE SECRETARY TO ENTER INTO AN AGREEMENT AND ISSUE A PURCHASE ORDER TO HBJ ASSOCIATES FOR ENFORCEMENT OF DAVIS BACON LABOR STANDARDS COMPLIANCE LAWS AND MONITORING OF FEDERAL AND STATE FUNDED AGENCY PROJECTS IN THE CITY OF COMPTON

WHEREAS, the Community Redevelopment Agency of the City of Compton (the "Agency") is carrying out the Redevelopment Plan for the Compton Redevelopment Project Area, as merged and amended by Ordinance No. 2,114 adopted by the City Council and Commission on November 16, 2004; and

WHEREAS, in compliance with Federal and State Labor and Compliance laws for the implementation of construction and rehabilitation projects, the Agency is required to ensure that all contractors comply with the applicable laws and regulations governing Davis Bacon and other mandated labor laws accordingly; and

WHEREAS, in order to accomplish this objective, the Agency recommends the selection of HBJ Associates to serve as the primary Labor Compliance Officer for the MLK Transit Center project and other Agency projects; and

WHEREAS, over the past years, HBJ Associates have been performing services related to federal and state labor standards in an exemplary manner for various City Departments including s the Planning Department, Fire Department and General Services Department; and

WHEREAS, HBJ Associates has provided similar services for City of Gardena, the County of Los Angeles and other local jurisdictions. In light of the firms’ demonstrated capacity, necessary technical expertise of labor compliance laws and in depth knowledge of Compton’s labor force profile staff believes that HBJ Associates is uniquely qualified to undertake the service.

NOW, THEREFORE, THE URBAN COMMUNITY DEVELOPMENT COMMISSION, ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY COUNCIL OF THE CITY OF COMPTON HEREBY RESOLVE AS FOLLOWS:

Section 1. That HBJ Associates will provide Davis Bacon and Labor Standard Compliance for Agency Federal and State funded projects.

Section 2. That the Executive Secretary is hereby authorized to execute the necessary agreements upon the advice of the City Attorney.

Section 3. That a certified copy of this resolution shall be filed in the offices of the Executive Secretary, City Attorney, City Controller, Community Redevelopment Agency, and Clerk.

Section 4. That the Agency has funds available in account number 1200-80-0000-4269.

Section 5. That the Chairman shall sign and the Clerk shall attest to the adoption of this resolution.

ADOPTED this _____ day of _____ 2010.

RESOLUTION NO. _____
Page 2

CHAIRMAN OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION

ATTEST:

CLERK OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION

STATE OF CALIFORNIA
CITY OF LOS ANGELES
CITY OF COMPTON

I, Alita Godwin, Clerk of the Urban Community Development Commission of the City of Compton, hereby certify that the forgoing resolution was adopted by the Commission, signed by the Chairman, and attested by the Clerk at a regular meeting thereof held on the ____ day of _____ 2010.

That said resolution was adopted by the following vote, to wit:

AYES:	COMMISSIONERS-
NOES:	COMMISSIONERS-
ABSENT:	COMMISSIONERS-
ABSTAIN:	COMMISSIONERS-

CLERK OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION

RESOLUTION SIGN-OFF FORM

DEPARTMENT: Community Redevelopment

RESOLUTION TITLE: A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION, ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON, AUTHORIZING THE EXECUTIVE SECRETARY TO ENTER INTO AN AGREEMENT AND ISSUE A PURCHASE ORDER TO HBJ ASSOCIATES FOR ENFORCEMENT OF DAVIS BACON LABOR STANDARDS COMPLIANCE LAWS AND MONITORING OF FEDERAL AND STATE FUNDED AGENCY PROJECTS IN THE CITY OF COMPTON

<ManagersName>
DEPARTMENT MANAGER’S SIGNATURE

<ManagersDate>
DATE

REVIEW / APPROVAL

<LegalName>
CITY ATTORNEY

<LegalDate>
DATE

<ControllerName>
CITY CONTROLLER

<ControllerDate>
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CITY MANAGER

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Use when:	
Public Works:	When contracting for Engineering Services.
City Attorney:	When contracting for legal services; contracts that require City Attorney’s review.
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Asst. City Manager/OAS:	All personnel actions.

May 18, 2010

TO: CHAIRMAN AND COMMISSIONERS

FROM: EXECUTIVE SECRETARY

SUBJECT: A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON AUTHORIZING THE EXECUTIVE SECRETARY TO ENTER INTO AN AGREEMENT AND ISSUE A PURCHASE ORDER TO DMD APPRAISALS, INC. TO PROVIDE APPRAISAL SERVICES FOR THE COMMUNITY REDEVELOPMENT AGENCY

SUMMARY

Staff is respectfully requesting authorization for the Executive Secretary to enter into an agreement and issue a purchase order in an amount not to exceed \$50,000 to DMD Appraisals, Inc. to perform appraisal services in accordance the City of Compton Community Redevelopment Agency redevelopment activities.

BACKGROUND

The Community Redevelopment Agency (the “Agency”) is implementing major land assembly activities (acquisition, disposition, and development) at strategic locations throughout the City in an effort to capitalize on the current economic resurgence in urban communities. The Agency’s mission is to eliminate blighted areas throughout the City and facilitate development projects that provide an economic stimulus and catalyst for wealth creation to the City and efficiently reuse underutilized parcels within the City. As part of the land assembly process, the State of California Health and Safety Code requires that redevelopment agencies obtain a Fair Market Value appraisal for any property prior to acquisition.

STATEMENT OF THE ISSUE

The Agency has identified several projects within the Agency’s Five-Year Implementation Plan that are scheduled to be implemented within the 2010/2011 Fiscal Year through the use of various financing mechanisms. As a result, the Agency will be undertaking a significant amount of economic and redevelopment feasibility analysis of vacant and blighted land that will require appraisals services to be performed on these properties before they can be acquired.

In order to undertake continuous utilization of appraisal services necessary to assist the Agency in the land assembly process, it is necessary and most efficient for the Agency to have at its disposal, uniquely qualified and experienced firms with specialized knowledge of applicable California Redevelopment Law regarding acquisitions of properties.

#8.

To that extent, Agency staff is recommending the issuance of an open purchase order with DMD Appraisals, Inc. to provide the Agency with a mechanism to efficiently execute a timely acquisition process.

The Agency solicited quotes from experienced appraisal companies and received competitive quotes from the following companies listed in the chart below. Upon review of quotes submitted, it was determined that DMD Appraisals, Inc. met the requisite credentials necessary to perform the services requested by the Agency.

	COMPANY NAME	PURCHASE ORDER AMOUNT
1	DMD APPRAISALS, Inc.	\$50,000
2	R.P. Laurain Associates	\$59,000
3	Lea Associates, Inc.	\$66,000

FISCAL IMPACT

Funds in an amount not to exceed \$50,000 are available in Account No. 1200-80-0000-4262.

RECOMMENDATION

Staff respectfully recommends that the Commission adopt the attached resolution authorizing the Executive Secretary to enter into an agreement and issue a purchase order to DMD Appraisals, Inc., to provide appraisal services for the Agency in an amount not to exceed \$50,000.

DR. KOFI SEFA-BOAKYE
DIRECTOR OF REDEVELOPMENT

CHARLES EVANS
EXECUTIVE SECRETARY

RESOLUTION NO. _____

A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON AUTHORIZING THE EXECUTIVE SECRETARY TO ENTER INTO AN AGREEMENT AND ISSUE A PURCHASE ORDER TO DMD APPRAISALS, INC. TO PROVIDE APPRAISAL SERVICES FOR THE COMMUNITY REDEVELOPMENT AGENCY

WHEREAS, the Community Redevelopment Agency of the City of Compton (the "Agency") is carrying out the Redevelopment Plan for the Compton Redevelopment Project Area, as merged and amended by Ordinance No. 2,114 adopted by the City Council on November 16, 2004; and

WHEREAS, in an effort to capitalize on the current economic resurgence in urban communities, the Community Redevelopment Agency (the "Agency") is implementing major land assembly activities (acquisition, disposition and development) in strategic locations of the project area; and

WHEREAS, the Agency has identified several projects within the Agency's Five-Year Implementation plan that are scheduled to be implemented within the 2010/2011 Fiscal Year through the use of various financing mechanisms; as a result, the Agency will be undertaking a significant amount of economic and redevelopment feasibility analyses of vacant and blighted land that will require appraisals services to be performed on these properties prior to acquisition; and

WHEREAS, in order to undertake continuous utilization of appraisal services to assist the Agency in the land assembly process, it is necessary for the Agency to have at its disposal, uniquely qualified and experienced firms with specialized knowledge of the redevelopment laws regarding acquisitions of properties; and

WHEREAS, the Agency solicited quotes from three (3) appraisals firms and it was determined that DMD Appraisals, Inc. met the requisite credentials necessary to perform the services requested by Agency.

DMD Appraisals, Inc.	\$50,000
R. P. Laurain & Associates	\$59,000
Lea Associates, Inc.	\$66,000

NOW, THEREFORE, THE URBAN COMMUNITY DEVELOPMENT COMMISSION, ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON, DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. That the Urban Community Development Commission hereby authorizes the Executive Secretary to enter into an agreement and a issue open purchase order totaling \$50,000 for appraisal services to:

<u>Company Name</u>	<u>Amount</u>
DMD Appraisals, Inc.	\$50,000

Section 2. That the Agency has funds available in the amount of \$50,000 in Account No. 1200-80-0000-4262.

Section 3. That the Executive Secretary is hereby authorized to execute all necessary agreements upon the advice of the City Attorney.

Section 4. That a certified copy of this resolution shall be filed in the offices of the Executive Secretary, City Controller, Community Redevelopment Agency, and Clerk.

Section 5. That the Chairman shall sign and the Clerk shall attest to the adoption of this resolution.

ADOPTED this ____ day of _____, 2010.

RESOLUTION NO. _____

Page 2

CHAIRMAN OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION

ATTEST:

CLERK OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON: ss

I, Alita Godwin, Clerk of the Urban Community Development Commission of the City of Compton, hereby certify that the foregoing resolution was adopted by the Commission, signed by the Chairman, and attested by the Clerk at the regular meeting thereof held on the _____ day of _____, 2010.

That said resolution was adopted by the following vote, to wit:

AYES: COMMISSIONERS -
NOES: COMMISSIONERS -
ABSENT: COMMISSIONERS -
ABSTAIN: COMMISSIONERS -

CLERK OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION

RESOLUTION SIGN-OFF FORM

DEPARTMENT: Community Redevelopment

RESOLUTION TITLE: A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON AUTHORIZING THE EXECUTIVE SECRETARY TO ISSUE A PURCHASE ORDER TO DMD APPRAISALS, INC. TO PROVIDE APPRAISAL SERVICES FOR THE COMMUNITY REDEVELOPMENT AGENCY

<ManagersName>
DEPARTMENT MANAGER’S SIGNATURE

<ManagersDate>
DATE

REVIEW / APPROVAL

<LegalName>
CITY ATTORNEY

<LegalDate>
DATE

<ControllerName>
CITY CONTROLLER

<ControllerDate>
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<CityManager>
CITY MANAGER

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May 18, 2010

TO: CHAIRMAN AND COMMISSIONERS

FROM: EXECUTIVE SECRETARY

SUBJECT: A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY, AUTHORIZING THE EXECUTIVE SECRETARY TO ENTER INTO AN AGREEMENT WITH CIBA REAL ESTATE TO IMPLEMENT AN OUTREACH AND MARKETING CAMPAIGN FOR THE 2010 RECON (ICSC) CONVENTION, UPCOMING CONVENTIONS AND NEGOTIATIONS FOR AGENCY OWNED SITES

SUMMARY

Staff is requesting that the Commission approve a resolution authorizing the Executive Secretary to enter into a contract with CIBA Real Estate ("CIBA") to implement a strategic and aggressive outreach and marketing campaign and negotiations with retailers and developers for the 2010 RECON convention and subsequent events.

BACKGROUND

In May 2009, the Community Redevelopment Agency (Agency) staff attended the 2009 International Council of Shopping Centers RECON event to solicit developers, market and promote the City and Agency activities. RECON 2010 is designed to give municipalities the tools, networking environment and knowledge needed to thrive in today's challenging retail real estate environment. The aspect of RECON is to provide a venue for municipalities, developers, retailers and lenders meet and network for investment transactions. The event is attended by more than 50,000 real estate professionals from all around the globe and is the largest retail real estate convention in the world.

STATEMENT OF THE ISSUE

During the 2009 conventions, the Agency staff met with several key retailers and developers who are currently pursuing opportunity sites in Compton. As part of those efforts CIBA Real Estate assisted the Agency in facilitating meetings with numerous retailers and developers during the convention.

In order to build upon the momentum gained by the Agency at the 2009 RECON event, the Agency solicited fee quotes from several firms to implement an outreach and marketing program for the 2010 RECON convention. Prior to undertaking the outreach efforts and assistance with the 2010 RECON event, the Agency interviewed and solicited fee quotes from three (3) real estate firms based in Southern California as follows:

CIBA Real Estate**May 18, 2010****Page 2**

1. CB Richard Ellis – 6% percent fee, plus monthly management fee = \$83,000
2. Colliers International – 5% to 6% percent fee, plus monthly management fee = \$78,000
3. CIBA Real Estate – 0% to 3% percent fee, plus monthly management fee = \$65,000

Upon review several proposals, the Agency determined that CIBA was the most qualified, cost effective and experienced with municipalities and their outreach and marketing program. Among other duties at the convention, CIBA will coordinate and schedule meetings with retailers and developers to select Compton as a viable and vibrant location for commercial and retail developments while negotiating preliminary deal terms on developable sites for the City. More specifically, CIBA's scope of work shall include but not limited to:

- Developer and Tenant Outreach
- Meeting Scheduling at 2010 RECON Event
- Follow-Up Meetings Post-RECON Event
- Real Estate Market and Demographic Info
- Distribution of Marketing Materials
- Preliminary Negotiations of Agency Owned Sites
- Assessment and Market Analysis of Agency owned sites
- 2010 RECON Staff support
- Two (2) future Trade Convention staff support services
- Develop Marketing Flyer and Program for Agency Owned Sites

FISCAL IMPACT

The proposed agreement amount shall not exceed \$65,000.00. The Agency has funds available in account number 1200-80-0000-4262.

RECOMMENDATION

Staff respectfully recommends that the Commission approve the attached resolution authorizing the executive secretary to enter into agreement with CIBA Real Estate in the amount not to exceed \$65,000.00 for comprehensive outreach, marketing and negotiations for the Agency during the 2010 RECON convention and upcoming conventions, events and Agency owned sites.

DR. KOFI SEFA-BOAKYE
DIRECTOR OF REDEVELOPMENT

CHARLES EVANS
EXECUTIVE SECRETARY

RESOLUTION NO. _____

A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY, AUTHORIZING THE EXECUTIVE SECRETARY TO ENTER INTO AN AGREEMENT WITH CIBA REAL ESTATE TO IMPLEMENT AN OUTREACH AND MARKETING CAMPAIGN FOR THE 2010 RECON (ICSC) CONVENTION, UPCOMING CONVENTIONS AND NEGOTIATIONS FOR AGENCY OWNED SITES

WHEREAS, the Community Redevelopment Agency of the City of Compton (the "Agency") is carrying out the Redevelopment Plan for the Compton Redevelopment Project Area, as merged and amended by Ordinance No. 2,114 adopted by the City Council and Commission on November 16, 2004; and

WHEREAS, the Redevelopment Agency is in process of undertaking a new approach to rebranding and marketing the image of the City of Compton to the International and National Commercial, Retail and Industrial development arenas; and

WHEREAS, in May 2009, the Community Redevelopment Agency (Agency) staff attended the 2009 International Council of Shopping Centers RECON event to solicit developers, market and promote the City and Agency activities. RECON 2010 is designed to give municipalities the tools, networking environment and knowledge needed to thrive in today's challenging retail real estate environment. The aspect of RECON is to provide a venue for municipalities, developers, retailers and lenders meet and network for investment transactions. The event is attended by more than 50,000 real estate professionals from all around the globe and is the largest retail real estate convention in the world; and

WHEREAS, in order to build upon the momentum gained by the Agency at the 2009 RECON event, the Agency solicited fee quotes from several firms to implement an outreach and marketing program for the 2010 RECON convention. Prior to undertaking the outreach efforts and assistance with the 2010 RECON event, the Agency interviewed and solicited fee quotes from three (3) real estate firms based in Southern California as follows; and

1. CB Richard Ellis – 6% percent fee, plus monthly management fee = \$83,000
2. Colliers International – 5% to 6% percent fee, plus monthly management fee = \$78,000
3. CIBA Real Estate – 0% to 3% percent fee, plus monthly management fee = \$65,000

WHEREAS, upon review several proposals, the Agency determined that CIBA was the most qualified, cost effective and experienced with municipalities and their outreach and marketing program. Among other duties at the convention, CIBA will coordinate and schedule meetings with retailers and developers to select Compton as a viable and vibrant location for commercial and retail developments while negotiating preliminary deal terms on developable sites for the City.

NOW, THEREFORE, THE URBAN COMMUNITY DEVELOPMENT COMMISSION, ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY COUNCIL OF THE CITY OF COMPTON HEREBY RESOLVE AS FOLLOWS:

Section 1. That CIBA Real Estate will implement an aggressive outreach and marketing campaign for the 2010 RECON convention, upcoming conventions and events and negotiations for Agency owned sites.

Section 2. That the Executive Secretary is hereby authorized to execute the necessary agreements upon the advice of the City Attorney, and issue a purchase order to CIBA Real Estate in the amount of \$65,000.00.

Section 3. That the Agency has funds available in Account number 1200-80-0000-4262.

Resolution No. _____
Page 2

Section 4. That a certified copy of this resolution shall be filed in the offices of the Executive Secretary, General Counsel, City Controller, Community Redevelopment Agency, and Clerk.

Section 5. That the Chairman shall sign and the Clerk shall attest to the adoption of this resolution.

ADOPTED this _____ day of _____ 2010.

**CHAIRMAN OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION**

ATTEST:

**CLERK OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION**

STATE OF CALIFORNIA
CITY OF LOS ANGELES
CITY OF COMPTON

I, Alita Godwin, Clerk of the Urban Community Development Commission of the City of Compton, hereby certify that the forgoing resolution was adopted by the Commission, signed by the Chairman, and attested by the Clerk at a regular meeting thereof held on the ____ day of _____ 2010.

That said resolution was adopted by the following vote, to wit:

AYES: COMMISSIONERS-
NOES: COMMISSIONERS-
ABSENT: COMMISSIONERS-
ABSTAIN: COMMISSIONERS-

**CLERK OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION**

RESOLUTION SIGN-OFF FORM

DEPARTMENT: Community Redevelopment

RESOLUTION TITLE: A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGEENY, AUTHORIZING THE EXECUTIVE SECRETARY TO ENTER INTO AN AGREEMENT WITH CIBA REAL ESTATE TO IMPLEMENT AN OUTREACH AND MARKETING CAMPAIGN FOR THE 2010 RECON (ICSC) CONVENTION, UPCOMING CONVENTIONS AND NEGOTIATIONS FOR AGENCY OWNED SITES

<ManagersName>
DEPARTMENT MANAGER’S SIGNATURE

<ManagersDate>
DATE

REVIEW / APPROVAL

<LegalName>
CITY ATTORNEY

<LegalDate>
DATE

<ControllerName>
CITY CONTROLLER

<ControllerDate>
DATE

<CityManager>
CITY MANAGER

<CityManagerDate>
DATE

Use when:	
Public Works:	When contracting for Engineering Services.
City Attorney:	When contracting for legal services; contracts that require City Attorney’s review.
Controller/Budget Officer:	Amending Budget; appropriating and/or transferring funds; adding and/or deleting positions; any resolution having account numbers.
Asst. City Manager/OAS:	All personnel actions.

May 18, 2010

TO: CHAIRMAN AND COMMISSIONERS

FROM: EXECUTIVE SECRETARY

SUBJECT: A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION, ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON, AUTHORIZING THE EXECUTIVE SECRETARY TO ENTER INTO AN AGREEMENT AND ISSUE A PURCHASE ORDER TO MEDIA PORTFOLIO FOR THE DESIGN, DEVELOPMENT AND PRODUCTION OF AN INTERACTIVE VIDEO AND DESIGN OF MARKETING MATERIALS FOR AGENCY PROJECTS AND PROGRAMS

SUMMARY

Agency staff is requesting the Commission to authorize the Executive Secretary to enter into an agreement and issue a purchase order to Media Portfolio for the design, development, production of a multi-media interactive video and the development of marketing publication materials and related display/signage materials for Agency projects and programs.

BACKGROUND:

The Redevelopment Agency is in process of undertaking a new approach to rebranding and marketing the image of the City of Compton to the International and National Commercial, Retail and Industrial development arenas. As part of the rebranding and marketing process, the Agency is attempting to eliminate negative stereotypes and perceptions of the City on a national and regional level through the creation of public relation and marketing campaigns that accurately depicts the City of Compton of today and moving into the future.

STATEMENT OF THE ISSUE

The City of Compton faces several factors that attempt to impede its revitalization. The City must compete for new commercial, retail developments, and investment capital with neighboring local municipalities, such as Long Beach, Carson, Gardena, and Lynwood, which increase local revenues and improve the City's ability to increase service levels. The City is also fervently combating the negative stereotypes of the City in the retail and commercial market place.

In the absence of an existing aggressive and proactive marketing approach, The City may miss critical opportunities to recruit and attract national credit retailers, restaurants, and commerce into the City of Compton. Media Portfolio's deliverables will assist the Agency and City in executing its comprehensive marketing and promotional strategy to assist in accomplishing the communities' revitalization goals.

#10.

To that extent, the Agency engaged the services of Media Portfolio to design the Agency's North Downtown Master Plan Rendering and various Agency project sample boards that have been installed throughout the North Downtown Master Plan area. In addition, Media Portfolio has successfully produced the Agency's First Time Homebuyer Multimedia Promotion Video – "Welcome to the New Compton", which was presented to the Commission on April 13, 2010.

The scope of work identified within this report will build upon and allow for continuity of the marketing theme and design elements for the Agency and City. As such, Media Portfolio's in-depth knowledge of the character of the City and thorough understanding of the strategic marketing plan of the Agency and City, makes them uniquely qualified to provide these services.

The 3D Modeling and Interactive Videos that staff proposes to be designed by Media Portfolio will be utilized to illustrate the City of Compton's pride, civic involvement, established economic base and purchasing power, quality housing stock, and most importantly, its' connection with the community as its foundation from which to build and expand.

The general scope of work to be performed for these services to be provided by Media Portfolio is as follows:

- 1.) *Create four (4) 4-6 minute multi-media 3D animation videos illustrating the benefits of Agency projects and programs to the City.*
- 2.) *Provide DVD Masters to Agency/City.*
- 3.) *Create various marketing materials.*
- 4.) *Create project signage and display media.*
- 5.) *Conceptual project renderings*
- 6.) *Develop graphical print media*

The Agency obtained four bids for comparable services as detailed below:

FISCAL IMPACT

The Agency solicited and received four (4) requests for quotes for these like services. The results are detailed below:

Firm	Total Proposed Costs
Archiform 3D	\$106,000
Greatcad Grafting	\$100,000
J Bullock	\$84,375
Media Portfolio	\$75,000

The cost for this service will not exceed \$75,000. Agency funds are available in account number 1200-80-0000-4269 in the amount of \$75,000.

RECOMMENDATION

Agency staff respectfully recommends that the Commission authorize the Executive Secretary to enter into an agreement and issue a purchase order to Media Portfolio for the design and development of interactive videos and multi-media publication materials to promote revitalization projects and related programs.

DR. KOFI SEFA-BOAKYE
DIRECTOR OF REDEVELOPMENT

CHARLES EVANS
EXECUTIVE SECRETARY

RESOLUTION NO. _____

A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION, ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON, AUTHORIZING THE EXECUTIVE SECRETARY TO ENTER INTO AN AGREEMENT AND ISSUE A PURCHASE ORDER TO MEDIA PORTFOLIO FOR THE DESIGN, DEVELOPMENT AND PRODUCTION OF AN INTERACTIVE VIDEO AND DESIGN OF MARKETING MATERIALS FOR AGENCY PROJECTS AND PROGRAMS

WHEREAS, the Community Redevelopment Agency of the City of Compton (the "Agency") is carrying out the Redevelopment Plan for the Compton Redevelopment Project Area, as merged and amended by Ordinance No. 2,114 adopted by the City Council and Commission on November 16, 2004; and

WHEREAS, the Redevelopment Agency is in process of undertaking a new approach to rebranding and marketing the image of the City of Compton to the International and National Commercial, Retail and Industrial development arenas; and

WHEREAS, as part of the rebranding and marketing process, the Agency is attempting to eliminate negative stereotypes and perceptions of the City on a national and regional level through the creation of public relation and marketing campaigns that accurately depicts the Compton of today and moving into the future; and

WHEREAS, the Agency engaged the services of Media Portfolio to design the Agency’s North Downtown Master Plan Rendering and various Agency project sample boards that have been installed throughout the North Downtown Master Plan area. In addition, Media Portfolio has successful produced the Agency’s First Time Homebuyer Multimedia Promotion Video – “Welcome to the New Compton”, which was presented to the Commission on April 13, 2010; and

WHEREAS, the Agency solicited and received four (4) requests for quotes for like services. The results of those quotes are detailed below:

Firm	Total Proposed Costs
Archiform 3D	\$106,000
Greatcad Grafting	\$100,000
J Bullock	\$84,375
Media Portfolio	\$75,000

WHEREAS, the 3D Modeling and Interactive Videos that staff proposes to be designed by Media Portfolio will be utilized to illustrate the City of Compton’s pride, civic involvement, established economic base and purchasing power, quality housing stock, and most importantly, its’ connection with the community as its foundation from which to build and expand; and

WHEREAS, in the absence of an existing aggressive and proactive marketing approach, The City may miss critical opportunities to recruit and attract national credit retailers, restaurants and commerce into the City of Compton. Media Portfolio’s deliverables will assist the Agency in executing its comprehensive marketing and promotional strategy to assist in accomplishing the communities’ revitalization goals.

NOW, THEREFORE, THE URBAN COMMUNITY DEVELOPMENT COMMISSION, ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY COUNCIL OF THE CITY OF COMPTON HEREBY RESOLVE AS FOLLOWS:

Section 1. That Media Portfolio will design and develop an interactive video and marketing materials for Agency programs and projects.

Section 2. That the Executive Secretary is hereby authorized to execute the necessary agreements upon the advice of the City Attorney.

RESOLUTION NO. _____

Page 2

Section 3. That the Agency has funds available in Account number 1200-80-0000-4269 in the amount of \$75,000.00

Section 4. That a certified copy of this resolution shall be filed in the offices of the Executive Secretary, City Attorney, City Controller, Community Redevelopment Agency, and Clerk.

Section 5. That the Chairman shall sign and the Clerk shall attest to the adoption of this resolution.

ADOPTED this _____ day of _____ 2010.

CHAIRMAN OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION

ATTEST:

CLERK OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION

STATE OF CALIFORNIA
CITY OF LOS ANGELES
CITY OF COMPTON

I, Alita Godwin, Clerk of the Urban Community Development Commission of the City of Compton, hereby certify that the forgoing resolution was adopted by the Commission, signed by the Chairman, and attested by the Clerk at a regular meeting thereof held on the ____ day of _____ 2010.

That said resolution was adopted by the following vote, to wit:

AYES: COMMISSIONERS-
NOES: COMMISSIONERS-
ABSENT: COMMISSIONERS-
ABSTAIN: COMMISSIONERS-

CLERK OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION

RESOLUTION SIGN-OFF FORM

DEPARTMENT: Community Redevelopment

RESOLUTION TITLE: A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION, ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON, AUTHORIZING THE EXECUTIVE SECRETARY TO ENTER INTO AN AGREEMENT AND ISSUE A PURCHASE ORDER TO MEDIA PORTFOLIO FOR THE DESIGN, DEVELOPMENT AND PRODUCTION OF AN INTERACTIVE VIDEO AND DESIGN OF MARKETING MATERIALS FOR AGENCYS PROJECTS AND PROGRAMS

<ManagersName>
DEPARTMENT MANAGER’S SIGNATURE

<ManagersDate>
DATE

REVIEW / APPROVAL

<LegalName>
CITY ATTORNEY

<LegalDate>
DATE

<ControllerName>
CITY CONTROLLER

<ControllerDate>
DATE

<CityManager>
CITY MANAGER

<CityManagerDate>
DATE

Use when:	
Public Works:	When contracting for Engineering Services.
City Attorney:	When contracting for legal services; contracts that require City Attorney’s review.
Controller/Budget Officer:	Amending Budget; appropriating and/or transferring funds; adding and/or deleting positions; any resolution having account numbers.
Asst. City Manager/OAS:	All personnel actions.

May 18, 2010

TO: CHAIRMAN AND COMMISSIONERS

FROM: EXECUTIVE SECRETARY

SUBJECT: A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON AUTHORIZING RESOLUTION NO. 1,769 TO BE RESCINDED AND AUTHORIZING THE EXECUTIVE SECRETARY TO ENTER INTO A LOAN AGREEMENT BETWEEN THE COMMUNITY REDEVELOPMENT AGENCY AND COMPTON COMMERCIAL DEVELOPMENT RENAISSANCE PLAZA, LLC, IN CONNECTION WITH THE RENOVATION OF THE COMPTON RENAISSANCE PLAZA SHOPPING CENTER.

SUMMARY

On July 7, 2009 pursuant to Resolution 1,762 of the Commission authorized the Community Redevelopment Agency (the "Agency") to negotiate the terms of the loan agreement with Compton Commercial Development Company (the "Developer") in connection with the renovation of the Compton Renaissance Plaza Shopping Center (the "Shopping Center") and authorized the Executive Director to negotiate the terms of the loan agreement with the Developer.

BACKGROUND

The Developer is in the midst of a major renovation of the Shopping Center, which is located in the Compton Redevelopment Project Area (the "Project Area"), including resurfacing the parking lot throughout the Shopping Center, implementing a new color scheme for the buildings in the Shopping Center, and implementing a new landscape design (the "Shopping Center Improvements"). As part of the renovation of the Shopping Center, the Developer will renovate or cause the renovation of the existing 86,489 square foot vacant building located at the northeast corner of Compton Boulevard between Alameda Street and Willowbrook Avenue formerly occupied by K-Mart, including undertaking new storefront designs, and will lease the renovated K-Mart building to the Burlington Coat Factory. The Developer has requested certain assistance from the Agency in connection with certain tenant improvements and renovation of the shopping center

STATEMENT OF THE ISSUE

In accordance with Section 33444.5 of the Health and Safety Code, the Agency may loan funds to owners or tenants for the purpose of rehabilitating commercial buildings or structures within the Project Area. In addition, pursuant to Health and Safety Code Section 33391, the Agency

#11.

may acquire interests in real property, including public parking easements and facade easements.

After a lengthy negotiation period, the Agency has consummated negotiations with the Redeveloper (owner) in connection with the loan assistance. Under the terms of the Loan Agreement, the Agency will loan the Redeveloper the sum of \$2,850,000 for the purpose of financing certain improvements to the referenced property. The Agency's loan shall be evidenced by a promissory note (the "Agency Note") and secured by a deed of trust (the "Agency D/T") encumbering the Property.

The Agency Loan shall bear interest at the rate of 3% per annum and shall be for a period of ten (10) years. The principal of and all interest accruing on the Agency Loan shall be payable on the dates and in the amounts as provided in the Agency Note, and the Agency Note shall mature on June 1, 2020 (the "Maturity Date"). These negotiated terms require the Agency to propose to rescind the prior authorizing Resolution No. 1,769 and request that the current proposed resolution be adopted.

The anticipated community economic benefits to the City/Agency for assisting the renovation of the Renaissance Shopping Center to facilitate the location of Burlington Coat Factory Store to the site would eliminate blight in an area that has been underutilized for several years; generate sales and property tax revenues for the City/Agency and improve employment opportunities for residents.

FISCAL IMPACT

The Agency will expend \$2,850,000 million.

RECOMMENDATION

Staff is respectfully requesting that the Commission rescind the prior Resolution Number 1,769 entered into on September 29, 2009 and adopt the attached Resolution approving a loan agreement between the Community Redevelopment Agency and Commercial Development Renaissance Plaza, LLC.

KOFI SEFA-BOAKYE
DIRECTOR OF REDEVELOPMENT

CHARLES EVANS
EXECUTIVE SECRETARY

RESOLUTION NO. _____

A RESOLUTION OF THE URBAN COMMUNITY DEVELOPMENT COMMISSION ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON AUTHORIZING RESOLUTION NO. 1,769 TO BE RESCINDED AND AUTHORIZING THE EXECUTIVE SECRETARY TO ENTER INTO A LOAN AGREEMENT BETWEEN THE COMMUNITY REDEVELOPMENT AGENCY AND COMPTON COMMERCIAL DEVELOPMENT RENAISSANCE PLAZA, LLC, IN CONNECTION WITH THE RENOVATION OF THE COMPTON RENAISSANCE PLAZA SHOPPING CENTER.

WHEREAS, the Community Redevelopment Agency of the City of Compton (the "Agency") is carrying out the Redevelopment Plan for the Compton Redevelopment Project Area (the "Project Area"); and

WHEREAS, Health and Safety Code Section 33444.5 provides that a redevelopment agency may loan funds to owners or tenants for the purpose of rehabilitating commercial buildings or structures within a project area; and

WHEREAS, Health and Safety Code Section 33391 provides that a redevelopment agency may purchase real property and any interests in real property; and

WHEREAS, Compton Commercial Development Renaissance Plaza, LLC (the "Developer") is in the midst of a major renovation of the Compton Renaissance Plaza Shopping Center (the "Shopping Center") which is located in the Project Area, including resurfacing the parking lot throughout the Shopping Center, implementing a new color scheme for the buildings in the Shopping Center, and implementing a new landscape design (the "Shopping Center Improvements"); and

WHEREAS, as part of this renovation of the Shopping Center the Developer will renovate or cause the renovation of the existing 86,489 square foot vacant building located at the northeast corner of Compton Boulevard between Alameda Street and Willowbrook Avenue formerly occupied by K-Mart, including undertaking new storefront designs, and will lease the renovated K-Mart building to the Burlington Coat Factory; and

WHEREAS, the Agency desires to make a loan to the Developer in an amount not to exceed \$2,850,000 million for the purpose of renovating the K-Mart building; and

WHEREAS, the Agency Loan shall bear interest at the rate of 3% per annum and shall be for a period of ten (10) years. The principal of and all interest accruing on the Agency Loan shall be payable on the dates and in the amounts as provided in the Agency Note, and the Agency Note shall mature on June 1, 2020 (the "Maturity Date"); and

WHEREAS, the Shopping Center Improvements and renovation and lease of the K-Mart building to the Burlington Coat Factory will improve the appearance of the Shopping Center, eliminate conditions of blight in the Project Area, generate additional sales and property tax revenues, create new job opportunities and serve as a catalyst for further development and redevelopment in the Project Area, thereby substantially improving the economic and physical conditions in the Redevelopment Project Area in accordance with the purposes and goals of the Redevelopment Plan for the Project Area.

NOW, THEREFORE, THE URBAN COMMUNITY DEVELOPMENT COMMISSION, ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON, DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. That Resolution Number 1,769 is hereby rescinded.

RESOLUTION NO. _____

Section 2. That the Commission hereby authorizes the Executive Secretary to enter into a loan agreement and other related documents with the Developer in the maximum amount of \$2,850,000 million, for the purpose of renovating the former K-Mart building located in the Shopping Center, upon the advice of Agency Counsel. Such loan shall be secured by a subordinated deed of trust on the Shopping Center, shall have a term of ten (10) years and shall bear interest at the rate of 3% per annum. The monies to be disbursed by the Agency under the loan agreement and purchase agreement(s), described in Section 2, below, will be paid directly to Burlington Coat Factory upon the completion of the Shopping Center Improvements and the renovation of the former K-Mart building, and after (at a time to be determined) the opening of business for the Burlington Coat Factory store in the former K-Mart building.

Section 3. A certified copy of this resolution shall be filed in the offices of the Executive Secretary, City Attorney, City Controller, Community Redevelopment Agency, and Clerk.

Section 4. The Chairman shall sign and the Clerk shall attest to the adoption of this resolution.

ADOPTED this ____ day of _____, 2010.

**CHAIRMAN OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION**

ATTEST:

**CLERK OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION**

STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

CITY OF COMPTON: ss

I, Alita Godwin, Clerk of the Urban Community Development Commission of the City of Compton, hereby certify that the foregoing resolution was adopted by the Commission, signed by the Chairman, and attested by the Clerk at the regular meeting thereof held on the ____ day of _____, 2010.

That said resolution was adopted by the following vote, to wit:

AYES: **COMMISSIONERS-**

NOES: **COMMISSIONERS-**

ABSENT: **COMMISSIONERS-**

ABSTAIN: **COMMISSIONERS-**

**CLERK OF THE URBAN COMMUNITY
DEVELOPMENT COMMISSION**