

**S.E.C. RULE 15c2-12
NOTICE OF LISTED EVENT**

The Stockton Public Financing Authority (the "Authority"), the Redevelopment Agency of the City of Stockton (the "Agency") and the City of Stockton (the "City") hereby provide this material event notice (the "Notice") pursuant to the continuing disclosure undertakings it has entered into for the securities listed on Schedule A attached hereto (collectively, the "Securities").

Issues:

This Notice relates to the issues described in Schedule A.

Listed Events:

On September 30, 2011, Standard & Poor's, a Division of the McGraw-Hill Companies ("S&P") downgraded the underlying rating assigned to the Authority's Revenue Bonds (Redevelopment Projects) 2006 Series C (the "2006 Series C Bonds") to BBB- from BBB and assigned a negative outlook, and on October 3, 2011, S&P downgraded the insured rating (Radian Asset Assurance Inc.) assigned to the Authority's Revenue Bonds (Redevelopment Projects) 2006 Series A, 2006 Series B (the "2006 Series A/B Bonds" and together with the 2006 Series C Bonds, the "2006 Bonds") to BB- from BB and assigned a negative outlook and downgraded the underlying rating on the 2006 Series A/B bonds to B from BB and assigned a negative outlook. Explanation of the significance of such ratings may only be obtained from S&P.

The following information is based on the Agency's and City's currently available unaudited financial information, together with information provided by the County of San Joaquin concerning the 2011-12 Property Tax roll. **Neither the Agency nor the City can guarantee that, after the completion of their audited financial statements for Fiscal year 2010-11, financial information as reported herein will remain the same, or that actual tax receipts for Fiscal Year 2011-12 will be as projected based on the information provided by the County of San Joaquin.**

Agency Debt Service Coverage

Debt Service Coverage for 2011-12

The Agency expects that tax increment revenues for 2011-12 will be reduced as a result of the approximately 3.17% drop in assessed value in the Agency's project areas on a cumulative basis as reported by the County of San Joaquin for the 2011-12 Fiscal Year. Set forth below is a table showing the projected tax increment revenues available for each of the Agency's project areas for 2011-12 together with the debt service on those issues and the resulting coverage.

Redevelopment Agency of the City of Stockton
FY 11/12 Estimated Debt Service Coverage Calculations by Project Area
(\$ in thousands)

	Midtown	South Stockton	North Stockton	Waterfront	Housing
Gross Increment	\$ 2,133	\$ 3,297	\$ 1,046	\$ 5,142	\$ 2,346
Less: County Administration Fee	(43)	(66)	(21)	(67)	-
Adjusted Gross Revenue	\$ 2,090	\$ 3,231	\$ 1,025	\$ 5,075	\$ 2,346
Less: 20% Housing Set-Aside	(427)	(659)	(209)	(1,051)	-
Less: Contractual Pass Throughs	(360)	(480)	(209)	(798)	-
Net Increment Available for Debt Service	\$ 1,303	\$ 2,092	\$ 607	\$ 3,226	\$ 2,346
Less: Senior Debt Service ^{(1), (2)}	(1,055)	(2,037)	(1,465)	(2,522)	(2,113)
Less: Subordinate DS ⁽³⁾	-	-	-	-	(990)
Less: Total Debt Service	\$ (1,055)	\$ (2,037)	\$ (1,465)	\$ (2,522)	\$ (3,103)
Net Increment After Debt Service	\$ 248	\$ 55	\$ (858)	\$ 704	\$ (757)
Senior Debt Service Coverage	1.24	1.03	0.41	1.28	1.11
Subordinate Debt Service Coverage	N/A	N/A	N/A	N/A	0.24
Debt Service Coverage (All Bonds)	1.24	1.03	0.41	1.28	0.76

Notes

Sources: San Joaquin County and Frasier Associates

(1) Debt Service on the Revenue Bonds (Redevelopment Projects), 2006 Series A and 2006 Series B paid from the Midtown Project Area, the South Stockton Project Area and the North Stockton Project Area - Debt Service on the Taxable Revenue Bonds (Redevelopment Projects), 2006 Series C paid from the Housing Fund

(2) Debt Service on the Revenue Bonds, Series 2004 (Stockton Events Center - Arena Project) paid from the Waterfront Project Area

(3) Debt Service on the Certificates of Participation (Redevelopment Housing Project), Series 2003A and Taxable Series 2003B paid from the Housing Fund

2006 Bonds

The Authority issued its 2006 Bonds in order to fund various redevelopment projects for the Agency. The project areas are not merged and therefore revenues from one project area cannot be used to make up a shortfall in another project area. The 2006 Series A/B Bonds are secured on a parity basis by pledges of tax increment revenues from various redevelopment projects of the Agency under a series of loan agreements between the Authority and the Agency, and the 2006 Series C Bonds are secured by a pledge of 20% housing Set Aside Revenues of the Agency under a loan agreement between the authority and the Agency.

As can be seen from the above table, the Agency projects that debt service for the 2006 Series A/B Bonds will exceed available tax increment revenues in the North Stockton Project Area by approximately \$858,000. The September 1, 2011 payment has been made as scheduled. The shortfall in debt service will be reduced by an available North Stockton cash surplus of \$137,249 held by the trustee from accumulated reserve fund interest earnings and monies released from a reduced reserve requirement after the 2010 bond repurchase program, leaving a net shortfall of approximately \$720,751. In its 2011-

12 budget, the Agency appropriated funds from the Midtown project area to cover the North Stockton 20% set aside requirement, relieving an estimated \$209,000 of North Stockton cash flow and leaving a net shortfall of \$511,751. Depending on the Agency's ability to use unspent project fund balances to make up this difference, discussed below, the Agency expects that the Trustee may be required to draw on the North Stockton Reserve Account to make up the remaining shortfall.

The cash balance in the Reserve Accounts pledged to the 2006 Series A/B Bonds as of the date hereof are as follows:

Project Area	Balance
Midtown Merged	\$1,036,184
North Stockton	1,796,706
South Stockton	2,013,226
Total:	\$4,846,116

In addition to these required reserves, the trustee holds approximately \$11,500,000 in unspent project funds. Net of the listed estimates of contractual commitments against these funds, the Agency has approximately \$9,747,197 in uncommitted project funds. Pursuant to the Indentures for the 2006 Series A/B Bonds, these unspent proceeds, while held by the Trustee, are pledged to the payment of debt service on the Series 2006 A/B Bonds, but would only be applied by the Trustee after the Reserve Accounts are exhausted.

During 2010, the Agency repurchased approximately \$23 million in Series 2006 A Bonds, and in May of 2011 authorized an additional repurchase program that has not yet been executed.

The following table shows the balances of unspent project funds by project area:

Project Area	Total Unspent Proceeds	Project Commitments	Uncommitted Proceeds
Midtown Merged	\$4,965,303	\$231,413	\$4,733,890
North Stockton	4,179,252	361,480	3,817,772
South Stockton	2,360,326	1,164,791	1,195,535
Total:	\$11,504,881	\$1,757,684	\$9,747,197

Due to the passage of recent legislation affecting the Agency (discussed below) the Agency is currently prohibited from applying these unspent proceeds to redeem or repurchase bonds, but the Trustee is not prohibited from applying such funds to pay debt service in the event of a shortfall in tax revenues. The Trustee has informed the Agency it will not do so until it has first exhausted available reserve funds. Depending on the outcome of the litigation challenging this legislation and depending on the effect of certain legal and federal income tax restrictions on the use of the unspent proceeds, the Agency may be able to apply the uncommitted unspent proceeds to redeem, defease,

repurchase and/or pay debt service on the bonds. The Agency does not currently expect to use any uncommitted unspent proceeds on additional projects except to the extent that it is legally obligated to do so.

The Agency's 2006 Series C Bonds are secured by a pledge of the 20% Housing Set Aside amounts received by the Agency. As can be seen from the coverage table above, the 20% Housing Set Aside amounts are sufficient to meet the debt service obligations on the 2006 Series C Bonds, and therefore the Agency does not expect there will be any use of unspent proceeds or draw on the Reserve Fund for the Series C Bonds or a future default in the payment of debt service, based on the current assessed value of property in the Agency's Project Areas. The balance in the Reserve Account for the 2006 Series C Bonds is currently \$2,128,965.

2003 COPs

The City of Stockton 2003 Certificates of Participation, Series A and Series B (the "2003 COPs") are secured by a pledge of the Agency's Housing Set Aside revenues, and by an obligation of the City's general fund pursuant to a Lease Agreement by and between the City and the Agency. The Pledge of Housing Set Aside revenues to the 2003 COPs is subordinate to the pledge of such revenues to secure the 2006 Series C Bonds. Historically, the Agency's Housing Set Aside revenues and fund balance were sufficient to meet all debt service payments on both the 2006 Series C Bonds and the 2003 COPs, and the City's general fund therefore was not called upon to make any payments on these obligations. However, for Fiscal Year 2011-12, after payment of debt service on the 2006 Series C Bonds, the Agency projects there will be insufficient Housing Set Aside revenues to meet the Agency's obligations to pay all of the debt service on the 2003 COPs. Based on current projections, that shortfall is approximately \$752,000. The Agency is evaluating options to address this deficiency. In the event the Agency is unable to meet this obligation, the General Fund would be required to pay this shortfall. This shortfall has not been anticipated in the 2011-12 General Fund budget.

2004 Arena Bonds

The Agency issued its Redevelopment Agency of the City of Stockton 2004 Revenue Bonds, (Stockton Events Center- Arena Project) (the "Arena Bonds") to fund the construction of the Arena and Events Center Project. The Arena Bonds are secured by a pledge of tax increment revenues of the Waterfront Project Area and are additionally secured by a City general fund lease obligation. The Agency projects that revenues in the Agency's Waterfront project area will be sufficient to meet the Agency's obligations with respect to the Arena Bonds.

Agency Cash Balances

The Agency's cash balances are held in a pooled investment account along with other funds from the City (the "Pooled Cash Account"). During each fiscal year, amounts are withdrawn from and deposited to the Pooled Cash Account, but are tracked for

accounting purposes within the respective funds for each activity. As of June 30, 2010, the Agency's North Stockton and Waterfront funds had overdrawn their positions in the Pooled Cash Account and had balances of \$-2,459,922 and \$-8,688,024, respectively. Those deficits were resolved by booking advances on June 30, 2010 from the City's worker's compensation reserve and general capital projects funds (both of which are funded from the City's general fund) as working capital loans to the Agency. On July 1, 2010, the Agency and City reversed those advances, again leaving a deficit position in the Agency funds. As of June 30, 2011, as a result of the reversal of the working capital advances on July 1, 2010 and activities during fiscal year 2010-11, the Agency's North Stockton and Waterfront funds had (unaudited) balances of \$-3,096,476 and \$-3,119,060, respectively. Because other Agency funds had positive (unaudited) cash balances in the Pooled Investment Account of \$3,555,489, the (unaudited) net Agency balance as of June 30, 2011 was \$-2,660,047. The City and Agency have not yet determined how to account for these negative balances for Fiscal Year 2010-11. The unaudited information regarding the City's general fund for fiscal year 2010-11 that has been made publicly available to date does not reflect any adjustment for advances to the Agency to cover these negative balances. Neither has they been taken into account in determining the beginning balance of the City's general fund with respect to the fiscal year 2011-12 Budget. The Agency and City estimate that a minimum of \$2,660,047 and a maximum of \$6,215,536 will be required to be advanced from some source outside the Agency in order to resolve the Agency's deficit position in the Pooled Cash Account.

Agency Administration Budget

As a result of the shortfall of tax increment revenue to pay various Agency obligations as described above, the Agency will be unable to fully fund its budgeted level of administration costs for Fiscal year 2011-12. The City and Agency's adopted 2011-12 budgets included a \$1 million appropriation from the City's general fund to offset a portion of the Agency's operating costs. The remaining shortfall, after this operating contribution, is estimated at \$1 million. The Agency is evaluating options to further adjust this administrative burden by reducing costs, but to the extent any shortfall remains it will be required to be paid from the City's general fund. The City's 2011-12 adopted Budget does not take into account any such additional appropriation.

Recent Legislation

As a part of the State of California's 2011-12 Budget, the State Legislature passed ABX1-26 and ABX1-27 (the "RDA Legislation"). ABX1-26 provides for the winding down and eventual dissolution of all redevelopment agencies in the State that do not opt to remain in existence under ABX1-27, and ABX1-27 allows cities and counties to opt to maintain the existence of their respective redevelopment agencies by making certain payments to be used to offset state costs for schools and other functions. The RDA Legislation has been challenged in a lawsuit filed by the California Redevelopment Association and the Redevelopment Agencies of San Jose and Union City (the "CRA Lawsuit"). The Supreme Court of California has accepted original jurisdiction in the

CRA Lawsuit and has announced that it will rule on the constitutionality of the legislation no later than January 15, 2012.

The City is evaluating its alternatives to either “opt in” or “opt out” to the provisions of ABX1-27, assuming they are upheld. The amount calculated by the State for Fiscal year 2011-12 is \$8,348,063. In the event the City and Agency determine to "opt in" the City and Agency will need to identify the resources to make the required payment. Unless ABX1-26 is declared unconstitutional by the Supreme Court, the Agency might be required to dissolve pursuant to the terms of the RDA Legislation. The RDA Legislation provides for the continuation of pledges of tax increment revenues to support the redevelopment agency bonds, and the Agency does not expect that the dissolution of the Agency pursuant to the RDA Legislation will, in and of itself, have any adverse effect on the Agency's ability to pay debt service on its bonds or other legally enforceable obligations. The dissolution of the Agency may, however, have a negative impact on the City's general fund as discussed below.

Effect on City General Fund

This material event notice references the City's general fund obligations because the financial condition of the Agency as described above has a direct impact on the City's general fund. While the City and the Agency are evaluating options to minimize these impacts, the risk to the General Fund during FY 2011-12 for payments under Series 2003 COPs, to sustain the Agency's administration and to cover the Agency's deficits in the Pooled Cash Account could range from approximately \$2,700,000 to \$6,200,000.

As described in the Material Event Notice filed by the City on July 26, 2011, there were several additional impacts on the City's general fund that became known after adoption of the 2011-12 City budget. The City is evaluating its options to address these impacts and continues to research the unrestricted fund balances held outside the General Fund that might be available to mitigate such impacts.

Certain statements contained in this Notice do not reflect historical facts but are forecasts and “forward looking statements.” No assurance can be given that future events and results discussed herein will transpire or be achieved, and actual events and results may differ materially from the events and forecasts described herein. In this respect, the words “estimate,” “forecast,” “project,” “anticipate,” “expect,” “intend,” “plan,” “believe,” “predict” and similar expressions are intended to identify forward looking statements. All projections, forecasts, assumptions, predictions and other forward looking statements are expressly qualified in their entirety by this cautionary statement.

Dated: October 12, 2011

SUSAN MAYER

TREASURER
STOCKTON PUBLIC FINANCING AUTHORITY

CHIEF FINANCIAL OFFICER
REDEVELOPMENT AGENCY OF THE CITY OF STOCKTON

CHIEF FINANCIAL OFFICER
CITY OF STOCKTON

SCHEDULE A

<u>Name of Issue</u>	<u>Maturity Date</u>	<u>CUSIP</u>	<u>Prior Rating</u>	<u>New Rating</u>
Stockton Public Financing Authority (Redevelopment and Housing Projects) 2006 Series A, B, C				
	September 1, 2012	861395DR9	BB	B
	September 1, 2012	861395EX5	BB	B
	September 1, 2013	861395DS7	BB	B
	September 1, 2013	861395EY3	BB	B
	September 1, 2014	861395DT5	BB	B
	September 1, 2015	861395DU2	BB	B
	September 1, 2016	861395DV0	BB	B
	September 1, 2016	861395FH9	BBB	BBB-
	September 1, 2017	861395DW8	BB	B
	September 1, 2018	861395DX6	BB	B
	September 1, 2019	861395DY4	BB	B
	September 1, 2020	861395DZ1	BB	B
	September 1, 2021	861395EA5	BB	B
	September 1, 2022	861395EB3	BB	B
	September 1, 2023	861395EC1	BB	B
	September 1, 2024	861395ED9	BB	B
	September 1, 2025	861395EE7	BB	B
	September 1, 2031	861395EL1	BB	B
	September 1, 2034	861395EP2	BB	B
	September 1, 2037	861395ES6	BB	B
	September 1, 2037	861395GE5	BBB	BBB-

<u>Name of Issue</u>	<u>Maturity Date</u>	<u>CUSIP</u>	<u>Current Rating</u>
City of Stockton 2003 Certificates of Participation, Series A and B			
	September 1, 2011	861407BL7	BBB+
	September 1, 2012	861407BM5	BBB+
	September 1, 2013	861407BN3	BBB+
	September 1, 2014	861407BP8	BBB+
	September 1, 2015	861407BQ6	BBB+
	September 1, 2016	861407BR4	BBB+
	September 1, 2017	861407BS2	BBB+
	September 1, 2017	861407CB8	BBB+
	September 1, 2018	861407BT0	BBB+
	September 1, 2019	861407BU7	BBB+
	September 1, 2020	861407BV5	BBB+
	September 1, 2021	861407BW3	BBB+
	September 1, 2022	861407BX1	BBB+
	September 1, 2023	861407BY9	BBB+
	September 1, 2023	861407CC6	BBB+
	September 1, 2027	861407BZ6	BBB+
	September 1, 2033	861407CA0	BBB+
	September 1, 2033	861407CD4	BBB+

<u>Name of Issue</u>	<u>Maturity Date</u>	<u>CUSIP</u>	<u>Current Rating</u>
<u>Stockton Public Financing Authority 2004 Lease Revenue Bonds, (Parking and Capital Projects)</u>	September 1, 2011	861394AF1	BBB+
	September 1, 2012	861394AG9	BBB+
	September 1, 2013	861394AH7	BBB+
	September 1, 2014	861394AJ3	BBB+
	September 1, 2015	861394AK0	BBB+
	September 1, 2016	861394AL8	BBB+
	September 1, 2017	861394AM6	BBB+
	September 1, 2018	861394AN4	BBB+
	September 1, 2019	861394AP9	BBB+
	September 1, 2020	861394AQ7	BBB+
	September 1, 2021	861394AR5	BBB+
	September 1, 2022	861394AS3	BBB+
	September 1, 2023	861394AT1	BBB+
	September 1, 2021	861394AU8	BBB+
	September 1, 2030	861394AW4	BBB+
	September 1, 2034	861394AV6	BBB+
<u>Redevelopment Agency of the City of Stockton 2004 Revenue Bonds, (Stockton Events Center- Arena Project)</u>	September 1, 2011	861402CS2	BBB+
	September 1, 2012	861402CT0	BBB+
	September 1, 2013	861402CU7	BBB+
	September 1, 2014	861402CV5	BBB+
	September 1, 2015	861402CW3	BBB+
	September 1, 2016	861402CX1	BBB+
	September 1, 2017	861402CY9	BBB+
	September 1, 2018	861402CZ6	BBB+
	September 1, 2019	861402DA0	BBB+
	September 1, 2020	861402DB8	BBB+
	September 1, 2021	861402DC6	BBB+
	September 1, 2022	861402DD4	BBB+
	September 1, 2023	861402DE2	BBB+
	September 1, 2024	861402DF9	BBB+
	September 1, 2025	861402DG7	BBB+
	September 1, 2028	861402DJ1	BBB+
September 1, 2036	861402DH5	BBB+	

<u>Name of Issue</u>	<u>Maturity Date</u>	<u>CUSIP</u>	<u>Current Rating</u>
Stockton Public Financing Authority 2006 Lease Revenue Refunding Bonds, Series A	August 1, 2011	861394BC7	BBB+
	August 1, 2012	861394BD5	BBB+
	August 1, 2013	861394BE3	BBB+
	August 1, 2014	861394BF0	BBB+
	August 1, 2015	861394BG8	BBB+
	August 1, 2016	861394BH6	BBB+
	August 1, 2017	861394BJ2	BBB+
	August 1, 2018	861394BK9	BBB+
	August 1, 2019	861394BL7	BBB+
	August 1, 2020	861394BM5	BBB+
	August 1, 2021	861394BN3	BBB+
	August 1, 2022	861394BP8	BBB+
	August 1, 2023	861394BQ6	BBB+
	August 1, 2024	861394BR4	BBB+
	August 1, 2025	861394BS2	BBB+
	August 1, 2028	861394BV5	BBB+
	August 1, 2031	861394BY9	BBB+
City of Stockton 2007 Taxable Pension Obligation Bonds, Series A and Series B	September 1, 2017	861361AA1	BBB+
	September 1, 2026	861361AB9	BBB+
	September 1, 2026	861361AD5	BBB+
	September 1, 2037	861361AC7	BBB+
	September 1, 2037	861361AE3	BBB+
Stockton Public Financing Authority 2007 Variable rate Demand Lease Bonds, Series A and Series B	September 1, 2048	861394BZ6	BBB+
	September 1, 2027	861394CA0	BBB+
Stockton Public Financing Authority Lease Revenue Bonds, 2009 Series A (Capital Improvement Projects)	September 1, 2029	861394DA9	BBB+
	September 1, 2038	861394DB7	BBB+

Note: The CUSIP numbers set forth above are provided for the convenience of the holders of the above-referenced Securities. The City is not responsible for the accuracy or completeness of the CUSIP numbers.