

**PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY \_\_, 2011**

**NEW ISSUE—FULL BOOK ENTRY**

**RATINGS: S&P: “\_\_\_” (See “RATINGS” herein)**

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, and Richards, Watson & Gershon, a Professional Corporation, Co-Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Co-Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See the caption “OTHER MATTERS--Tax Matters” herein with respect to tax consequences relating to the Certificates.*



**\$19,150,000\***  
**Lemoore Redevelopment Agency**  
**(Kings County, California)**  
**Lemoore Redevelopment Project**  
**2011 Tax Allocation Bonds**

**Dated: Date of Delivery**

**Due: August 1, as shown inside cover**

The captioned bonds (the “Bonds”) are being issued by the Lemoore Redevelopment Agency (the “Agency”) 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 Lemoore Redevelopment Agency Lemoore Redevelopment Project 2011 Tax Allocation Bonds (the “Bonds”) are being issued pursuant to an Indenture of Trust dated as of February 1, 2011 (the “Indenture”), by and between the Agency and U.S. Bank National Association, as trustee (the “Trustee”).

The Bonds are being issued to (i) finance additional redevelopment activities with respect to the Agency’s Redevelopment Project Area (the “Project Area”), (ii) fund a parity debt service reserve fund for the Bonds, and (iii) pay the costs of issuing the Bonds. The Bonds are special obligations of the Agency and are payable primarily from tax increment derived from property in the Project Area and allocated and paid to the Agency pursuant to the Redevelopment Law (the “Tax Revenues”). The Agency has two other series of bonds, currently outstanding in the aggregate principal amount of \$17,650,000, payable on a parity from Tax Revenues (the “Outstanding Parity Bonds”). The Agency is authorized by the Indenture to issue additional obligations secured by and payable from Tax Revenues on a parity with the Bonds and the outstanding Parity Bonds. See “SECURITY FOR THE BONDS – Issuance of Parity Bonds.”

The Bonds are being issued 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. Purchasers of interests in the Bonds will not receive certificates representing their interest in the Bonds purchased.

Interest on the Bonds will be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2011. Payments of principal, 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 the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds, as more fully described herein.

**Certain of the Bonds are subject to optional and mandatory redemption prior to maturity. See “THE BONDS — Redemption of the Bonds”.**

**The Bonds are not a debt, liability or obligation of the City of Lemoore (the “City”), the County of Kings (the “County”), the State of California, or any of its political subdivisions other than the Agency, and neither the City, the County, the State nor any of its political subdivisions, other than the Agency, is therefore liable to pay the principal of, premium, if any, and interest on the Bonds. The principal of, premium, if any, and interest on the Bonds are payable solely from Tax Revenues allocated and paid to the Agency from the Project Area and amounts in certain funds and accounts held under the Indenture. Neither the Agency, the City, its elected officials, nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.**

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**MATURITY SCHEDULE**  
**(See inside front cover)**

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THIS COVER PAGE CONTAINS INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. POTENTIAL PURCHASERS OF THE BONDS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

The Bonds will be offered when, as and if issued and received by the Underwriter subject to the approval of legality by Richards Watson & Gershon, A Professional Corporation, Los Angeles, California, and Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California, Co-Bond Counsel. Certain disclosure matters will be passed upon for the Agency and the City by Lozano Smith, Fresno, California, Disclosure Counsel. Certain matters will be passed upon for the Agency and the City by Lozano Smith, Fresno, California, City Attorneys. It is expected that the Bonds, in book-entry form, will be available for delivery on or about \_\_\_\_\_, 2011.

**[E. J. DE LA ROSA LOGO]**

Dated: February 11, 2011

\*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

(Inside Cover)

## MATURITY SCHEDULE\*

(Base CUSIP<sup>†</sup>: \_\_\_\_\_)

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP<sup>†</sup></u>
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\*Preliminary, subject to change.

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**E. J. De La Rosa & Co., Inc.**  
**Member MSRB, SIPC and FINRA.**

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**Use of Official Statement.** This Official Statement is submitted in connection with the offer and sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

**Estimates and Forecasts.** When used in this Official Statement and in any continuing disclosure by the Agency in any press release and in any oral statement made with the approval of an authorized officer of the Agency or any other entity described or referenced herein, the words or phrases “will likely result,” “are expected to”, “will continue”, “is anticipated”, “estimate”, “project,” “forecast”, “expect”, “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. 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, give rise to any implication that there has been no change in the affairs of the Agency or any other entity described or referenced herein since the date hereof.

**Limit of Offering.** No dealer, broker, salesperson or other person has been authorized by the Agency to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the Agency or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

**Involvement of Underwriter.** 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 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.

**Stabilization of Prices.** In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.



## **THE LEMOORE REDEVELOPMENT AGENCY**

### **AGENCY BOARD AND CITY COUNCIL**

Willard Rodarmel, *Redevelopment Agency Chairman / Mayor*  
John Plourde, *Redevelopment Agency Vice Chairman / Mayor Pro Tempore*  
John Murray, *Redevelopment Agency Member / Councilmember*  
William Siegel, *Redevelopment Agency Member / Councilmember*  
John Gordon, *Redevelopment Agency Member / Councilmember*

### **AGENCY AND CITY STAFF**

Jeff Britz, *Agency Executive Director / City Manager*  
Nancy Cota, *Finance Director*  
Holly Smyth, *Planning Director*  
Judy Howell, *Redevelopment Project Manager*

### **SPECIAL SERVICES**

#### **Co-Bond Counsel**

Richards Watson & Gershon, A Professional Corporation  
Los Angeles, California

Stradling Yocca Carlson & Rauth, A Professional Corporation  
Newport Beach, California

#### **Disclosure Counsel and Agency Counsel**

Lozano Smith  
Fresno, California

#### **Financial Advisor/Fiscal Consultant**

Urban Futures, Inc.  
Orange, California

#### **Trustee**

U.S. Bank National Association.  
Seattle, Washington

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**\$19,150,000.00\***  
**Lemoore Redevelopment Agency**  
**(Kings County, California)**  
**Lemoore Redevelopment Project**  
**2011 Tax Allocation Bonds**

**INTRODUCTION**

*This Introduction contains a brief summary of information contained in this Official Statement. It is not intended to be complete and is qualified by the more detailed information contained elsewhere in this Official Statement. Definitions of certain terms used in this Official Statement are set forth in “APPENDIX C – Summary of Certain Provisions of the Indenture.”*

The purpose of this Official Statement of the Lemoore Redevelopment Agency (the “**Agency**”) is to set forth information in connection with the sale of the above-titled bonds (the “**Bonds**”).

**The Agency.** The Agency is a redevelopment agency existing under the Community Redevelopment Law of the State of California (the “**State**”), constituting Part 1 of Division 24 (commencing with Section 33000) of the California Health and Safety Code, as amended (the “**Redevelopment Law**”).

**The Project Area.** The Agency adopted the redevelopment plan for the Project Area (the “**Redevelopment Plan**”) in 1986. The Project Area has been amended twice. The first amendment was approved in 1990 and it added territory to the Project Area and amended certain time and financial limits. The second amendment was approved in 1997 and it added territory to the Project Area and extended the time that the Redevelopment Plan is effective by one year for both the Original and the Amendment Areas. The Project Area therefore consists of the Original Area and the two Amendment Areas.

The Original Project Area encompassed 1,135 acres and is generally located in the vicinity of the downtown area and the southern portion of the City. The Amendment Areas added 850 and 417 acres of land, respectively, to the Project Area, generally located in the northern, central, and southern portions of the City. The Project Area contains 2,402 acres on a combined basis, or approximately 44% of the area within the City’s boundaries. See “THE PROJECT AREA.”

**Authority for Issuance.** The Bonds are being issued under the Redevelopment Law and pursuant to an Indenture of Trust dated as of February 1, 2011 (the “**Indenture**”), by and between the Agency and U.S. Bank National Association, as trustee (the “**Trustee**”).

The Bonds are being issued for sale to the Lemoore Public Financing Authority (the “**Authority**”) pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the California Government Code (the “**JPA Law**”). The Bonds purchased by the Authority will be immediately resold to E. J. De La Rosa & Co., Inc. as underwriter (the “**Underwriter**”).

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\* Preliminary, subject to change.

**Use of Proceeds.** The proceeds of the Bonds will be applied by the Agency to (i) finance additional redevelopment activities with respect to the Project Area; (ii) fund a debt service reserve fund for the Bonds and (iii) pay the costs of issuing the Bonds. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS.”

**Security for the Bonds.** The Bonds will be payable from and secured by “**Tax Revenues**”, which are generally defined in the Indenture to consist of that portion of tax increment allocated and paid to the Agency from the Project Area remaining after the Agency has made the required deposit into its low and moderate income housing fund and has paid to taxing agencies the amounts required to satisfy unsubordinated pass-through obligations, except that a portion of the debt service on the Bonds is payable from the Housing Set-aside. See “SECURITY FOR THE BONDS – Allocation of Taxes” and “– Housing Set Aside,” and “THE PROJECT AREA – Tax Sharing Obligations.”

In connection with the issuance of the Bonds, the Agency has engaged Urban Futures, Inc., Orange, California (the “**Financial Advisor/Fiscal Consultant**”) to act as its financial advisor and fiscal consultant.

The Agency currently has outstanding the following series of bonds payable from Tax Revenues on a parity with the Bonds (the “**Outstanding Parity Bonds**”):

- \$6,180,000 Lemoore Redevelopment Agency Redevelopment Project Tax Allocation Refunding Bonds, Issue of 1998 (the “**1998 Bonds**”), currently outstanding in the aggregate principal amount of \$5,680,000. The 1998 Bonds are payable from Tax Revenues on a parity with the Bonds, except that approximately 20% of the debt service on the 1998 Bonds is payable from the Housing Set-Aside.

- \$13,835,000 Lemoore Redevelopment Agency Redevelopment Project Tax Allocation Refunding Bonds, Series 2003 (the “**2003 Bonds**”), currently outstanding in the aggregate principal amount of \$11,970,000. The 2003 Bonds are payable from Tax Revenues on a parity with the Bonds, except that 20% of the debt service on the 2003 Bonds is payable from the Housing Set-Aside.

In addition, the Agency is authorized by the Indenture to issue additional obligations secured by and payable from Tax Revenues on a parity with the 1998 Bonds, the 2003 Bonds, and the Bonds.

See “SECURITY FOR THE BONDS – Issuance of Parity Bonds.”

**Risk Factors.** In addition to other investment risks described herein, any future decrease in the taxable valuation in the Project Area or in the applicable tax rates could reduce the Tax Revenues allocated to the Agency and correspondingly could have an adverse impact on the ability of the Agency to pay debt service on the Bonds. See “RISK FACTORS.”

**Continuing Disclosure.** The Agency will undertake all responsibilities for continuing disclosure to Owners of the Bonds as described below. The Agency has covenanted in the Indenture and in a Continuing Disclosure Certificate to prepare and deliver an annual report to the Municipal Securities Rule-making Board, and to provide certain other information. The specific nature of the information to be contained in the Annual Report or the notices of material events is described in “APPENDIX G – Form of Continuing Disclosure Certificate.” These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule

15c2-12(b)(5). The Agency has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

**Miscellaneous.** There follows in this Official Statement, which includes the cover page and Appendices, a brief description of the Bonds, the Agency, Tax Revenues, the Project Area, security for the Bonds, risk factors and limitations on Tax Revenues and certain other information relevant to the issuance of the Bonds. All references to the Indenture are qualified in their entirety by reference to the definitive form of that document, and all references to the Bonds are further qualified by references to the Indenture.

A summary of certain provisions of the Indenture is included in APPENDIX C. The audited financial statements of the Agency for fiscal year 2008-09 are included in APPENDIX A. The information in this Official Statement and in the Appendices has been furnished by the Agency and includes information which has been obtained from other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. All capitalized terms used and not normally capitalized have the meanings assigned thereto in the Indenture, unless otherwise stated in this Official Statement.

The information and expressions of opinion in this Official Statement speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement nor any sale of the Bonds nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency since the date of this Official Statement.

## PLAN OF FINANCE

### The Project

The Agency will use the proceeds from the Bonds to finance a variety of Agency capital and housing projects, including the following:

Project Name & Description	Budget/Cost
Street Improvements near Bush Street/SR 41, includes College Ave. RR Crossing	\$ 3,200,000
Wastewater Treatment Plant Upgrade – Engineering/Planning	\$ 2,000,000
Revolving Loan Program	\$ 750,000
19th Avenue Interchange - Utility Relocation	\$ 3,000,000
Police & Fire Dispatch Center – Design and Equipment	\$ 360,000
Video Surveillance Camera System	\$ 300,000
LED Street Light Conversion - 900	\$ 435,000
Design/Engineering - Cedar Lane Extension and ROW Acquisition	\$ 560,000

Railroad Upgrades at Fox	\$ 395,000
Storm Drainage Upgrade – Lemoore Industrial Park	\$ 300,000
Road Construction - Lot 11 – Lemoore Industrial Park	\$ 1,000,000
Venture Place Road Construction - Lot 14 - Lemoore Industrial Park	\$ 270,000
Idaho Avenue Water Line Extension	\$ 200,000
Underground Dockstader Ditch on Cinnamon Dr. and add Sidewalk, curb and gutter	\$ 425,000
Install Security Cameras at CMC	\$ 150,000
Police & Fire Dispatch Center	\$ 912,500
Highway Oriented Signage - Near SR 41 & Idaho	\$ 190,000
Cedar Lane Extension – Brooks Drive to Lemoore Avenue	\$ 1,400,000
Railroad Crossing at Daphne Lane	\$ 900,000
Railroad Upgrade at Follett Street	\$ 500,000
ADA Sidewalks throughout Project Area	\$ 2,000,000
Entrance & Wayfinding Signage	\$ 100,000
E Street Sidewalk and Curb Replacement	\$ 160,000
Downtown Irrigation System & Electrical to include D, E, C, Follett, Heinlen, Fox (brick stamping, etc.)	\$ 250,000
Mural / Statue / Outdoor Art Project	\$ 50,000
Create Cooling Center at Senior Center by adding Solar PV System	\$ 400,000
Expand front parking area at CMC	\$ 75,000
Convert warehouse space into office space at CMC to accommodate Recreation and Planning staff	\$ 400,000
19 1/2 Avenue Widening - Cinnamon Drive to Silverado Drive	\$ 210,000
Railroad Crossing Upgrade at 19th	\$ 375,000
Bush Street Widening - 19th to 19 1/2	\$ 266,000
Storm Drainage Improvements – West of SR 41	\$ 850,000
Parallel Water Transmission Line from Wellfield	\$ 2,500,000
Increase Wastewater Outfall Capacity	\$ 250,000
Wastewater Treatment Plant Upgrade	\$ 40,000,000

Downtown 2-Story Parking Structure	\$ 5,000,000
Downtown Mixed Use Project	\$ 6,000,000
Downtown Restaurant Incubator	\$ 120,000
Hanford-Armona Road Widening SR 41 to 19th	\$ 2,000,000
Construct Roadway connecting Bush Street to Jackson Ave. via 21st Ave. alignment	\$ 2,000,000
Construct Public Improvements on the RR property located at E and Lemoore Ave, including a BMX Park	\$ 500,000
Aquatic Center Partnership with WHC	\$ 2,000,000
Tiger Sports Park - Partnership with LUHSD	\$ 5,000,000
Multifamily Housing Rehabilitation Assistance	\$ 1,900,000
Major Rehabilitation Single Family Housing	\$ 1,500,000
Conversion of 2nd Floor Downtown Space to Affordable Housing	\$ 1,500,000

The actual projects financed with proceeds of the Bonds and the costs of those projects may be different than those currently contemplated by the Agency. None of the projects financed with proceeds of the Bonds represent security for the Bonds.

#### Estimated Sources and Uses of Funds\*

Set forth below are the estimated sources and uses of proceeds of the Bonds.

##### Sources:

Bond Proceeds:

Par Amount	\$
Net Original Issue Discount/Premium	\$

**Net Total** \$

##### Uses:

Project Fund Deposits: \$

Debt Service Reserve Account \$

Cost of Issuance \$

**Net Total** \$

\* Preliminary, subject to change.



## 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. The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. The Bonds will be issued in the principal amounts, will be dated 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, 2011, and semiannually thereafter on each February 1 and August 1 (each an “Interest Payment Date”). Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. Principal, premium, if any, and interest on the Bonds are payable by the Trustee to DTC, which is obligated in turn to remit such amounts to DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds. See APPENDIX D - “The Book-Entry System.”

### Redemption of the Bonds

**Optional Redemption – Bonds.** The Bonds maturing on or prior to August 1, 20\_\_ are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 20\_\_ are subject to redemption prior to maturity in whole or in part, at the option of the Agency, on any date on or after August 1, 20\_\_, from any available source of funds, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed together with accrued interest thereon to the redemption date, without premium.

#### ***Mandatory Sinking Account Redemption.***

The Bonds maturing on August 1, 20\_\_ are subject to redemption in part by lot on August 1, 20\_\_, and on August 1 in each year thereafter, from sinking account payments made by the Agency, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof shall be purchased as described below, in the aggregate respective principal amounts and on the respective dates as set forth in the following table; *provided, however*, that if some but not all of the Bonds have been redeemed the total amount of all future sinking account payments shall be reduced by an amount corresponding to the aggregate principal amount of Bonds so redeemed, to be allocated among such sinking account payments on a pro rata basis in integral multiples of \$5,000 as determined by the Agency (notice of which determination shall be given by the Agency to the Trustee).

**Year (August 1)**

**Amount**

\$

(maturity)

In lieu of optional or sinking account redemption of Bonds as described above, amounts on deposit in the 2011 Bonds Special Fund (to the extent not required to be transferred to the Trustee during the current Bond Year) may also be used and withdrawn by the Agency at any time for the purchase of the Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Agency may in its discretion determine. The par amount of any of the Bonds so purchased by the Agency and surrendered to the Trustee for cancellation in any twelve-month period ending on August 1 in any year shall be credited towards and shall reduce the principal amount of the Bonds otherwise required to be redeemed on the following August 1 pursuant to this subsection (b).

**Notice of Redemption; Rescission.** The Trustee on behalf of and at the expense of the Agency shall mail (by first class mail, postage prepaid) notice of any redemption at least 30 but not more than 60 days prior to the redemption date, to: (i) the Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books; and (ii) to the Securities Depositories and to the Information Services designated in a Written Request of the Agency filed with the Trustee; but such mailing shall not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the redemption date and the redemption price, shall designate the CUSIP number of the Bonds to be redeemed, state the individual number of each Bond to be redeemed or state that all Bonds between two stated numbers (both inclusive) or all of the Bonds Outstanding (or all Bonds of a maturity) are to be redeemed, and shall require that such Bonds be then surrendered at the Trust Office of the Trustee for redemption at the said redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

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

**Partial Redemption of Bonds.** In the event that only a portion of any Bond is called for redemption, then upon surrender of such Bond the Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Agency, a new Bond or Bonds of the same interest rate and maturity, of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

**Effect of Redemption.** From and after the date fixed for redemption, if funds available for the payment of the redemption price of and interest on the Bonds so called for redemption shall have been duly deposited with the Trustee, such Bonds so called shall cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price and accrued interest to the redemption date, and no interest shall accrue thereon from and after the redemption date specified in such notice.

**Manner of Redemption.** Whenever any Bonds or portions thereof are to be selected for redemption by lot, the Trustee shall make such selection, in such manner as the Trustee shall deem fair and appropriate, and shall notify the Agency thereof. In the event of redemption by lot

of Bonds, the Trustee shall assign to each Bond then Outstanding a distinctive number for each \$5,000 of the principal amount of each such Bond. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected, but only so much of the principal amount of each such Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected. All Bonds redeemed or purchased pursuant to this Section 2.3 shall be canceled by the Trustee.

## **SECURITY FOR THE BONDS**

### **Tax Allocation Financing**

The Redevelopment Law generally provides a means for financing redevelopment projects based upon an allocation of taxes collected within a redevelopment project area. The taxable valuation of a project area last equalized prior to adoption of the redevelopment plan, or base roll, is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies within a project area, which generally includes any city, county, district or other public corporation for whose benefit taxes are levied (the **"Taxing Agencies"**), thereafter receive only the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in taxable valuation over the base roll (the **"Tax Increment"**) are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. The Tax Increment, however, is subject to a number of claims and reductions which are prior to the pledge of the repayment of redevelopment agency indebtedness, including among others, pass-through agreements with and statutory pass-through payments to Taxing Agencies and administrative charges by the County, as further described herein. Redevelopment agencies themselves have no authority to levy property taxes and must look specifically to the allocation of taxes produced as above described.

Tax Revenues are a portion of Tax Increment. Since the Agency has no power to levy and collect property taxes, any property tax limitation, legislative measure, voter initiative or diversion of Tax Increment to Taxing Agencies may have the effect of reducing the amount of Tax Revenues that would otherwise be available to pay the Bonds and any Parity Bonds (as defined in "Issuance of Parity Bonds" below). Likewise, the reduction of assessed valuations of taxable property in the Project Area, any reduction in tax rates or tax collection rates and broadened property tax exemptions would have a similar effect. See "RISK FACTORS" and "STATUTORY LIMITATIONS ON TAX REVENUES."

**The Bonds are not a debt of the City of Lemoore, the County of Kings, the State of California, or any of its political subdivisions (other than the Agency), and neither the City, the County, the State, nor any of its political subdivisions (other than the Agency) is therefore liable to pay the Bonds, nor in any event shall the Bonds be payable out of any funds or properties other than those of the Agency. The Bonds do not constitute an indebtedness in contravention of any constitutional or statutory debt limitation or restriction.**

### **Allocation of Taxes**

Pursuant to Article 6 of Chapter 6 of the Redevelopment Law (commencing with Section 33670 of the California Health and Safety Code) and Section 16 of Article XVI of the Constitution of the State, taxes levied upon taxable property in the Project Area each year by or for the benefit of the Taxing Agencies, for fiscal years beginning after July 1 subsequent to the

effective date of the ordinance adopting the Redevelopment Plan for the Project Area, or any amendment thereof, are divided as follows:

1. **To the 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;
2. **To the Agency:** Except for taxes which are attributable to a tax rate levied by a Taxing Agency for the purpose of producing revenues to repay bonded indebtedness approved by the voters of the Taxing Agency on or after January 1, 1989, which shall be allocated to and when collected shall be paid to the respective Taxing Agency, that portion of said levied taxes each year in excess of such amount (the Tax Increment) shall be allocated to, and when collected, shall be paid to the Agency to pay 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**

The Redevelopment Law requires that, except under certain circumstances, redevelopment agencies set aside 20% of all gross Tax Increment derived from redevelopment project areas into a low and moderate income housing fund, to be used for the purpose of increasing, improving and/or preserving the community's supply of low and moderate income housing. Such 20% set aside requirement is referred in this Official Statement as the "**Housing Set-Aside.**"

### **Pledge Under the Indenture**

Pursuant to the Indenture, the Tax Revenues are pledged to the payment of the debt service on the Bonds and Parity Bonds. See "Issuance of Parity Bonds" below.

The Indenture defines "**Tax Revenues**" to mean Gross Tax Increment and, to the extent permitted by law, all payments, subventions and reimbursements, if any, to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, and including that portion of such Gross Tax Increment otherwise required by Sections 33334.2 and 33334.6 of the Redevelopment Law to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the Parity Bonds (including applicable reserves and financing costs) which were issued or which shall be issued to finance amounts deposited in the Low and Moderate Income Housing Fund for use pursuant to Section 33334.2 of the Redevelopment Law to increase or improve the supply of low and moderate income housing within or of benefit to the Project Area; but excluding all other amounts of such taxes (if any) required to be deposited into the Low and Moderate Income Housing Fund of the Agency pursuant to Section 33334.2 of the Redevelopment Law and amounts required to be paid to taxing agencies pursuant to the Pass-Through Agreements or pursuant to statute.

The indenture defines “**Gross Tax Increment**” to mean all taxes annually allocated within the Plan Limit, following the Delivery Date, and paid to the Agency with respect to the Project Area pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State (but excluding therefrom any amounts attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and interest on any bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989 for the acquisition or improvement of real property, which portion shall be allocated to, and when collected shall be paid into, the fund of that taxing agency), and as provided in the Redevelopment Plan.

The Indenture establishes a special fund known as the “**2011 Bonds Special Fund**,” which is held by the Agency. The Agency is required to deposit all of the Tax Revenues received in any Bond Year promptly upon receipt by the Agency, until such time during such Bond Year as the amounts on deposit in the **2011 Bonds Special Fund** equal the aggregate amounts required to be transferred by the Trustee for deposit in such Bond Year with respect to the Bonds, the Outstanding Parity Bonds, and any additional Parity Bonds pursuant to the applicable Supplemental Indenture and for deposit into the Debt Service Fund for transfer to the Interest Account, the Principal Account, the Sinking Account, the Reserve Account and the Redemption Account in such Bond Year to pay debt service on the Bonds.

All Tax Revenues received by the Agency during any Bond Year in excess of the amounts required to be deposited in the 2011 Bonds Special Fund for transfer to the Trustee during such Bond Year are released from the pledge under the Indenture for the security of the Bonds, the Outstanding Parity Bonds, and any additional Parity Bonds and may be applied by the Agency for any lawful purpose of the Bonds, the Outstanding Parity Bonds, any additional Parity Bonds, and the Agency.

### **Funds Under the Indenture**

Moneys in the Debt Service Fund are transferred by the Trustee in the following amounts, at the following times, and deposited by the Trustee in the following respective special accounts, which are established in the Debt Service Fund, and in the following order of priority:

Interest Account. On or before the 5th Business Day preceding each Interest Payment Date, commencing August 1, 2011, the Agency will withdraw from the 2011 Bonds Special Fund and transfer to the Trustee for deposit in the Interest Account an amount which, when added to the amount contained in the Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. Amounts attributable to the Bonds will be immediately segregated and held in the Interest Account. No such transfer and deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds. Subject to the Indenture, all moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds redeemed prior to maturity pursuant to the Indenture).

Principal Account. On or before the 5th Business Day preceding August 1 in each year, commencing August 1, 20\_\_, the Agency will withdraw from the 2011 Bonds Special Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then contained in the Principal Account, will be equal to the principal or sinking account

payments becoming due and payable on Outstanding Bonds on the next August 1. Amounts attributable to the Bonds will be immediately segregated and held in the Principal Account. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal and sinking account payments to become due on the next August 1 on all Outstanding Bonds. Subject to the Indenture, all moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal and sinking account payments of the Bonds as it becomes due and payable.

Sinking Account. On the Business Day preceding each August 1 on which any Outstanding Term Bonds are subject to mandatory Sinking Account redemption, or otherwise for purchases of Term Bonds, the Trustee will withdraw from the 2011 Bonds Special Fund and deposit in the Sinking Account an amount which, when added to the amount then contained in the Sinking Account, will be equal to the aggregate principal amount of the Term Bonds required to be redeemed on such August 1. All moneys on deposit in the Sinking Account will be used and withdrawn by the Trustee for the sole purpose of paying the principal of the Term Bonds (and any Outstanding Parity Bonds or additional Parity Bonds) as it shall become due and payable upon redemption or purchase.

Reserve Account. The Indenture requires the establishment of a Reserve Account in an amount equal to the Reserve Requirement for the Bonds and the Parity Bonds. The Indenture defines the term “**Reserve Requirement**” to mean, as of any calculation date as calculated by the Agency, an amount which when added to the amounts on deposit in the Reserve Accounts for the Parity Bonds will equal in the aggregate the least of (i) Maximum Annual Debt Service on the Bonds and the Parity Bonds; (ii) 10% of the net Bond proceeds, or (iii) one hundred twenty-five percent (125%) of the then average annual debt service on the Bonds and the Parity Bonds. The Indenture defines the term “**Maximum Annual Debt Service**” to mean the largest of the sums obtained for any Bond Year after the computation is made, by totaling the following for each such Bond Year:

1. The principal amount of all Bonds and Parity Bonds, if any, and the amount of any sinking account payments payable in such Bond Year; and
2. The interest which would be due during such Bond Year on the aggregate principal amount of Bonds and Parity Bonds which would be outstanding in such Bond Year if the Bonds and Parity Bonds outstanding on the date of such computation were to mature or be redeemed in accordance with the maturity schedules for the Bonds and Parity Bonds. At the time and for the purpose of making such computation, the amount of term Bonds and term Parity Bonds already retired in advance of the above-mentioned schedules shall be deducted pro rata from the remaining amounts thereon.

The deposit of Bond proceeds to the Reserve Account will be immediately segregated, maintained, and held in the Reserve Account. In the event that the Agency fails to deposit with the Trustee no later than five (5) Business Days before any Interest Payment Date the full amount of the interest and principal and sinking account payments required to be deposited, the Trustee will, five (5) Business Days before such Interest Payment Date, withdraw from the Reserve Account an amount equal to any such deficiency and will notify the Agency of any such withdrawal. Promptly upon receipt of any such notice, the Agency will withdraw from the 2011 Bonds Special Fund and transfer to the Trustee for deposit in the Reserve Account an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. If there are not sufficient moneys in the 2011 Bonds Special Fund to transfer an amount sufficient to

maintain the Reserve Requirement on deposit in the Reserve Account, the Agency will have an obligation to continue making transfers of Tax Revenues into the 2011 Bonds Special Fund, as such revenues become available, and thereafter, as moneys become available in the 2011 Bonds Special Fund, will make transfers to the Reserve Account until there is an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. No such transfer and deposit need be made to the Reserve Account so long as there is on deposit therein a sum at least equal to the Reserve Requirement. Subject to the Indenture, all money in the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the Bonds then Outstanding, except that so long as the Agency is not in default hereunder, any amount in the Reserve Account in excess of the Reserve Requirement will be withdrawn from the Reserve Account semiannually on or before the 5th Business Day preceding each February 1 and August 1 by the Trustee and deposited in the Interest Account. All amounts in the Reserve Account on the 5th Business Day preceding the final Interest Payment Date will be withdrawn from the Reserve Account and will be transferred either: (i) to the Interest Account and the Principal Account in such order, to the extent required to make the deposits then required to be made or; (ii) if the Agency shall have caused to be deposited with the Trustee an amount sufficient to make the deposits required by the Indenture, then at the Written Request of the Agency such amount shall be transferred as directed by the Agency.

The Agency reserves the right initially to deposit into the Reserve Account and thereafter to substitute, at any time and from time to time, an Alternate Reserve Account Security in lieu of or in substitution for all or any portion of the Reserve Requirement. Any such Alternate Reserve Account Security will provide that the Trustee is entitled to draw amounts thereunder when required for the purposes of making transfers from the Reserve Account to the Interest Account and the Principal Account in the event of a deficiency in any such account.

Any recomputation of the Reserve Requirement required at any time pursuant to the Indenture will be made by the Agency and transmitted promptly to the Trustee.

The Indenture defines “**Alternate Reserve Account Security**” to mean one or more letters of credit, surety bonds, bond insurance policies, or other form of guaranty from a financial institution for the benefit of the Trustee in substitution for or in place of all or any portion of the Reserve Requirement which shall be approved by the Agency.

Redemption Account. On or before the 5th Business Day preceding any Redemption Date on which Bonds are to be redeemed, the Agency will withdraw from the 2011 Bonds Special Fund and transfer to the Trustee for deposit in the Redemption Account an amount required to pay the principal of and premium, if any, on the Bonds to be redeemed on such Redemption Date. Subject to the Indenture, all moneys in the Redemption Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Bonds to be redeemed on the date set for such redemption.

### **Issuance of Parity Bonds**

The Indenture defines “**Parity Bonds**” to mean the Bonds, the 1998 Bonds and the 2003 Bonds, and any additional tax allocation bonds (including, without limitation, bonds, notes, interim certificates, debentures or other obligations) issued by the Agency on a parity basis with the 1998 Bonds, the 2003 Bonds, and the Bonds, as permitted by the 1998 Indenture, the 2003 Indenture and the Indenture.

The Indenture permits the Agency to issue or incur other Parity Bonds in such principal amount as shall be determined by the Agency, pursuant to a separate or supplemental Indenture adopted, or entered into by the Agency and Trustee. The Agency may issue or incur such Parity Bonds subject to the following specific conditions precedent:

(a) The Agency shall be in compliance with all covenants in the Indenture, the 2003 Indenture, and the 1998 Indenture so long as the 2003 Bonds and the 1998 Bonds are Outstanding;

(b) The Parity Bonds shall be on such terms and conditions as may be set forth in a supplemental resolution or indenture, which shall provide for: (i) bonds substantially in accordance with the Indenture, the 2003 Indenture, and the 1998 Indenture so long as the 2003 Bonds and the 1998 Bonds are Outstanding; (ii) the deposit of moneys into the Reserve Account in an amount (which may be represented by an Alternate Reserve Account Security sufficient, together with the balance of the Reserve Account, to equal the Reserve Requirement on all Bonds expected to be outstanding, including the Outstanding Bonds and Parity Bonds; and (iii) the disposition of surplus Tax Revenues in substantially the same manner as required by the Indenture;

(c) Receipt of a certificate or opinion of an Independent Financial Consultant showing:

(i) For the current and each future Bond Year the debt service for each such Bond Year and Maximum Annual Debt Service with respect to all Bonds, 2003 Bonds, 1998 Bonds and Parity Bonds reasonably expected to be outstanding following the issuance of the Parity Bonds;

(ii) For the then current Fiscal Year, the Tax Revenues to be received by the Agency based upon the most recent assessed valuation of taxable property in the Project Area provided by the appropriate officer of the County of Kings; and

(iii) That for the then current Fiscal Year, the Tax Revenues referred to in item (ii) are at least equal to the sum of 150% of the Maximum Annual Debt Service referred to in item (i) above, and the Tax Revenues referred to in item (ii), but excluding therefrom the Tax Revenues from the taxpayer with the highest assessed value, are at least equal to 110% of the Maximum Annual Debt Service referred to in item (i) above, so long as the assessed valuation of the taxpayer with the highest assessed valuation in the Project Area equals or exceeds 23% of the Incremental Assessed Valuation and 110% of Maximum Annual Debt Service referred to in (i) above, but excluding from Tax Revenues the Tax Revenues generated by any taxpayer with assessed value in excess of 23% of the Incremental Assessed Valuation, but otherwise 130% of Maximum Annual Debt Service referred to in item (i) above (in either case, excluding debt service with respect to any portion of the Parity Bonds deposited in an escrowed proceeds account to the extent such debt service is paid from earnings on the investment of such funds) and 100% of annual debt service with respect to the Bonds, the 2003 Bonds, the 1998 Bonds, Parity Bonds and any subordinated debt, and that the Agency is entitled under the Redevelopment Law and the Redevelopment Plan to receive taxes under Section 33670 of the Redevelopment Law in an amount sufficient to meet expected debt service with respect to all Bonds, 2003 Bonds, 1998 Bonds, and Parity Bonds.

(d) The Parity Bonds shall mature on and interest shall be payable on the same dates as the Bonds (except the first interest payment may be from the date of the

Parity Bonds until the next succeeding February 1 or August 1). No variable rate Parity Bonds shall be issued and no derivatives shall be permitted.

If all or a portion of the proceeds of the Parity Bonds or the Bonds are to be applied under Sections 33334.2 of the Redevelopment Law, Tax Revenues for purposes of this Section shall include that portion of taxes allocated under Section 33670 of the Redevelopment Law for payment of the Bonds or the Parity Bonds which are applied for the purposes of Sections 33334.2 and specifically pledged to the repayment of such Bonds or Parity Bonds, to the maximum extent permitted by the Redevelopment Law.

The Indenture defines the term “**Plan Limit**” to mean, the limitation contained in the Redevelopment Plan on the number of dollars of taxes which may be divided and allocated to the Agency pursuant to the Redevelopment Plan, as such limitation is prescribed by Section 33333.4 of the Redevelopment Law.

### **Issuance of Subordinate Debt**

If the Agency is in compliance with all covenants set forth in the Indenture, the Agency may issue and sell obligations pursuant to the Redevelopment Law, having a lien on the Tax Revenues which is junior to the Bonds and which shall be payable solely from surplus as then declared or which may thereafter be declared pursuant to the Indenture (as used herein “obligations” shall include, without limitation, bonds, notes, interim certificates, debenture or other obligations, loans, advances or other forms of indebtedness incurred by the Agency).

## **THE REDEVELOPMENT AGENCY**

### **General**

The Agency was established on September 3, 1985, by the adoption by the City Council of the City of its Ordinance No. 8514, pursuant to the Redevelopment Law. The five members of the City Council serve as the governing body of the Agency and exercise all the rights, powers, duties, and privileges of the Agency. The Mayor of the City serves as Agency Chairman. See “Management of the Agency” below.

All powers of the Agency are vested in its governing body. Pursuant to the Redevelopment Law, the Agency may exercise broad governmental functions and authority to accomplish its purposes, including, but not limited to, the right to issue bonds, notes and other obligations and expend their proceeds and the right to acquire, sell, develop, administer or lease property (the Agency’s right to exercise eminent domain is limited under its Redevelopment Plan). The Agency may demolish buildings, clear land and cause to be constructed certain improvements, including streets, sidewalks, and public utilities.

With certain exceptions, the Agency may not construct or develop buildings, with the exception of public facilities, but must sell or lease cleared property to redevelopers for construction and development in accordance with the Redevelopment Plan. The Agency may, out of any funds available to it for such purposes, pay for all or part of the value of the land and the cost of buildings, facilities, structures or other improvements to be publicly owned and operated, to the extent that such improvements are of benefit to a project area and no other reasonable means of financing is available.

The Redevelopment Project Area was originally created on November 18, 1986, with the adoption by the City of Ordinance No. 8615 (the “**Original Area**”). The Project Area was subsequently enlarged with the adoption of Ordinance No. 9009 on June 19, 1990 (“**Amendment Area No. One**”), and with the adoption of Ordinance No. 9702 on June 19, 1997 (“**Amendment Area No. Two**”). (Amendment Area No. One and Amendment Area No. Two are collectively referred to as the “**Amendment Areas**.”)

The Original Area encompassed 1,135 acres and is generally located in the vicinity of the downtown area and the southern portion of the City. The Amendment Areas added 850 and 417 acres of land, respectively, to the Project Area, generally located in the northern, central, and southern portions of the City. The Project Area contains 2,402 acres on a combined basis, or approximately 44% of the area within the City’s boundaries. See “THE PROJECT AREA.”

**Management of the Agency**

The current members of the Agency Governing Board and City Council, and term expiration are as follows:

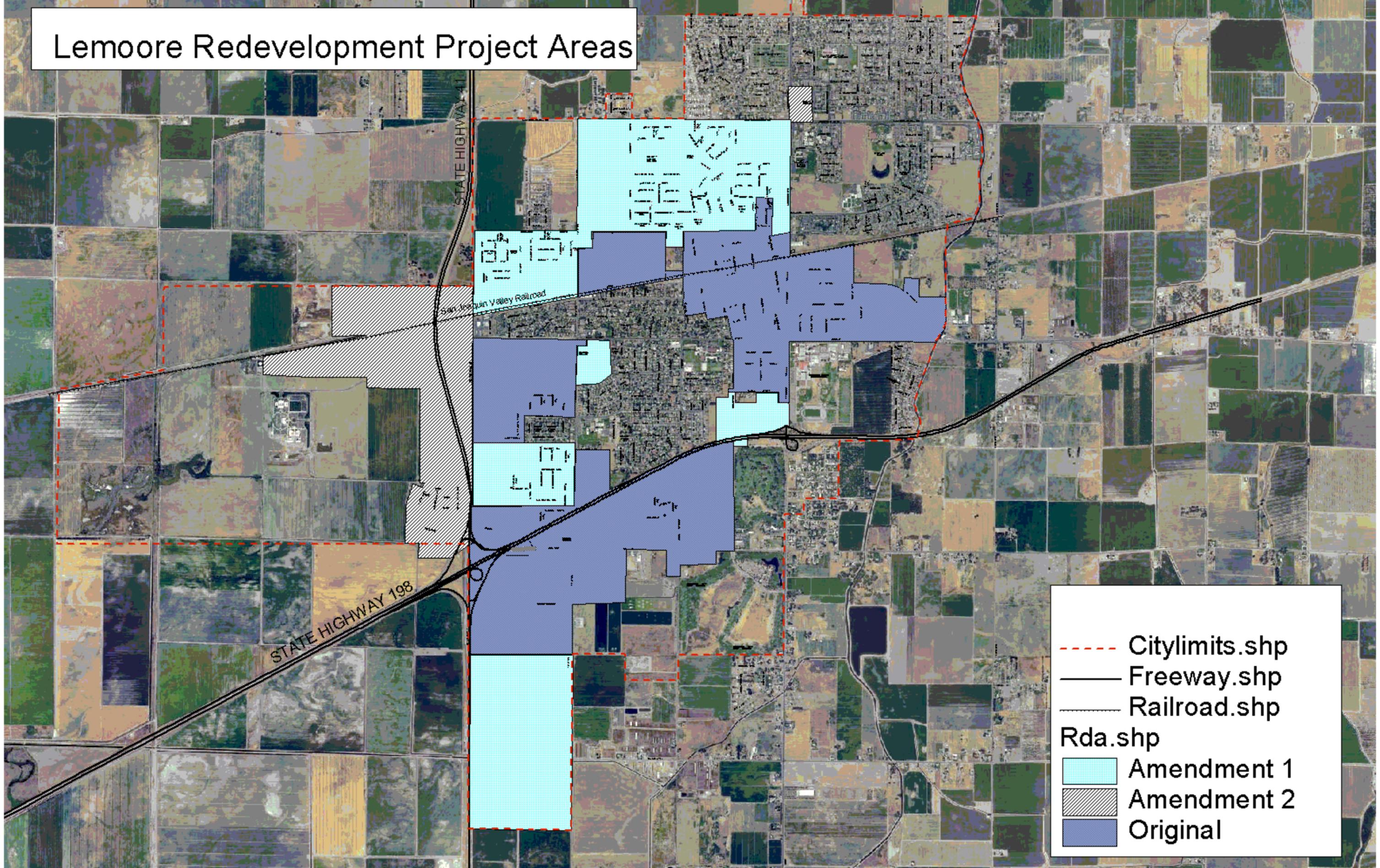
<u>Name</u>	<u>Agency and City Title</u>	<u>Term Expires</u>
Willard Rodarmel	Chairman / Mayor	2014
John Plourde	Vice Chair/Mayor Pro Tem	2012
John Murray	Member / Councilmember	2012
William Siegel	Member / Councilmember	2012
John Gordon	Member / Councilmember	2014

Agency staff services are provided by City staff. Such support includes project management, real estate acquisition and disposition, relocation, engineering and planning, legal, financing and fiscal services. The City Manager serves as the Agency’s Executive Director, the City Finance Director serves as the Agency’s Finance Director, and the City Planning Director serves as the Agency’s Planner.

**Project Area Map**

The following page shows a map of the Agency’s Project Area. As shown, the Project Area encompasses approximately 44% of the area within the City.

# Lemoore Redevelopment Project Areas



## THE PROJECT AREA

The Project Area is located within the City of Lemoore. For general information concerning the City of Lemoore, see APPENDIX B - "General Information About the City of Lemoore and Kings County."

### Redevelopment Plan; Redevelopment Plan Limitations

**Redevelopment Plan.** The Redevelopment Plan was originally adopted with certain limitations included in the plan. These limitations were established in accordance with the Redevelopment Law as it existed when the Redevelopment Plan was adopted.

In 1993 Assembly Bill 1290 was enacted (Chapter 942, Statutes of 1993). AB 1290 required redevelopment plans adopted prior to 1994 to incorporate a number of limits not previously required. For redevelopment plans that had been adopted prior to 1994, AB 1290 required revised limits, including:

- the time for establishing indebtedness was not to exceed 20 years from the adoption of the redevelopment plan or January 1, 2004, whichever was later;
- the effective life of a project area adopted prior to 1994 is limited to 40 years from the time of adoption or January 1, 2009, whichever was later;
- the receipt of tax increment for repayment of indebtedness is limited to ten years after the termination of redevelopment plan effectiveness (except for specific low and moderate-income housing obligations and any bond, indebtedness or other obligation authorized prior to January 1, 1994).

Pursuant to AB 1290, the City Council adopted Ordinance No. 9412 on December 6, 1994 that amended the Redevelopment Plan and incorporated time limits according to the provisions of AB 1290.

In addition, Senate Bill 1045 (Chapter 260, Statutes of 2003) adopted by the Legislature in connection with the State's budget for fiscal year 2003-04 provided that the termination date of redevelopment plans could be extended by one year by reason of its Education Revenue Augmentation Fund (the "ERAF") payment that redevelopment agencies were obligated to make under provisions of the 2003-04 budget legislation. By Ordinance No. 2006-02 the City Council amended the Redevelopment Plan, in accordance with the Redevelopment Law as amended by Senate Bill 1045, to extend by one year the termination date of the Redevelopment Plan for the Original Area and the Amendment Areas.

As amended, the Redevelopment Plan contains the following limits:

Limit	Original Area	Amendment Area No. 1	Amendment Area No. 2
Debt Establishment	11/18/2016	6/19/2020	7/19/2017
Plan Termination	11/18/2027	6/19/2031	7/19/2028
Collection of Taxes	11/18/2037	6/19/2041	7/19/2043
Bond Debt	\$83,926,000 Combined		
Cumulative Tax Increment	\$130 million	\$177 million	None

The Financial Advisor/Fiscal Consultant reports that, according to the records of the Kings County Auditor-Controller, through the end of fiscal year 2009-10, the Agency has received a cumulative total of approximately \$\_\_\_\_\_ million in tax increment revenue from the Project Area. Based on the projected tax increment revenues to be received by the Agency, it is anticipated that the tax increment limit for the Project Area will not be exceeded within its time limit.

### Land Use and Development

The following table shows the land use in the Project Area, based on assessed value for fiscal year 2010-11.

**TABLE 1**  
**THE LEMOORE REDEVELOPMENT AGENCY**  
**LEMOORE REDEVELOPMENT PROJECT**  
**Land Use by Assessed Value- Fiscal Year 2010-11**

<u>Land Use</u>	<u>Number of Parcels</u>	<u>2010-11 Secured Assessed Valuation</u>	<u>Percent of Total AV<sup>(1)</sup></u>
Industrial	26	\$484,745,742	47.90%
Single Family Residential	2,450	\$399,266,672	39.46%
Commercial	184	\$94,875,401	9.38%
2+ Residential Units	52	\$11,235,993	1.11%
Agricultural	44	\$9,321,423	0.92%
Vacant Commercial	38	\$7,776,578	0.77%
Vacant Residential	214	\$4,352,644	0.43%
Institutional	18	\$291,279	0.03%
Recreational	1	\$24,390	0.00%
<b>Total All Secured</b>	<b>3,027</b>	<b>\$1,011,890,122</b>	<b>100.00%</b>

Source: *Urban Futures, Inc.*

(1) Based on Fiscal Year 2010-11 secured assessed valuation of \$1,011,890,122.

As stated above, the Project Area was established in 1986, and amended in 1990 and 1997 to add territory, to address blight that prevailed in the area and to assist in the production of affordable housing. Blighted conditions that prevailed included deteriorated and dilapidated and unsightly structures, obsolete or substandard structures, underutilized parcels and structures, incompatible land uses, and other conditions not conducive to a healthy business climate. In addition to physical blight, there were also significant infrastructure deficiencies including inadequate streets, sewers, water, storm drainage, curb, gutters, and sidewalk impediments.

The Agency has participated in numerous projects affecting the Project Area and the community. Some of these projects have been done in partnership with the City of Lemoore. The Agency has assisted in making improvements to the Project Area primarily through projects that installed infrastructure improvements. Agency financial assistance has been used to:

## **Community & Economic Development Projects**

- Kings County Office of Education
  - 20-Year Facility Use
  - Conference Rooms
  - Meeting Rooms
  - Tennis Courts
  - Construction Completed 2009
- Adaptive Reuse Study of Three Underutilized Shopping Centers
- Buxton Retail Attraction Study
- General Plan Update
- Kings County Association of Government (Location Assistance)
- Pedersen Park (KaBoom Playground)
- Leprino Mural (Community Beautification)
- Curbside Clean-up Program
- Bob Williams Chevrolet (Loan Guaranty)
- Fastenal (Property Disposition)
- Valley Cycle & Marine (Property Disposition for new line and assembly/distribution center)
- Lemoore Stadium Theater
- John D's Restaurant (Development Assistance)
- Valero Station/Convenience Store (Development Assistance)
- Western RV

## **Commercial Revitalization & Infrastructure Improvements**

- Façade Improvement Forgivable Loan Program
- Child/Adult Day Care (Magic Castle Building)
- Public Signage (Kiosks)
- KART Bus Shelters
- Buy n Split Market
  - Contamination Eradication
  - Lemoore Volunteer Fire Dept. Training Burn
  - Demo/Clearing
  - Future Community Park
- Cinnamon Municipal Complex (Sale of West Building)
- Infrastructure Improvement leading to Commercial Area
- Infrastructure Improvement – Wastewater Treatment Facility
- Lemoore High School Bleacher Project
- Information Kiosk
- KART Bus Shelter

The Agency has provided funds to increase and improve the supply of very low, low, and moderate income housing, including:

## **Safe & Affordable Housing Programs**

- Emergency Home Repair
- Exterior Home Improvement
- Do-It-Yourself House Painting
- Senior House Painting
- First-Time Homebuyer

- Residential Solar
- Infill Housing
- HOME Housing Rehabilitation Program

### **Multifamily Affordable Housing Projects**

- Montgomery Crossing Multifamily Apartment Complex  
(Pacific West Communities)  
57 units  
\$1.2 million  
Construction Complete 2009
- Oleander Terrace Multifamily Apartment Complex  
(MacFarlane Costa Housing Partners)  
66 units  
\$1.75 million committed
- Village at Acacia Multifamily Apartment Complex  
(DAVCO Communities/DAVCO Development)  
81 units  
\$1.65 million committed  
Awaiting Tax Credit Approval

### **Senior Housing**

- Antlers Hotel  
10 units
- Fox Street Villas  
(Pacific West Communities)  
Project Assistance  
80 units proposed  
Anticipated Future Funding Request
- Senior House Painting

### **Agreements with Various Taxing Agencies**

The Agency has entered into an agreement for the allocation and distribution of tax increment funds from the Original Project Area with the County of Kings (the “**1986 County Pass-Through Agreement**”). For each fiscal year in which the total tax increment revenue allocated to the Agency exceeds \$600,000, the Agency agrees to pay to the County and the Kings County Public Library from tax increment revenues in excess of \$600,000, the County share (approximately 37.22%) and the Library share (approximately 2.79%) of such excess amount up to, but not exceeding, the growth rate amount (the “**growth rate amount**”). Growth rate amount means the amount of tax revenues produced by applying the general tax rate to the increases in assessed value over the base rate valuations; provided that such increases shall not exceed the average annual growth rate in the Project Area for the ten fiscal years immediately preceding the date of such calculation.

Additionally, the Lemoore Union Elementary School District, Lemoore Union High School District, West Hills Community College District, Lemoore Cemetery District, and the Kings Mosquito Abatement District receive their respective portion of Tax Revenues which result from annual inflationary adjustments to the base year valuations.

The Agency has entered into three (3) agreements for the allocation and distribution of tax increment funds from the amended project area (the “**Amendment No. One Pass-Through**”).

**Agreements**”). The first agreement, with the County of Kings, provides for the County General Fund to receive 80% of its share (approximately 38.43%) of annual tax revenue, less the 20% thereof that the Agency is required to set-aside in the Agency’s low and moderate income housing fund.

The second and third agreements, with the Lemoore Union High School District and the Lemoore Union Elementary School District, provide for the Districts to receive their share (approximately 12.23% and 16.16%, respectively) of tax increment revenues according to the following schedule:

<b><u>District’s Share of Tax Increment</u></b>	<b><u>Pass-Through</u></b>
\$0 to \$100,000	District’s share of tax revenues resulting from annual inflationary adjustments to the base year assessed valuation.
\$100,001 to \$200,000	10% of District’s share of tax increment revenues, less District’s proportionate share of 20% set-aside for low and moderate income housing.
\$200,001 to \$300,000	20% of District’s share of tax increment revenues, less District’s proportionate share of 20% set-aside for low and moderate income housing.
\$300,001 to \$400,000	25% of District’s share of tax increment revenues, less District’s proportionate share of 20% set-aside for low and moderate income housing.
\$400,001 and above	30% of District’s share of tax increment revenues, less District’s proportionate share of 20% set-aside for low and moderate income housing.

The Agency also pays to the Districts an amount equal to any increases in the rate of tax imposed for their benefit.

**Tax Sharing Formulas**

AB 1290 eliminated the statutory authority for negotiated pass-through agreements and provided a formula for mandatory tax sharing, applicable to projects adopted after January 1, 1994, or amended after that date to add territory. The formula thus applies to the territory added by Amendment No. Two in 1997.

Generally speaking, under AB 1290, the Agency is to pay to the affecting taxing agencies percentages of tax increment generated in the territory which was added to the Project Area after January 1, 1994, as follows:

- (1) throughout the term of the Project’s eligibility to receive tax increment, 25% of post housing set-aside revenues; plus,
- (2) for the eleventh year of the receipt of tax increment and thereafter, 21% of revenues in excess of revenues based on assessed values in the Project Area for the tenth year; plus,

(3) for the thirty-first year of the receipt of tax increment and thereafter, 14% of revenues in excess of revenues based on assessed values in the Project Area for the thirtieth year.

As indicated, amounts specified as payable to taxing agencies are to be computed after deducting the housing set-aside amount.

The Agency's obligations under the 1986 County Pass-Through Agreement and the Amendment No. Two AB 1290 formula pass-through amounts are senior to the receipt of Pledged Revenues. The Amendment No. One Pass-Through Agreements are subordinate to the receipt of Pledged Revenues and the Agency's obligation to pay debt service on the Bonds and any Parity Bonds.

**Historical Assessed Values**

Taxable values are prepared and reported by the County Auditor-Controller each fiscal year and represent the aggregation of all locally assessed properties, which are part of the Project Area. The assessments are assigned to tax rate areas that are coterminous to the boundaries of the Project Area.

Table 2 shows the historical taxable values of the Project Area over the past five years. Taxable values have increased from \$753.139 million in 2006-07 to \$1.027 billion in 2010-11. The total percentage change was 36.44 percent over the five year period. The average annual percentage change in values was 8.17 percent. The Project Area's base year value is \$77.94 million.

**TABLE 2  
THE LEMOORE REDEVELOPMENT AGENCY  
LEMOORE REDEVELOPMENT PROJECT  
Historical Assessed Valuation Growth**

FY	Secured Value	Unsecured Value	State- Assessed Value	Total Taxable Value	Percentage Change	Total Incremental Value <sup>(1)</sup>
2006-07	729,358,846	22,938,425	841,878	753,139,149	N/A	675,164,449
2007-08	790,845,142	31,020,987	783,107	822,649,236	9.23%	744,674,536
2008-09	895,808,675	29,782,604	753,688	926,344,967	12.61%	848,370,267
2009-10	911,321,919	24,998,606	751,210	937,071,735	1.16%	859,097,035
2010-11	1,011,417,600	15,728,745	472,522	1,027,618,867	9.66%	949,644,167
	Total Percentage Change				36.44%	
	Average Percentage Change				8.17%	

<sup>(1)</sup> Taxable Value above base year value of \$77,974,700

Source: Kings County Auditor-Controller Office

## Historical Tax Increment Collections

Table 3 provides information on the historical receipt of tax increment revenues in the Project Area. The initial County levy is first compared to the actual receipt of tax increment to determine collection trends. Actual receipts of tax increment for the period 2006-07 through 2009-10 have averaged \_\_\_\_\_ percent of the levy.

The Agency receives tax increment in two installments. The first payment is typically received in February of each fiscal year in an amount equal to 50 percent of the total secured and unsecured levy. In June, the Agency receives the other 50 percent of its revenues and property tax administrative fees are then deducted. The County also provides the Agency with information on the amount that is owed under the tax sharing agreements, and the Agency remits payments to cover those amounts.

Table 4 also provides information on historical tax increment revenues. The table shows total tax increment revenues as reduced for adjustments and tax sharing payments.

**TABLE 3**  
**THE LEMOORE REDEVELOPMENT AGENCY**  
**LEMOORE REDEVELOPMENT PROJECT**  
**Tax Levies and Collections <sup>(1)</sup>**

FY	Incremental Value	Tax Increment (1.00 tax rate)	Actual Tax Increment Received
2006-07	675,164,449	6,751,644	6,962,367
2007-08	744,674,536	7,446,745	7,972,286
2008-09	848,370,267	8,483,703	8,766,783
2009-10 <sup>(1)</sup>	859,097,035	8,590,970	9,715,189
2010-11 <sup>(2)</sup>	949,644,167	9,496,442	9,496,442

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<sup>(1)</sup> Unaudited

<sup>(2)</sup> Estimated

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Source: Urban Futures, Inc.; Kings County Auditor-Controller's Office

**TABLE 4  
THE LEMOORE REDEVELOPMENT AGENCY  
LEMOORE REDEVELOPMENT PROJECT  
HISTORICAL ANALYSIS OF TAX REVENUES**

Category	2006-07	2007-08	2008-09	2009-10
Total Tax Increment (1)	\$	\$	\$	\$
<i>Adjustments to Tax Revenue:</i>				
Section 33676 Allocations (2)				
Property Tax Admin Fees				
<hr/>				
Total Tax Increment Receipts				
<i>Liens on Tax Increment:</i>				
Housing Set-Aside (3)				
Senior Negotiated Tax Sharing (4)				
Statutory Tax Sharing Payments (5)				
<hr/>				
Total				
<b>Tax Revenue</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<hr/>				
Subordinate Negotiated Tax Sharing (6)				
<hr/>				
<b>Net Tax Increment</b>				

- (1) Reflects actual receipts based on the records of the Agency
- (2) Allocations to the City per former Section 33676 of the CRL.
- (3) Estimated based on 20 percent of total tax increment less Section 33676 allocations.
- (4) Payments per tax sharing agreements from the Original Area that are senior to debt service.
- (5) Based on provisions of AB 1290 for Amendment Area.
- (6) Payments per tax sharing agreements from the Original Area that are subordinate to debt service.

Source: Urban Futures, Inc.

**Largest Taxpayers**

The following table lists the ten largest payers of property taxes in the Project Area for fiscal year 2010-11. The top ten taxpayers account for approximately \$522,696,285 of Project Area assessed valuation. This amount is 51.66% of the Project Area’s fiscal year 2010-11 total assessed value and approximately \_\_\_\_% of the Project Area’s total incremental value. See “RISK FACTORS – Concentration of Ownership.”

**TABLE 5**  
**THE LEMOORE REDEVELOPMENT AGENCY**  
**LEMOORE REDEVELOPMENT PROJECT**  
**Largest Fiscal Year 2010-11 Local Secured Taxpayers <sup>(1)</sup>**

Taxpayer	Land Use	2010-11 Secured Assessed Valuation	Percent of Total AV <sup>(1)</sup>
Leprino Foods Company	Industrial	\$391,698,438	38.71%
Olam Tomato Processors Inc	Industrial	73,403,200	7.25%
Agusa	Industrial	11,835,573	1.17%
Daley Enterprises Inc	Single & Multi Family Residential Mix	11,487,731	1.14%
Gold Top Investments LLC	Commercial	6,637,684	0.66%
Lemoore Cinemas A	Commercial	6,611,741	0.65%
Lemoore99 LLC	Commercial	6,055,722	0.60%
Benderson-Lemoore Associates LP	Commercial	5,488,693	0.54%
Lemoore Capital LP	Commercial	4,797,101	0.47%
Save Mart Supermarkets	Commercial	4,680,402	0.46%
<b>Total</b>		<b>\$522,696,285</b>	<b>51.66%</b>

Source: *Urban Futures, Inc.*

<sup>(1)</sup> Based on Fiscal Year 2010-11 secured valuation of \$1,011,890,122.

The following provides a brief description of the five largest taxpayers in the Project Area:

[to be added to]

***Leprino Foods Company***

***Olam Tomato Processors Inc***

***Agusa***

***Daley Enterprises Inc***

***Gold Top Investments LLC***

### **Assessment Appeals**

Taxpayers may appeal their property tax assessments. The value of locally assessed property is appealed to the local county assessor, while the value of state assessed property is appealed to the State Board of Equalization. Both real and personal property assessments can be appealed. Personal property appeals are filed based on disputes over the full cash value of the property.

Under California law, there are two types of appeals for the value of real property. A base year appeal involves the Proposition 13 value of property. If an assessee is successful with a base year appeal, the value of the property is permanently reduced. In the future, the

value can only be increased by an inflation factor of up to 2 percent annually. Appeals can also be filed pursuant to Section 51 (b) of the Revenue and Taxation Code. Under this section of the code, also referred to as Proposition 8 appeals, the value of property can be reduced due to damage, destruction, removal of property or other factors that cause a decline in value. When the circumstance that caused the decline is reversed the value of the property can be increased up to the factored base year value of the property. Values can be reduced under Proposition 8 either based on a formal appeal or they can be set by the county assessor.

Due to the impact that assessment appeals can have on the taxable values and tax increment revenues of a project area, a review of recently resolved and open appeals was conducted for the major property owners. Appeals for the 2010-11 roll are not yet available. Based on information provided by the Kings County Assessment Appeals Office, there is/are only \_\_\_\_ open appeal(s) in the Project Area for 2009-10. [describe appeal] For purposes of the tax increment projections on Table 6 we have not assumed any further reductions in assessed value due to appeals.

#### *Residential Proposition 8 Reductions*

A number of counties in California, including Kings County, have processed temporary assessed value reductions for certain properties (Proposition 8 reductions) where the assessed values exceeded the current market value of properties without prompting from individual taxpayers. These reductions have affected the 2008-09, 2009-10 and 2010-11 tax rolls. Typically, the properties to be reviewed for these “automatic” reductions are single family homes and condominiums which transferred ownership between 2002 and 2008. These reductions were triggered because residential property values have decreased in many areas of the state.

In addition, it is possible that the Assessor will further reduce residential parcel values in 2011-12. Based on discussions with the Assessor’s Office, they believe that residential values have not yet reached the bottom of the market, but the pace of declines has slowed considerably from two years ago. Nevertheless, the overall assessed value of property within the Project Area has continued to grow each year, with a major portion of that growth attributable to the continued expansion and growth of Leprino Foods’ Lemoore West facility described below.

#### **Outstanding Indebtedness of the Agency**

As of June 1, 2010, the Agency had the following outstanding indebtedness payable from Tax Revenues generated in the Project Area:

##### *Parity Debt*

- \$6,180,000 1998 Bonds, outstanding in the aggregate principal amount of \$5,680,000.
- \$13,835,000 2003 Bonds, outstanding in the aggregate principal amount of \$11,970,000.

##### *Subordinate Debt*

In 2000, the Agency entered into an owner participation agreement (“**Owner Participation Agreement**”) with Leprino Foods Company (“**Leprino**”) under which Leprino

constructed a mozzarella cheese processing plant located in the western portion of the Project Area added to the Project Area by Amendment No. Two. This plant, constructed between 2000 and 2003 and designated by Leprino as “**Lemoore West**,” is in addition to Leprino’s existing and fully operational facility located in the Project Area in the central portion of the City. Lemoore West will ultimately be 550,000 square feet in size, will process approximately 6 million pounds of milk into 600,000 pounds of mozzarella cheese per day, and will employ 300 to 390 full-time employees. According to representations by Leprino, Lemoore West will be the largest mozzarella cheese producing facility in the world.

The City and Agency agreed to reimburse Leprino \$3 million for the cost of the infrastructure improvements which contributed to the elimination of blight in the Project Area. Subsequently, due to an expansion of the project scope requiring Leprino to increase its investment from \$125 million to more than \$250 million, the Agency’s reimbursement obligation increased to \$6 million, payable in 10 annual installments of \$600,000 each, subject to the Leprino facility having an assessed value in excess of \$250 million and verification of actual infrastructure costs incurred by Leprino. In FY 2008-09, a payment of \$757,500 was made. This payment was adjusted from \$600,000 because the facility’s assessed value was \$293 million. The payment to Leprino in FY 2009-2010 in the amount of \$710,700 was the seventh of ten annual contributions associated with the number of jobs and property tax increment the Lemoore West facility has brought to the community.

Under an amendment to the Owner Participation Agreement, Leprino carried out a major expansion of the Lemoore West plant, creating additional jobs and increasing the capacity at the City’s Waste Water Treatment Facility (“**WWTF**”) for itself and additional users. The Agency agreed to reimburse Leprino up to \$6,000,000 for improvements at the WWTF. For FY 2009-10, the Agency paid Leprino \$390,000 for the WWTF improvements, for a total payment of \$1,100,000 for the year. In FY 2010-2011, the two items have been budgeted in the amounts of \$1,500,000 and \$240,000, respectively.

Although the Owner Participation Agreement relating to Lemoore West and the WWTF improvements specifically provides that the payments to Leprino are to be made from tax increment revenue produced by the Lemoore West facility, it does not constitute a pledge of or lien on Tax Revenues for such payments. Accordingly, payments to Leprino under the Owner Participation Agreement are subordinate to the specific pledge of the Tax Revenues under the Indenture for the payment of debt service on the Bonds and Parity Bonds.

## **Projected Tax Revenues**

The Agency has retained the Financial Advisor/Fiscal Consultant to provide projections of taxable valuation and projected Tax Revenues expected to be generated within the Project Area. The Agency believes the assumptions upon which the projections are based are reasonable; however, some assumptions may not materialize and unanticipated events and circumstances may occur (see “**RISK FACTORS**”). Therefore, the actual Tax Revenues received during the forecast period may vary from the projections and the variations may be material. The tax increment revenue projections for the Project Area, as prepared by the Financial Advisor/Fiscal Consultant, are summarized below. All of the projections commence with the reported values for fiscal year 2010-11.

Tax increment revenues are calculated by first subtracting the base year value of a project area from the current year taxable value in order to determine the incremental taxable value of the project area. Applicable tax rates are then applied to the incremental taxable value in order to determine tax increment revenues.

### *Current Year / Projected Revenues*

An estimate of current year (2010-11) tax increment revenues is shown on Table 6. The values utilized are based on actual taxable values as provided by Kings County. Tax increment generated from the application of the 1 percent tax rate to incremental taxable value for 2010-11 is estimated at \$9.496 million.

A projection of tax increment revenues is shown on Table 6. Real property values consist of locally reported secured and unsecured land and improvement values. The other property category includes personal property and state assessed values.

The future level of real and other property values has been estimated on Table 7. Real property values have been held constant in 2011-12 and increased thereafter based on a 2 percent inflation factor. The 2 percent factor is the maximum inflation factor that county assessors can use to increase real property values. However, in certain fiscal years the inflation factor has been less than 2 percent. On December 14, 2009 the State Board of Equalization issued a letter showing that the annual inflation adjustment for 2010-11 would be negative which has caused a reduction to property values. The inflation rate as shown in the California Consumer Price Index (CCPI) went down by .237 percent. The final CCPI is not yet available for 2011-12. Our review of the CCPI through November 2010 shows that it is up by 0.8 percent. Given this, the Financial Advisor/Fiscal Consultant has held values constant for 2011-12.

The Agency is not eligible to receive tax increment from debt service tax rates that were approved by the voters after January 1, 1989. The tax rates used to estimate tax increment shown on Table 5 only include the 1 percent tax rate and do not include post January 1, 1989 tax rates.

### *Adjustments and Liens on Tax Increment*

The tax increment revenues of the Project Area are subject to certain adjustments and liens, as described below. The adjustments and liens must be paid prior to the payment of debt service on the Bonds.

### *Adjustments to Revenue*

There are two adjustments to the tax increment revenues shown on Table 6: property tax administrative fees and allocations pursuant to former Section 33676 of the Community Redevelopment Law.

State law allows counties to charge taxing entities, including redevelopment agencies, for the cost of administering the property tax collection system. The fees have been estimated and shown on Tables 6 and 7 based on the percentage that the fees represented to total tax increment in 2009-10.

For project areas adopted prior to January 1994, taxing entities could elect to receive additional property taxes above the base year revenue amount so long as they had not entered into a pass through agreement with an agency under former Section 33401 of the Health & Safety Code. Such amounts are calculated by increasing the real property portion of base year values by an inflation factor of up to 2 percent annually. Taxing entities can receive a proportionate share of such revenues if they elected to do so prior to adoption of the redevelopment plan. The City of Lemoore elected to receive additional allocations of property

taxes generated in Amendment Area No. 2. Such amounts have been shown on Tables 6 and 7.

#### *Housing Set-Aside*

Redevelopment agencies are required to deposit not less than 20 percent of the tax increment generated in a project area into a special fund to be used for qualified low and moderate income housing programs. Tables 6 and 7 show the full housing set-aside deposit.

#### *Senior Tax Sharing Payments*

As described above, the Agency has entered into tax sharing agreements with a number of agencies. Tables 6 and 7 show full payment of the required amounts.

#### *Statutory Tax Sharing Payments*

As described above, the Agency will be required by AB 1290 to make statutory payments to affected taxing entities. For purposes of the Tables 6 and 7, the Financial Advisor/Fiscal Consultant has reduced the percentage of tax increment that must be allocated to the taxing entities by the 20 percent housing set aside. There can be no assurance that actual tax increment receipts will not significantly differ from the projections in the table below.

**TABLE 6**  
**THE LEMOORE REDEVELOPMENT AGENCY**  
**LEMOORE REDEVELOPMENT PROJECT**  
**Estimate of Tax increment Revenues for FY 2010-11 <sup>(1)</sup>**

<u>Local Secured</u>	
Land	
Improvements	
Personal Property	
Gross Local Secured	
Exempt	
Net Local Secured	1,011,417,600
State Assessed	472,522
<u>Unsecured</u>	
Land	
Improvements	
Personal Property	
Total Unsecured	
Exempt	
Net Unsecured	15,728,745
<b>Total Value</b>	<b>1,027,618,867</b>
Base Year Taxable Value	77,974,700
Incremental Taxable Value	949,644,167
<b>Total Tax Increment Revenue</b>	<b>9,496,442</b>
<u>Adjustments to Tax Increment Revenue:</u>	
Property Tax Administration Fees <sup>(2)</sup>	142,447
Section 33676 Allocations <sup>(3)</sup>	
<u>Liens on Tax Increment</u>	
Housing Set-Aside <sup>(4)</sup>	
Senior Negotiated Tax Sharing <sup>(5)</sup>	
Statutory Tax Sharing Payments <sup>(6)</sup>	
<b>Tax Revenue</b>	<b>\$</b>
Subordinate Negotiated Tax Sharing <sup>(7)</sup>	
<b>Net Tax Increment</b>	

- (1) Based on taxable values per Kings County Auditor-Controller.
- (2) Estimated based on 1.5% of tax increment.
- (3) Allocations to the City per former Section 33676 of the CRL.
- (4) Based on 20 percent of total tax increment revenue net of Section 33676 Allocations.
- (5) Payments per tax sharing agreements from the Original Area that that are senior to debt service.
- (6) Based on provisions of AB 1290 for Amendment Area. Original Area AB 1290 payments will not be triggered until 2011-12.
- (7) Payments per tax sharing agreements from the Original Area that are subordinate to debt service.

Source: Urban Futures, Inc.

**TABLE 7**  
**THE LEMOORE DEVELOPMENT AGENCY**  
**LEMOORE REDEVELOPMENT PROJECT**  
**Projected Tax Revenues (Dollars in Thousands)**

Fiscal Year	Gross Revenue	Senior Pass Through's	County Admin Charge	Net Revenues for Senior Obligations	Current Debt Service	2011 TABS	Total Debt Service	Revenues for Subordinate Payments/admin	Subordinate Pass Through's	Admini- stration	Housing Programs	Net Revenues
2011	\$9,496,441.67	\$1,959,018	\$142,447	\$7,394,976.71	\$1,287,854	\$1,450,000	\$2,737,854	\$4,657,122.71	\$1,082,215	\$982,255	\$500,000	\$2,092,652.50
2012	\$9,571,457.85	\$1,987,424	\$143,572	\$7,440,461.75	\$1,282,704	\$1,450,000	\$2,732,704	\$4,707,757.75	\$1,090,321	\$992,078	\$500,000	\$2,125,358.83
2013	\$9,674,969.90	\$2,024,004	\$145,125	\$7,505,841.33	\$1,276,384	\$1,450,000	\$2,726,384	\$4,779,457.33	\$1,101,507	\$1,001,998	\$500,000	\$2,175,952.24
2014	\$9,884,064.23	\$2,090,479	\$148,261	\$7,645,324.21	\$1,284,164	\$1,450,000	\$2,734,164	\$4,911,160.21	\$1,124,101	\$1,012,018	\$500,000	\$2,275,040.64
2015	\$10,097,340.46	\$2,158,284	\$151,460	\$7,787,596.74	\$1,285,179	\$1,450,000	\$2,735,179	\$5,052,417.74	\$1,147,148	\$1,022,138	\$500,000	\$2,383,131.60
2016	\$10,314,882.21	\$2,227,444	\$154,723	\$7,932,714.73	\$1,284,739	\$1,450,000	\$2,734,739	\$5,197,975.73	\$1,170,655	\$1,032,360	\$500,000	\$2,494,960.89
2017	\$10,536,774.79	\$2,297,988	\$158,052	\$8,080,735.07	\$1,282,889	\$1,450,000	\$2,732,889	\$5,347,846.07	\$1,194,632	\$1,042,683	\$500,000	\$2,610,530.17
2018	\$10,763,105.23	\$2,379,179	\$161,447	\$8,222,479.46	\$1,285,269	\$1,450,000	\$2,735,269	\$5,487,210.46	\$1,235,178	\$1,053,110	\$500,000	\$2,698,922.12
2019	\$10,993,962.27	\$2,457,330	\$164,909	\$8,371,722.64	\$1,281,019	\$1,450,000	\$2,731,019	\$5,640,703.64	\$1,260,453	\$1,063,641	\$500,000	\$2,816,608.82
2020	\$11,229,436.46	\$2,537,044	\$168,442	\$8,523,950.68	\$1,285,299	\$1,450,000	\$2,735,299	\$5,788,651.68	\$1,286,234	\$1,074,278	\$500,000	\$2,928,139.57
2021	\$11,469,620.13	\$2,618,353	\$172,044	\$8,679,223.29	\$1,287,649	\$1,450,000	\$2,737,649	\$5,941,574.29	\$1,312,531	\$1,085,021	\$500,000	\$3,044,022.91
2022	\$11,714,607.47	\$2,701,287	\$175,719	\$8,837,601.34	\$1,282,968	\$1,450,000	\$2,732,968	\$6,104,633.34	\$1,339,353	\$1,095,871	\$500,000	\$3,169,409.33
2023	\$11,964,494.56	\$2,785,880	\$179,467	\$8,999,146.96	\$1,286,805	\$1,450,000	\$2,736,805	\$6,262,341.96	\$1,366,712	\$1,106,830	\$500,000	\$3,288,800.37
2024	\$12,219,379.39	\$2,872,165	\$183,291	\$9,163,923.49	\$1,288,718	\$1,450,000	\$2,738,718	\$6,425,205.49	\$1,394,618	\$1,117,898	\$500,000	\$3,412,689.55
2025	\$12,479,361.92	\$2,960,176	\$187,190	\$9,331,995.56	\$1,278,705	\$1,450,000	\$2,728,705	\$6,603,290.56	\$1,423,082	\$1,129,077	\$500,000	\$3,551,131.46
2026	\$12,744,544.10	\$3,049,947	\$191,168	\$9,503,429.06	\$1,247,193	\$1,450,000	\$2,697,193	\$6,806,236.06	\$1,452,116	\$1,140,368	\$500,000	\$3,713,752.74
2027	\$13,015,029.92	\$3,141,513	\$195,225	\$9,678,291.23	\$1,247,186	\$1,450,000	\$2,697,186	\$6,981,105.23	\$1,481,730	\$1,151,771	\$500,000	\$3,847,604.12
2028	\$13,290,925.46	\$3,244,866	\$199,364	\$9,846,695.99	\$1,245,330	\$1,450,000	\$2,695,330	\$7,151,365.99	\$1,511,936	\$1,163,289	\$500,000	\$3,976,140.76
2029	\$13,572,338.91	\$3,350,285	\$203,585	\$10,018,468.85	\$1,245,915	\$1,450,000	\$2,695,915	\$7,322,553.85	\$1,542,747	\$1,174,922	\$500,000	\$4,104,885.19
2030	\$13,859,380.62	\$3,457,813	\$207,891	\$10,193,677.16	\$1,244,385	\$1,450,000	\$2,694,385	\$7,499,292.16	\$1,574,174	\$1,186,671	\$500,000	\$4,238,447.54
2031	\$14,152,163.18	\$3,567,491	\$212,282	\$10,372,389.64	\$1,250,740	\$1,450,000	\$2,700,740	\$7,671,649.64	\$1,606,229	\$1,198,538	\$500,000	\$4,366,883.02
2032	\$14,450,801.38	\$3,679,363	\$216,762	\$10,554,676.37	\$1,249,510	\$1,450,000	\$2,699,510	\$7,855,166.37	\$1,638,925	\$1,210,523	\$500,000	\$4,505,717.99
2033	\$14,755,412.35	\$3,793,472	\$221,331	\$10,740,608.84	\$1,245,930	\$1,450,000	\$2,695,930	\$8,044,678.84	\$1,672,276	\$1,222,628	\$500,000	\$4,649,774.91
2034	\$15,066,115.53	\$3,909,864	\$225,992	\$10,930,259.95		\$2,700,000	\$2,700,000	\$8,230,259.95	\$1,706,293	\$1,234,855	\$500,000	\$4,789,112.41
2035	\$15,383,032.78	\$4,028,583	\$230,745	\$11,123,704.08		\$2,700,000	\$2,700,000	\$8,423,704.08	\$1,740,991	\$1,247,203	\$500,000	\$4,935,510.34

Fiscal Year	Gross Revenue	Senior Pass Through's	County Admin Charge	Net Revenues for Senior Obligations	Current Debt Service	2011 TABS	Total Debt Service	Revenues for Subordinate Payments/admin	Subordinate Pass Through's	Admini- stration	Housing Programs	Net Revenues
2036	\$15,706,288.38	\$4,149,677	\$235,594	\$11,321,017.10		\$2,700,000	\$2,700,000	\$8,621,017.10	\$1,776,382	\$1,259,675	\$500,000	\$5,084,959.70
2037	\$16,036,009.09	\$4,273,193	\$240,540	\$11,522,276.38		\$2,700,000	\$2,700,000	\$8,822,276.38	\$1,812,482	\$1,272,272	\$500,000	\$5,237,522.77
2038	\$11,721,804.86	\$2,054,769	\$175,827	\$9,491,209.24		\$2,700,000	\$2,700,000	\$6,791,209.24	\$1,849,303	\$1,284,995	\$500,000	\$3,156,911.47
2039	\$11,959,601.30	\$2,113,271	\$179,394	\$9,666,936.19		\$2,700,000	\$2,700,000	\$6,966,936.19	\$1,886,861	\$1,297,845	\$500,000	\$3,282,230.60
2040	\$12,202,153.67	\$2,172,944	\$183,032	\$9,846,177.67		\$2,700,000	\$2,700,000	\$7,146,177.67	\$1,925,170	\$1,310,823	\$500,000	\$3,410,184.61
2041	\$7,219,603.18	\$2,233,810	\$108,294	\$4,877,499.39			\$0	\$4,877,499.39	\$0	\$1,323,931	\$500,000	\$3,053,568.05
2042	\$7,365,833.10	\$2,295,893	\$110,487	\$4,959,452.48			\$0	\$4,959,452.48	\$0	\$1,337,171	\$500,000	\$3,122,281.83

Source: Urban Futures, Inc.

## **Projected Debt Service Coverage**

The following table shows the debt service coverage on the Bonds, based on estimated Tax Revenues from the Project Area.

**TABLE 8**  
**THE LEMOORE REDEVELOPMENT AGENCY**  
**LEMOORE REDEVELOPMENT PROJECT Projected Debt Service Coverage (Non-Housing)**

**TABLE 9**  
**THE LEMOORE REDEVELOPMENT AGENCY**  
**LEMOORE REDEVELOPMENT PROJECT**  
**Projected Debt Service Coverage (Housing Set-Aside)**

## **RISK FACTORS**

The following section describes certain 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 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.

### **Reduction in Taxable Value - Economic Factors and Property Damage**

Tax Increment revenues allocated to the Agency are determined by the amount of incremental taxable value in the Project Area and the current rate or rates at which property in the Project Area is taxed. 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, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors. See "Reduction in Inflation Rate" below and "STATUTORY LIMITATIONS ON TAX REVENUES—Property Tax Limitations: Article XIII A of the California Constitution".

The reduction of taxable values of property in the Project Area due to economic or other factors beyond the Agency's control, such as general declines in market value of real property, a relocation out of the Project Area by one or more major property owners, or the complete or partial destruction of such property caused by, among other events, an earthquake or other natural disaster, could cause a reduction in the Tax Revenues. In addition, sale of property to a nonprofit corporation or purchase or condemnation of property by a governmental agency would remove such property from the tax rolls. See "THE PROJECT AREA" for a description of the properties with the largest assessed values within the Project Area.

See also the section entitled "THE PROJECT AREA – Assessment Appeals" for a discussion of recent assessed value reductions initiated by the Kings County Assessor under Proposition 8.

### **Factors Relating to Sub-Prime Loans**

Between 2002 and 2007, many homeowners financed the purchase of their new homes using loans with little or no down-payment and with adjustable interest rates that are subject to being reset at higher rates on a specified date or on the occurrence of specified conditions. Many of these loans (often referred to as "sub-prime loans") allow the borrower to pay only interest for an initial period, which may extend in some loans up to 10 years. In the opinion of some economists, the significant increase in home "affordability" from the end of 2002 through a portion of 2006, while home prices increased significantly in most California real estate markets, was caused, in part, by the ability of home purchasers to access loans with little or no down-payment. Homeowners who purchased their homes with sub-prime loans have begun to experience difficulty in making their loan payments due to automatic rate increases on their adjustable loans, rising interest rates in the market, and the inability to refinance due to decreasing residential market values.

Increased delinquency rates could have an adverse effect on the Agency's ability to make timely payments of principal of and interest on the Bonds. Moreover, if mortgage loan

defaults increase, bankruptcy filings by homeowners are also likely to increase. Bankruptcy filings by homeowners with delinquent property taxes would delay the commencement and completion of foreclosure proceedings to collect delinquent property taxes.

### **Concentration of Ownership**

The property owners with the 10 largest fiscal year 2010-11 assessed values in the Project Area are responsible for 51.66% of fiscal year 2010-11 Project Area assessed value and \_\_\_\_\_% of Project Area incremental value. The single largest taxpayer represents 38.71% of 2010-11 Project Area assessed value.

The Agency's ability to pay debt service on the Bonds could be adversely affected in the event one or more of these property taxpayers were to vacate their property in the Project Area, cease paying property taxes on the property or successfully apply for a reduction in the assessed value of their property in the Project Area.

### **Reduction in Inflation Rate**

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

Until 2009-10, since Article XIII A was approved, the annual adjustment for inflation had fallen below the 2% limitation five times: in fiscal year 1983-84, 1%; in fiscal year 1995-96, 1.19%; in fiscal year 1996-97, 1.11%; in fiscal year 1999-00, 1.85%; and in fiscal year 2004-05, 1.867%. However, the inflationary growth rate was a negative -0.23% for 2010-11. For purposes of the projections shown on Table 6 herein, the Financial Advisor/Fiscal Consultant has held values constant for 2011-12. The Agency is unable to predict if any adjustments to the full cash value base of real property within the Project Area, whether an increase or a reduction, will be realized in the future.

### **Real Estate and Development Risks**

The Agency's ability to make payments on the Bonds will in large measure depend on the continued economic strength of the Project Area. The market for real estate in the Project Area will be subject to all the risks generally associated with the local and regional economy. Projected development within the Project Area may be subject to unexpected delays, disruptions, and changes. Real estate development 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 within the Project Area could be adversely affected by future governmental policies, including governmental policies to restrict or control development. If development in the Project Area is delayed or halted, the economy of the Project Area could be affected causing a reduction of the Tax Revenues. In addition, if there is a decline in the general economy of the Project Area, the owners of property within the Project Area may be financially constrained or less willing to make timely payments of property taxes causing a delay or stoppage of the Tax

Revenues received by the Agency from the Project Area. In addition, the insolvency or bankruptcy of one or more large owners of property within the Project Area could delay or impair the receipt of Tax Revenues by the Agency.

### **Levy and Collection of 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. See "STATUTORY LIMITATIONS ON TAX REVENUES - Property Tax Collection Procedures."

### **State Budget**

**Prior Fiscal Years.** The State of California has been facing significant budget issues. In connection with its approval of the budget for the 1992-93, 1993-94, 1994-95, 2002-03, 2003-04, 2004-05, and 2005-06, 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 applicable county Education Revenue Augmentation Fund ("**ERAF**"). These ERAF payments were paid timely by the Agency.

**AB 1389.** In 2008, the State Legislature adopted, and the Governor of the State signed, legislation, Chapter 751, Statutes 2008 (AB 1389) ("**AB 1389**"), that among other things require redevelopment agencies to pay into ERAF in fiscal year 2008/09, prior to May 10, 2009, an aggregate amount of \$350 million, of which the Agency was to pay \$1,435,054. On April 30, 2009, a California Superior Court in *California Redevelopment Association v. Genest* (County of Sacramento) (Case No. 34-2008-00028334) held that the required payment by redevelopment agencies into ERAF in fiscal year 2008-09 pursuant to AB 1389 violated the California constitution and invalidated and enjoined the operation of the California Health and Safety Code section requiring such payment. On May 26, 2009, the State filed a notice that it would appeal the decision of the Superior Court. However, on September 28, 2009, the State noticed its withdrawal of its appeal of *California Redevelopment Association v. Genest*. Accordingly, the Superior Court holding of invalidity of the applicable portion of AB 1389 relating to the ERAF payments is final.

**2009 SERAF Legislation.** In connection with various legislation related to the budget for the State for its fiscal year 2009-10, in late July 2009, the State legislature adopted, and the Governor of the State signed, Assembly Bill No. X426 (the "**2009 SERAF Legislation**").

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

As noted below, the Agency has timely paid the SERAF payment required for Fiscal Year 2009-10 in the amount of \$2,372,536. The SERAF payment for Fiscal Year 2010-11 will be \$487,999. Pursuant to the 2009 SERAF Legislation, redevelopment agencies may use any funds that are legally available and not legally obligated for other uses, including reserve funds, proceeds of land sales, proceeds of bonds or other indebtedness, lease revenues, interest, and

other earned income. The Agency will timely pay the 2010-11 SERAF payment from available funds.

The 2009 SERAF Legislation contains provisions that subordinate the obligation of redevelopment agencies to make the SERAF payments specified therein to certain indebtedness. California Health and Safety Code, § 33690 (a) (3), states: "The obligation of any agency to make the payments required pursuant to this subdivision shall be subordinate to the lien of any pledge of collateral securing, directly or indirectly, the payment of the principal, or interest on any bonds of the agency including, without limitation, bonds secured by a pledge of taxes allocated to the agency pursuant to Section 33670 of the California Health and Safety Code."

The 2009 SERAF 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 encumbrance and expenditure of funds, including funds for operation and administration expenses, and (iv) commencing with the July 1 following the due date of a SERAF annual 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 Redevelopment Law for low and moderate income housing for the remainder of the time that the applicable redevelopment agency receives allocations of tax revenues under the Redevelopment Law. The five percent (5%) additional housing set-aside penalty provision referred to in the 2009 SERAF 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 amounts required to be allocated to its housing set aside funds to make required SERAF payments but does not timely repay the funds, will also be subject to the Penalty Set-Aside Requirement.

While the 2009 SERAF 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 SERAF 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 SERAF Legislation or to timely repay borrowed housing set-aside funds.

The California Redevelopment Association, the Union City Redevelopment Agency and the Fountain Valley Redevelopment Agency filed a lawsuit in Sacramento County Superior Court on October 20, 2009, (the "**CRA Litigation**") challenging the constitutionality of the 2009 SERAF Legislation and seeking a permanent injunction to prevent the State from taking redevelopment funds for non-redevelopment purposes. On May 4, 2010, the Superior Court ruled that the 2009 SERAF Legislation is constitutional, and as a consequence, the Agency timely paid the SERAF payment due by May 10, 2010 in the amount of \$629,733. However, the California Redevelopment Association appealed the judgment of the Superior Court. The Agency cannot predict whether or not the Court of Appeal will approve or overturn the judgment of the Superior Court or whether or not the Agency will be able to recover the amount of the SERAF payment for fiscal year 2009-10 in the event the judgment of the Superior Court is overturned. Further, the Agency can not predict whether or not such judgment will be overturned regarding the SERAF payment for fiscal year 2010-11.

**Proposition 22.** The State's ability to impose future ERAF and SERAF payments on redevelopment agencies may be affected by Proposition 22, which was approved by the California electorate on November 2, 2010. Proposition 22, among other things, amends Sections 24 and 25.5 of Article XIII of the California Constitution to prohibit the State from reallocating, transferring, borrowing, appropriating, or restricting the use of taxes imposed or levied by a local government solely for the local government's purposes. As applied to redevelopment agencies, Proposition 22 adds Section 25.5(A)(7) to Article XIII of the State Constitution to prohibit the State from requiring a redevelopment agency (A) to pay, remit, loan, or otherwise transfer, directly or indirectly, taxes on ad valorem real property and tangible personal property allocated to the agency pursuant to Section 16 of Article XVI of the State Constitution to or for the benefit of the State, any agency of the State, or any other jurisdiction; or (B) to use, restrict, or assign a particular purpose for such taxes for the benefit of the State, any agency of the State, or any other jurisdiction, other than (i) statutory pass through payments required by Health and Safety Code Sections 33607.5 and 33607.7 and (ii) payments for the purpose of increasing, improving, and preserving the supply of low and moderate income housing available at affordable housing cost. Although the passage of Proposition 22 will have no impact upon the Agency's obligation to pay the 2010 SERAF Amount, the State Legislative Analyst's Office ("LAO") has stated that the measure prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies. No assurance can be provided that Proposition 22 will be implemented as contemplated by the LAO. In addition, Proposition 22 is subject to interpretation by the courts and there can be no assurance that the measure will not be challenged by the State or other parties or repealed by the voters of the State in the future.

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

The Proposed Budget makes the following redevelopment-related proposals (the "**RDA Provisions**"), among others, although only limited details are provided for such a far-reaching proposal:

(i) The RDA Provisions, if adopted, would eliminate the current funding mechanism for redevelopment agencies.

(ii) The RDA Provisions, if adopted, would prohibit existing agencies from creating new contracts or obligations effective upon enactment of urgency legislation.

(iii) By July 1, the RDA Provisions, if adopted, would disestablish existing redevelopment agencies and successor local agencies would be required to use the property tax revenues that redevelopment agencies would otherwise have received to retire redevelopment agency debts and contractual obligations "**in accordance with existing payment schedules**" (emphasis added).

(iv) For fiscal year 2011-12, the RDA Provisions, if adopted, would divert an estimated \$1.7 billion remaining after paying the redevelopment agency debts and contractual obligations described in the preceding paragraph (iii) to offset State General Fund costs for Medi-Cal and trial courts. An additional estimated \$210 million would be distributed on a one-time basis to cities, counties, and special districts proportionate to their current share of the countywide property tax.

(v) For fiscal years after fiscal year 2011-12, the RDA Provisions, if adopted, would distribute the money available after payment of redevelopment agency debt and contractual obligations described in the preceding paragraph (iii) to schools, counties, cities, and non-enterprise special districts for general uses.

(vi) The RDA Provisions, if adopted, would shift amounts in the redevelopment agency's balances reserved for low-moderate income housing to local housing authorities for low and moderate income housing.

(vii) If adopted, the RDA Provisions would introduce a new financing mechanism for economic development. Specifically, the Proposed Budget proposes that the Constitution be amended to provide for 55% voter approval for limited tax increases and bonding against local revenues for development projects such as are currently done by redevelopment agencies. Voters in each affected jurisdiction would be required to approve use of their tax revenues for these purposes.

Implementation of the Proposed Budget. Implementation of the Proposed Budget, including the RDA Provisions, would require implementing legislation by the Legislature and voter approval as to certain material elements and would probably include terms which are not yet proposed but that would be material to the Agency and the Bonds. The Agency cannot predict the ultimate form of any implementing legislation, if any is adopted.

Elements of the RDA Provisions, including the economic development program authorization, contemplate voter approval through the initiative process. It is possible that Proposition 22, which is described immediately above, will affect the State's ability to implement some of the RDA Provisions. It is possible that the Governor and the Legislature may seek voter approval of changes to the terms of Proposition 22 that are in conflict with the Proposed Budget, including the RDA Provisions.

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

Legislative Analyst Report. The LAO released its Overview of the Governor's Budget ("**LAO Overview**") on January 12, 2011. As it relates to the RDA Provisions the LAO Overview suggests the proposal has merit "but faces considerable implementation issues." The LAO Overview notes:

the administration's plan will require considerable work by the Legislature to sort through many legal, financial and policy issues. Several voter-approved constitutional measures, for example, constrain the State's authority to redirect redevelopment funds, use property tax revenues to pay for state

programs, or impose increased costs on local agencies. In addition, the administration's plan does not address many related issues, such as clarifying the future financial responsibility for low- and moderate- income housing (currently, a redevelopment program).

Finally, the LAO Overview recommends that the Legislature pass urgency legislation as soon as possible prohibiting redevelopment agencies, during the period of legislative review of the Proposed Budget, from taking actions that increase their debt.

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

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

(ii) The RDA Provisions, if adopted, could affect the Agency's compliance with and performance under existing contracts and obligations, including senior Pass-Through Agreements and Housing Set-Aside obligations.

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

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

(v) Most significantly, the RDA Provisions -- if adopted and implemented in their proposed form -- would eliminate redevelopment agencies and redeploy tax increment revenues affecting redevelopment agencies. These actions would almost certainly raise legal and practical issues, some of which may be subject to litigation and ultimate resolution in the courts, or subsequent legislative action. These issues could affect the Agency and its compliance with the terms of the Indenture and the Bonds, and resolution of these issues could involve expense and delay or modification of certain of the rights of the bondholders in ways the Agency cannot predict.

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

Article I, section 10 of the United States Constitution provides that "No state shall...pass any...law impairing the obligation of contracts." Article I, section 9 of the California Constitution

provides that a “law impairing the obligation of contracts may not be passed.” Each of these provisions is generally referred to as a “contracts clause.” Federal courts have applied a fact-based three-part test to determine whether a state law violates the federal contracts clause. In general, the test compares any impairment against the significant and legitimate public purpose behind the state law; there is no absolute prohibition against impairment.

The United States Supreme Court has declared in the context of a New Jersey law that would have retroactively repealed a 1962 statutory (but contractual) covenant that would have adversely impacted bondowners: “A governmental entity can always find a use for extra money, especially when taxes do not have to be raised. If a State could reduce its financial obligations whenever it wanted to spend the money for what it regarded as an important public purpose, the Contract Clause would provide no protection at all.” See *United States Trust Co. of New York v. New Jersey* (1977) 431 U.S. 1, 25-26.

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

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

***Information about the State budget and State.*** Information about the State budget and State spending is regularly available from various State offices, including the Department of Finance, the Office of the Legislative Analyst and the State Treasurer. However, none of such information is incorporated herein by such reference.

### **AB 1389 Reporting Requirements**

In addition to the provisions described in the preceding section relating to ERAF, AB 1389 also requires redevelopment agencies, under certain circumstances, to submit reports to the office of the county auditor in the county in which they are located. These reports are required to include calculations of the tax increment revenues that redevelopment agencies have received and payments that redevelopment agencies have made pursuant to Tax Sharing Agreements with taxing entities and Statutory Tax Sharing. County auditors are required to review the reports and, if they concur, issue a finding of concurrence. The State Controller is required to review such reports and submit a report to the Legislative Analyst's office and the Department of Finance identifying redevelopment agencies for which county auditors had not issued a finding of concurrence or which have outstanding pass-through payment liabilities to a

local educational agency that exceed the amount of outstanding pass-through over payments to the local educational agency. AB 1389 includes penalties for any redevelopment agency listed on the most recent State Controller's report, including a prohibition on issuing bonds or other obligations until the listed agency is removed from the State Controller's report.

The Agency filed the first required report for the five year period ending June 30, 2008 with the County Auditor-Controller. In April 2009, the State Controller's office issued a report which included the Agency on the list of redevelopment agencies with respect to which the County Auditor had concurred with their reports. The report required by AB 1389 for the Fiscal Year ended June 30, 2009 was due by October 1, 2009. The Agency timely filed its report with the County Auditor-Controller. The County Auditor-Controller has concurred with the information contained in the Agency's Fiscal Year 2008/09 report. The State Controller's "List of Redevelopment Agencies subject to sanctions for non-compliance as of September 1, 2010" does not list the Agency.

### **Investment Risk**

The Reserve Account and all funds held under the Indenture are required to be invested in Permitted Investments as provided under the Indenture. See Appendix C for a summary of the definition of Permitted Investments. The Redevelopment Fund, into which a portion of the proceeds of the Bonds will be deposited, may be invested by the Agency in any investment authorized by law. All investments, including the Permitted Investments and those authorized by law from time to time for investments by public agencies, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held by the Agency or under the Indenture could have a material adverse affect on the security for the Bonds.

Further, the Agency cannot predict the effects on the receipt of Tax Increment if the County or the City were to suffer significant losses in their portfolio of investments or if the County or the City were to become insolvent or declare bankruptcy. See "Bankruptcy" below.

### **Bankruptcy**

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

### **Change in Law**

In general, there can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the Redevelopment Law or other laws or the Constitution of the State of California resulting in a reduction of Tax Increment. If any such subsequent initiative or legislation would impair the Agency's ability to make payments on the Bonds, such initiative or legislation may be subject to legal challenge. See "STATUTORY LIMITATIONS ON TAX REVENUES."

## Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price. No assurance can be given that the market price for the Bonds will not be affected by the introduction or enactment of any future legislation (including, with respect to the Bonds, without limitation amendments to the Internal Revenue Code), or, with respect to the Bonds, changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Bonds or obligations that present similar tax issues as the Bonds.

## Assumptions and Projections

To estimate the total Tax Revenues available to pay debt service on the Bonds, the Agency has made certain assumptions with regard to the assessed valuation in the Project Area, future tax rates, the percentage of taxes collected and the likelihood of appeals. The Agency believes these assumptions to be reasonable, but to the extent that the payment of any revenues that constitute Tax Increment is less than such assumptions, the total Tax Revenues available will, in all likelihood, be less than those projected.

## Naval Air Station Lemoore

Naval Air Station Lemoore (“**NASL**”) is located approximately two miles from the western City Limits. NASL currently is home base for several squadrons of U.S. Navy aircraft and their supporting personnel and facilities. NASL has approximately 6,100 military personnel and employs approximately 1,500 civilians. NASL contributes an estimated \$650 million to the locally economy each year. A share of the population, business activity, sales tax, and residential real estate activity in the City is directly related to the presence of NASL. There can be no assurance that NASL will remain open and operational at its current or any other level of staffing or activity over the term of the Bonds or the life of the Redevelopment Plan. The Agency is not aware of any plans to close, reduce staffing, or change current operational levels at NASL and, in fact, NASL has grown in mission, units, and personnel as a result of the Base Realignment and Closure process undertaken in the last decade. However, if the Federal government decides to take such actions in the future, such actions could have a negative impact on property values in the Project Area and, therefore, reduce Tax Revenues received by the Agency, which could have an adverse effect on the Agency’s ability to pay debt service on the Bonds.

## Risk of Earthquake and other Hazards

**Seismic Risks.** According to the Safety Element of the City’s General Plan, there are no known active seismic faults in Kings County or its immediate vicinity. Beyond surface rupture along the fault zone, potential hazards related to major earthquakes include ground shaking and related secondary ground failures. The principle earthquake hazard affecting the Lemoore area is ground shaking as opposed to surface rupture or ground failure. According to a 1974 5-County Seismic Study, Kings County is in an area where amplification of shaking that would affect low- to medium-rise structures is relatively high. The vast majority of deaths during earthquakes are the result of structural failure mainly due to ground shaking. Most such deaths

are preventable with existing knowledge of design and construction methods. Ground shaking intensities are measured using the modified Mercalli Intensity Scale (a 12 point scale). Earthquakes of M5.0 or greater have occurred on fault systems in the region, including the San Andreas Fault.

The active fault closest to the Lemoore is the Nunez fault located in western Fresno County. The Nunez fault is a 4.2-km-long, north-south-trending, right-reverse, oblique-slip fault situated about 8 miles northwest of Coalinga. Surface rupture occurred along this fault in the 1983 Coalinga earthquakes, which had a magnitude of 6.7. This was followed by another earthquake with magnitude of 6.0 in 1985. The location of this fault however, is far away from Lemoore and aftershocks during both earthquakes did not cause any damage.

Secondary natural hazards associated with earthquakes result from the interaction of ground shaking with existing ground instabilities, and include liquefaction, settlement or subsidence, landslides and seiches. While some of these secondary hazards are a concern to other parts of Kings County and the 5-County Seismic Study region, none are considered of particular concern to the Lemoore area because of its distance from the major regional fault (San Andreas Fault), the lack of steep slopes, and the clay composition of area soils.

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

**General.** If an earthquake, flood, or other hazard were to substantially damage or destroy taxable property within the Project Area, the assessed valuation of such property would be reduced. Such a reduction of assessed valuations could result in a reduction of the Tax Revenues that secure the Bonds.

## LIMITATIONS ON TAX REVENUES

### Property Tax Limitations - Article XIII A

California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property to mean “the county assessor’s valuation of real property as shown on the 1975/76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction, or other factors. See “THE PROJECT AREA – Projected Taxable Values and Pledged Tax Revenues; Debt Service Coverage.”

Article XIII A further limits the amount of any ad valorem tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII was adopted in August 1986 by initiative that exempts any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property from the 1 percent limitation. On December 22, 1978, the California Supreme Court upheld the amendment

over challenges on several state and federal constitutional grounds (Amador Valley Joint Union School District v. State Board of Equalization).

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

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

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by 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 certain other minor or technical ways. See “BONDOWNERS’ RISKS - Reduction in Taxable Value; Plan Limitations” herein.

### **Challenges to Article XIII A**

California trial and appellate courts have upheld the constitutionality of Article XIII A’s assessment rules in three significant cases. The United States Supreme Court in an appeal to one of these cases upheld the constitutionality of Article XIII A’s tax assessment system. The Agency cannot predict whether there will be any future challenges to California’s present system of property tax assessment and cannot evaluate the ultimate effect on the Agency’s receipt of 2009A Tax Revenues, 2009B Pledged Tax Revenues, or 2009C Pledged Tax Revenues should a future decision hold unconstitutional the method of assessing property.

### **Implementing Legislation**

Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax, except to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIII A, \$4.00 per \$100 assessed valuation (based on the traditional practice in California of using 25% of full cash value as the assessed value for tax purposes).

The apportionment of property taxes in fiscal years after 1978-79 has been revised pursuant to Statutes of 1979, Chapter 282 which provides relief funds from State moneys beginning in fiscal year 1978-79 and is designed to provide a permanent system for sharing State taxes and budget surplus funds with local agencies. Under Chapter 282, cities and counties receive about one-third more of the remaining property tax revenues collected under Proposition 13 instead of direct State aid. School districts receive a correspondingly reduced amount of property taxes, but receive compensation directly from the State and are given additional relief. Chapter 282 does not affect the derivation of the base levy (\$1.00 per \$100 taxable valuation) and the bonded debt tax rate.

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

### **Proposition 87**

Under prior State law, if a taxing entity increased its tax rate to obtain revenues to repay voter approved general obligation bonds, any redevelopment project area which included property affected by the tax rate increase would realize a proportionate increase in tax increment.

Proposition 87, approved by the voters of the State on November 8, 1993, requires that all revenues produced by a tax rate increase (approved by the voters on or after January 1, 1989) go directly to the taxing entity which increases the tax rate to repay the general obligation bonded indebtedness. As a result, redevelopment agencies no longer receive an increase in tax increment when taxes on property in the project area are increased to repay voter approved general obligation debt.

### **Property Tax Collection Procedures**

**Classifications.** In California, property that is subject to ad valorem taxes is classified as "secured" or "unsecured." Secured and unsecured property is 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 that becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against the taxes on unsecured property, but may become a lien on certain other property owned by the taxpayer.

**Collections.** The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured property taxes in the absence of timely payment by the taxpayer: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer (3) filing a certificate of delinquency for recording 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 that are delinquent.

Current tax payment practices by the County provide for payment to the Agency of tax increment revenues monthly throughout the fiscal year, with the majority of tax increment revenues paid to the Agency in mid-December and mid-April. 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 increment revenues previously allocated to the Agency is allocated in late July.

**Penalties.** A 10% penalty is added to delinquent taxes that have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is sold to the State 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% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A 10% penalty also applies to the delinquent taxes on property on the unsecured roll, and further, an additional penalty of 1% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

**Delinquencies.** The valuation of property is determined as of January 1 each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due January 1 and become delinquent on the succeeding August 31.

**Supplemental Revenue.** A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498), provides for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next tax lien date (March 1 was used as the lien date as of the enactment of Chapter 498; however, as discussed below, the lien date was changed by legislation enacted in 1995) 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 lien date. To the extent such supplemental assessments occur within the Project Area, Tax Revenues may increase. The receipt of supplemental tax increment revenues by taxing entities typically follows the change of ownership by a year or more.

### **Tax Allocation Procedures of the County of Kings**

Secured taxes are due in two equal installments. Installments of taxes levied upon secured property become delinquent on December 10 and April 10. Taxes on unsecured property are due March 1 and become delinquent August 31.

The County Auditor-Controller is responsible for the aggregation of the taxable values assigned by the Assessor as of the January 1 lien date for property within the boundaries of the Project Area. This results in the reported total current year Project Area taxable value and becomes the basis of determining tax increment revenues due to the Agency. Although adjustments to taxable values for property within the Project Area may occur throughout the fiscal year to reflect escaped assessments, roll corrections, etc., such adjustments are not assumed on the tax increment projection. The County disburses tax increment revenue to all redevelopment agencies in two equal installments in January and May of each year. As indicated below, the County retains a collection charge from tax increment revenues disbursed to the Agency in order to recover charges for property tax administration. For fiscal year 2010-11 the County will retain from the Agency an estimated total of \$142,447 attributable to the Project Area.

Kings County has implemented the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), which allows entities levying property taxes in the County to draw on the amount of property taxes levied rather than the amount

actually collected. However, the City and the Agency are not included within the County's Teeter Plan and so the tax increment revenues received by the Agency are subject to the "**Property Tax Collection Procedures**" shown above.

The Agency has covenanted in the Indentures to comply with all requirements of law to insure the allocation and payment to it of the Tax Revenues, including without limitation, the timely filing of any necessary statements of indebtedness with appropriate officials of the County.

### **Tax Collection Fees**

Pursuant to legislation enacted by the State Legislature (SB 2557 and AB 1924), the County of Kings collects certain administrative fees for the collection and allocation of tax increment revenue to the Agency. Tax Revenue projections presented in Table 6, 7, 8, and 9 are net of anticipated administrative fee charges by the County. See "THE PROJECT AREA – Projected Tax Revenues; Projected Debt Service Coverage."

### **Unitary Taxation of Utility Property**

AB 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with fiscal year 1988-89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by certain railroad and utility companies) is to be allocated county-wide as follows: (i) each tax rate area will receive the same amount from each assessed utility received in the previous fiscal year unless the applicable county-wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro rata basis; and (ii) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro rata share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State-assessed property is changed from March 1 to January 1. AB 454 (Statutes of 1987, Chapter 921) further modifies 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, except for regulated railroad 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 one percent 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. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited.

The intent of Chapters 1457 and 921 is to provide redevelopment agencies with their appropriate share of revenue generated from the property assessed by the State Board of Equalization. The Auditor Controller has not allocated any unitary tax revenue to the Project Area for fiscal year 2009-10 or prior fiscal years.

Currently, the California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated. The Agency is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation or legislation may affect the State's method of assessing utility property and the allocation of assessed value to local taxing agencies and, in turn, the receipt of such taxes by the Agency.

### **Housing Set-Aside**

Chapter 1337, Statutes of 1976, added Sections 33334.2 and 33334.3 to the Redevelopment Law requiring redevelopment agencies to set-aside 20 percent of all tax increment derived from redevelopment project areas adopted after December 31, 1976 in a low and moderate income housing fund. This low and moderate income housing requirement could 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 percent of the tax increment is sufficient to meet the housing need; or 3) that other substantial efforts including the obligation of funds from state, local and federal sources for low and moderate income housing of equivalent impact are being provided for in the community.

Chapter 1135, Statutes of 1985 amended Section 33334.3 and added Section 33334.6 and 33334.7 imposing such requirements on project areas for which the redevelopment plan was adopted before January 1, 1977. Section 33334.6 expressly provides that, unless certain findings are made, a redevelopment agency must first, before providing for payments of its bonds, set aside 20% of all tax increment allocated to the agency in the Low and Moderate Income Housing Fund, unless such bonds are issued to finance or refinance, in whole or in part, any indebtedness or other obligations existing on, and created prior to, January 1, 1986, and contained in a statement of existing obligations adopted by resolution of the redevelopment agency. Such legislation also provided that an agency may deposit less than the full 20% amount in fiscal years prior to July 1, 1996, if necessary to provide for the completion of programs approved prior to January 1, 1986, if such programs are contained on a statement of existing programs adopted by resolution of the Agency.

The provisions of the Redevelopment Law regarding the funding of low and moderate income housing funds have been frequently amended since their original adoption. In addition, the interpretations of these laws by the California Attorney General and redevelopment agency counsels throughout the State have at times been subject to variation and change. Section 33334.6 of the Redevelopment Law provides that, under certain circumstances, redevelopment agencies may defer, in whole or in part, Housing Set- Aside Payments. However, the projections of net tax increment revenues assume that the Agency will not defer Housing Set-Aside payments. Such amounts are set forth in Tables 6, 7, 8, and 9 under the caption THE PROJECT AREA."

### **Appropriations Limitations; Article XIII B of the California Constitution**

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIII B to the California Constitution. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior

fiscal year, as adjusted for changes in the cost of living, population, and services rendered by the government entity.

The California Legislature has added Section 33678 to the Redevelopment Law which provides that the allocation of tax increment revenues to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness shall not be deemed the receipt by such agency of proceeds of taxes levied by or on behalf of the agency within the meaning of Article XIII B, nor shall such portion of taxes be deemed receipt of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State of California, including Section 33678 of the Redevelopment Law. The constitutionality of Section 33678 has been upheld in two California appellate court decisions, *Brown v. Redevelopment Agency of the City of Santa Ana* and *Bell Redevelopment Agency v. Woosley*. The plaintiff in *Brown* petitioned the California Supreme Court for a hearing of this case. The California Supreme Court formally denied the petition and therefore the earlier court decisions are now final and binding. On the basis of these court decisions, the Agency does not believe it is subject to Article XIII B and has not adopted an appropriations limit.

### **Certification of Agency Indebtedness**

A significant provision of the Redevelopment Law, Section 33675, was added by the Legislature in 1976, providing for the filing not later than the first day of October of each year with the county auditor, a statement of indebtedness certified by the chief fiscal officer of the agency for each redevelopment project which receives tax increments. The statement of indebtedness is required to contain the date on which any bonds were delivered, the principal amount, term, purpose, and interest rate of such bonds and the outstanding balance and amount due on such 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.

As amended by Assembly Bill 1290 (Statutes of 1993, Chapter 942) ("AB 1290"), Section 33675 requires each redevelopment agency to file a reconciliation statement for each redevelopment project for which the redevelopment agency receives tax increment revenues pursuant to Section 33670. The reconciliation statement is to show, among other things, (i) for each loan, advance or indebtedness, for each redevelopment project the total debt service obligations of the redevelopment agency to be paid in the fiscal year for which the statement of indebtedness is filed; (ii) the total debt service remaining to be paid on such indebtedness, and (iii) the available revenues as of the end of that fiscal year. "Available revenues" consist of all tax increment revenues held by the redevelopment agency as cash or cash equivalents and all cash or cash equivalents held by the redevelopment agency that are irrevocably pledged or restricted to payment of a loan, advance, or indebtedness that the redevelopment agency has listed on a statement of indebtedness. For purposes of Section 33675, amounts held in a redevelopment agency's Low and Moderate Income Housing Fund do not constitute available revenues, however, an amount to be deposited by a redevelopment agency in its Low and Moderate Income Housing Fund does constitute indebtedness of the redevelopment agency.

Section 33675(g) has been amended by AB 1290 to provide that payments of tax increment revenues from the county auditor to a redevelopment agency may not exceed the redevelopment agency's aggregate total outstanding debt service obligations minus the available revenues of the redevelopment agency, as shown on the reconciliation statement. Payments to a trustee under a bond resolution or Indentures or payments to a public agency in

connection with payments by such public agency pursuant to a bond issue shall not be disputed in any action under Section 33675.

The Agency has determined that the amendments to Section 33675 limiting the payment of tax increment revenues to an amount not greater than the difference between a redevelopment agency's total outstanding debt obligations and total available revenues, as reported on the redevelopment agency's reconciliation statement, will not have an adverse impact on the Agency's ability to meet its debt service obligations.

### **Plan Limitations**

The Redevelopment Law requires redevelopment plans to contain certain limitations, including limitations on the number of tax dollars which may be divided and allocated to a redevelopment agency, on the time to establish loans, advances and indebtedness, on the amount of bonded indebtedness that can be outstanding at one time, on the life of the redevelopment plan or amendment and on the time to repay indebtedness. See "THE PROJECT AREA – Bond and Tax Increment Limitations" herein.

The Agency is of the opinion that these limitations for the Project Area will not impede its ability to develop the Project Area in accordance with the Redevelopment Plan nor impair its ability in the future to repay any obligation or indebtedness, including the Bonds, incurred by the Agency in connection with the development of the Project Area in accordance with the Redevelopment Plan.

## **OTHER MATTERS**

### **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, to contest the validity of the Bonds or the Indenture or any proceedings of the Agency with respect thereto. In the opinion of the Agency and its counsel, there are no lawsuits or claims pending or threatened against the Agency which will materially affect the Agency's finances or operations so as to impair its ability to pay the Bonds.

### **Continuing Disclosure**

The Agency will covenant for the benefit of Bondholders to provide certain financial information and operating data relating to the Agency by not later than March 31 in each year commencing March 31, 2012 (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events, if material.

The specific nature of the information to be contained in the Annual Report or the notices of material events is described in "APPENDIX F – Form of Continuing Disclosure Certificate." These covenants will be made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

The Agency has not failed to comply with a continuing disclosure undertaking in the previous five years.

## Rating

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business and a subsidiary of The McGraw-Hill Companies, Inc. ("**S&P**"), has assigned its underlying municipal bond rating of "\_\_\_\_" to the Bonds.

The rating reflects only the view of S&P, and any explanation of the significance of such rating should be obtained from S&P. There is no assurance that such rating will be retained for any given period of time or that it will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of any ratings obtained may have an adverse effect on the market price of the Bonds.

## Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, and Richards, Watson & Gershon, a Professional Corporation, Los Angeles, California, Co-Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Co-Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Co-Bond Counsel note that, with respect to corporations, interest on the Bonds might be included as an adjustment in the calculation of alternative minimum taxable income. Complete copies of the proposed opinions of Co-Bond Counsel are set forth in Appendix E.

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

Co-Bond Counsel's opinions as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the Agency and others and is subject to the condition that the Agency complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Agency has covenanted to comply with all such requirements.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be

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

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

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

Co-Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Co-Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Co-Bond Counsel is provided with respect thereto. Co-Bond Counsel express no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes on any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation or Richards, Watson & Gershon, a Professional Corporation.

Although Co-Bond Counsel have rendered opinions that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the Agency continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) on the Bonds may otherwise affect the tax liability of certain persons. Co-Bond Counsel express no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

In the further opinion of Co-Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

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

**Circular 230 Disclaimer.** To ensure compliance with requirements imposed by the IRS, Co-Bond Counsel informs Owners of the Bonds that any U.S. federal tax advice contained in this Official Statement (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed in this Official Statement.

### **Certain Legal Matters**

The legal opinions of Richards Watson & Gershon, A Professional Corporation, Los Angeles, California, and Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California, Co-Bond Counsel, approving the validity of the Bonds and regarding certain tax matters with respect to the Bonds, will be made available to purchasers at the time of original delivery of the Bonds. The proposed form of the legal opinion of Co-Bond Counsel are attached hereto as Appendix E. Certain legal matters will be passed upon for the Agency by the Lozano Smith, Fresno, California, City Attorney and Agency Counsel. Lozano Smith is also acting as Disclosure Counsel to the Agency.

### **Underwriting**

The Bonds will be sold to the Lemoore Public Financing Authority (the “**Authority**”) for immediate resale to E. J. De La Rosa & Co., Inc. as Underwriter (the “**Underwriter**”) under bond purchase agreements among the Authority, the Agency, and the Underwriter (the “**Purchase Contracts**”). The Underwriter has agreed to purchase the Bonds as follows:

The Underwriter has agreed to purchase the Bonds from the Authority at a purchase price of \$\_\_\_\_\_ (being the principal amount of the Bonds (\$\_\_\_\_\_)) less an original issue discount of \$\_\_\_\_\_ and (less) an underwriter's discount of \$\_\_\_\_\_.

The Underwriter is committed to purchase all of the Bonds if any are purchased.

The Bonds are offered for sale at the initial prices stated on the inside cover page of this Official Statement, which may be changed from time to time by the Underwriter. The Bonds may be offered and sold to certain dealers at prices lower than the public offering prices.

### **The Lemoore Public Financing Authority**

The Authority was created by a Joint Exercise of Powers Agreement, dated as of August 1, 1989, between the City and the Agency (the “**Agreement**”). The Agreement was entered into pursuant to the provisions of Articles 1, 2 and 4, Chapter 5, Division 7, Title 1 of the California Government Code (the “**JPA Law**”). The Authority was created for the primary purpose of assisting the financing or refinancing of public capital improvements of benefit to the City or the Agency. Under the JPA Law, the Authority has the power to purchase the Bonds from the Agency and to sell the Bonds to the Underwriter.

### **Professionals Involved in the Offering**

The following professionals are participating in this financing: Richards Watson & Gershon, A Professional Corporation, Los Angeles, California and Stradling Yocca Carlson & Rauth, A Professional Corporation, as Co-Bond Counsel; Lozano Smith, as Disclosure Counsel

and Agency Counsel; Urban Futures, Inc., as Financial Advisor/Fiscal Consultant; U.S. Bank National Association, as Trustee; and E. J. De La Rosa & Co. Inc., as Underwriter.

The compensation of Co-Bond Counsel, Disclosure Counsel, and the Underwriter is contingent on the issuance of the Bonds.

**Miscellaneous**

All references to the Bonds and the Indenture, 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.

**LEMOORE REDEVELOPMENT AGENCY**

By: \_\_\_\_\_  
Executive Director

**APPENDIX A**

**AGENCY AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR  
ENDED JUNE 30, 2009**

**APPENDIX B**

**GENERAL INFORMATION ABOUT THE CITY OF LEMOORE AND  
KINGS COUNTY**

**APPENDIX C**

**SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

## APPENDIX D

### THE BOOK-ENTRY SYSTEM

*The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.*

*No assurances can be given 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.*

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities 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 Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.]

6. Redemption notices shall be sent to DTC. If less than all of the Securities 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.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI

Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, 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 Issuer or Agent, 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.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

**APPENDIX E**

**FORM OF OPINIONS OF BOND COUNSEL**

**APPENDIX F**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

[Back Cover]

