

*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. ON FEBRUARY 23, 2011, PROPOSED LEGISLATION WAS RELEASED BY THE CALIFORNIA DEPARTMENT OF FINANCE THAT, IF INTRODUCED AND ENACTED, WOULD ELIMINATE REDEVELOPMENT AGENCIES. SEE "RISK FACTORS – STATE BUDGET" HEREIN.

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. Certain matters will be passed upon for the Underwriter by Nossaman LLP, Irvine, California. It is expected that the Bonds, in book-entry form, will be available for delivery on or about March 4, 2011.



## MATURITY SCHEDULE

(Base CUSIP<sup>†</sup>: 525720)

### \$1,785,000.00 Serial Bonds

<u>Maturity Date (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP<sup>†</sup></u>
2012	\$ 160,000	3.000 %	2.130%	CM8
2013	170,000	4.000	3.310	CN6
2014	165,000	4.000	4.250	CP1
2015	170,000	4.250	4.760	CQ9
2016	170,000	4.500	5.010	CR7
2017	180,000	5.000	5.320	CS5
2018	180,000	5.125	5.630	CT3
2019	195,000	5.375	5.920	CU0
2020	195,000	5.625	6.200	CV8
2021	200,000	6.000	6.420	CW6

### \$17,365,000 Term Bonds

\$ 665,000	6.625%	Term Bonds due August 1, 2024	Yield: 7.020%	CUSIP: CX4
\$ 2,335,000	7.250%	Term Bonds due August 1, 2031	Yield: 7.410%	CUSIP: CY2
\$ 14,365,000	7.375%	Term Bonds due August 1, 2040	Yield: 7.640%	CUSIP: CZ9

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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.

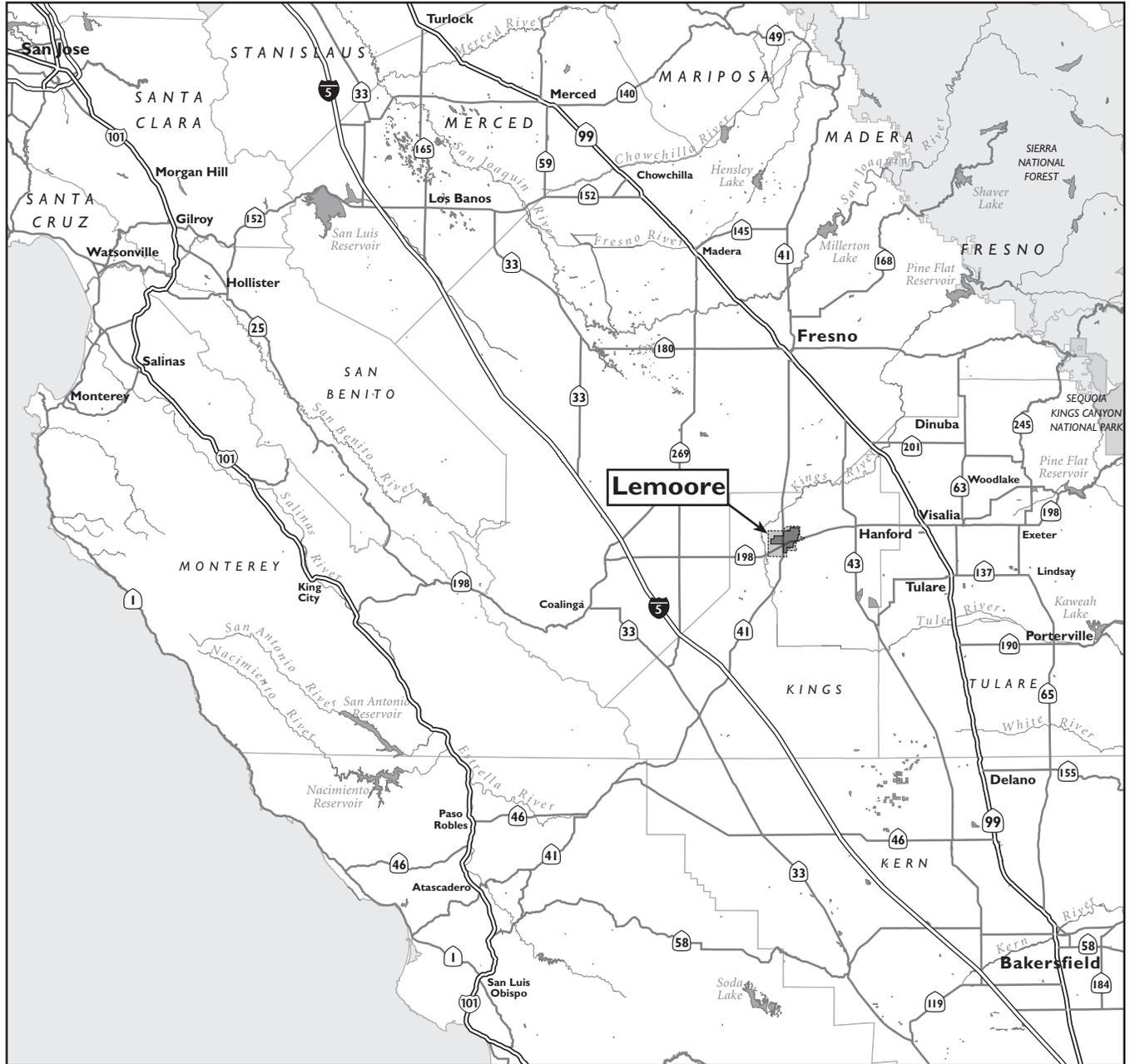


Figure I-1  
Regional Location

## **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*  
Judith Holwell, *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**  
**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 Redevelopment Plan 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 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**").

**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,” in general, and in particular, see “State Budget” herein for a discussion of the recent proposal by the Governor and draft legislation regarding the elimination of redevelopment in the State. See also “RISK FACTORS - Concentration of Ownership.”

**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 F – 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 Agency has not requested, and the auditor has not provided, any review or update of such financial statements in connection with their inclusion in this Official Statement. As in prior years, the Agency expects to receive audited financial statements for the most recent completed fiscal year (2009-10) sometime in the late winter or early spring of 2011. 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, but not limited to, 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 ½	\$ 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:

Par Amount	\$19,150,000.00
Less Net Original Issue Discount	(540,710.75)
<b>Total Sources</b>	<b>\$18,609,289.25</b>

#### Uses:

Deposit to Redevelopment Fund *	\$16,619,066.99
Deposit to Reserve Account	1,507,422.26
Deposit to Costs of Issuance Fund	253,000.00
Underwriter's Discount	229,800.00
<b>Total Uses</b>	<b>\$18,609,289.25</b>

\* The Agency intends to spend not less than twenty percent (20%) of the net proceeds of the Bonds on projects benefitting low and moderate income housing.

## Annual Debt Service Requirements of the Bonds

The following table provides the annual debt service requirements of the Bonds.

Period Ending (August 1)	Principal	Interest	Debt Service
2011	\$ -----	\$ 554,317.60	\$ 554,317.60
2012	160,000.00	1,357,512.50	1,517,512.50
2013	170,000.00	1,352,712.50	1,522,712.50
2014	165,000.00	1,345,912.50	1,510,912.50
2015	170,000.00	1,339,312.50	1,509,312.50
2016	170,000.00	1,332,087.50	1,502,087.50
2017	180,000.00	1,324,437.50	1,504,437.50
2018	180,000.00	1,315,437.50	1,495,437.50
2019	195,000.00	1,306,212.50	1,501,212.50
2020	195,000.00	1,295,731.26	1,490,731.26
2021	200,000.00	1,284,762.50	1,484,762.50
2022	215,000.00	1,272,762.50	1,487,762.50
2023	220,000.00	1,258,518.76	1,478,518.76
2024	230,000.00	1,243,943.76	1,473,943.76
2025	250,000.00	1,228,706.26	1,478,706.26
2026	300,000.00	1,210,581.26	1,510,581.26
2027	315,000.00	1,188,831.26	1,503,831.26
2028	335,000.00	1,165,993.76	1,500,993.76
2029	355,000.00	1,141,706.26	1,496,706.26
2030	380,000.00	1,115,968.76	1,495,968.76
2031	400,000.00	1,088,418.76	1,488,418.76
2032	425,000.00	1,059,418.76	1,484,418.76
2033	455,000.00	1,028,075.00	1,483,075.00
2034	1,730,000.00	994,518.76	2,724,518.76
2035	1,855,000.00	866,931.26	2,721,931.26
2036	1,990,000.00	730,125.00	2,720,125.00
2037	2,130,000.00	583,362.50	2,713,362.50
2038	1,790,000.00	426,275.00	2,216,275.00
2039	1,925,000.00	294,262.50	2,219,262.50
2040	2,065,000.00	152,293.76	2,217,293.76
<b>TOTALS</b>	<b>\$19,150,000.00</b>	<b>\$31,859,130.24</b>	<b>\$51,009,130.24</b>

## 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, 2016 are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 2017 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, 2016, 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, 2024 are subject to redemption in part by lot on August 1, 2022, 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).

<u>Year (August 1)</u>	<u>Amount</u>
2022	\$215,000
2023	220,000
2024 (maturity)	230,000

The Bonds maturing on August 1, 2031 are subject to redemption in part by lot on August 1, 2025, 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).

<b><u>Year (August 1)</u></b>	<b><u>Amount</u></b>
2025	\$250,000
2026	300,000
2027	315,000
2028	335,000
2029	355,000
2030	380,000
2031 (maturity)	400,000

The Bonds maturing on August 1, 2040 are subject to redemption in part by lot on August 1, 2032, 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).

<b><u>Year (August 1)</u></b>	<b><u>Amount</u></b>
2032	\$425,000
2033	455,000
2034	1,730,000
2035	1,855,000
2036	1,990,000
2037	2,130,000
2038	1,790,000
2039	1,925,000
2040 (maturity)	2,065,000

In lieu of optional or sinking account redemption of Bonds as described above, amounts on deposit in the Tax Revenue 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 June 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 paragraph.

***Notice of Redemption; Rescission.*** The Trustee on behalf of and at the expense of the Agency shall send (by first class mail, postage prepaid, or if to the Depository, by such method

acceptable to the Depository) 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 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.

See “PROJECT AREA – Agreements with Various Taxing Agencies” and “Statutory Tax Sharing” below for a further description of the allocation of property taxes derived from the Project Area.

## 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.**” 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 herein assume that the Agency will not defer Housing Set-Aside payments. The Projections also assume the Agency will pay approximately 20% of the required debt service on the Bonds from Housing Set-Aside funds, just as with the 1998 Bonds and the 2003 Bonds.

## 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 Statutory Pass-Throughs.

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 defines “**Statutory Pass-Throughs**” to mean amounts payable to taxing entities pursuant to Sections 33607.5, 33607.7, or 33676 of the Redevelopment Law.

The Indenture establishes a special fund known as the “**Tax Revenue 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 Tax Revenue 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 Special 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 Tax Revenue 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 Tax Revenue Fund are transferred by the Agency to 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 Special 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 Tax Revenue 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. 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, 2012, the Agency will withdraw from the Tax Revenue 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. 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.

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 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 Tax Revenue 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 Tax Revenue 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 Tax Revenue Fund, as such revenues become available, and thereafter, as moneys become available in the Tax Revenue 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 optionally redeemed, the Agency will withdraw from the Tax Revenue Fund and transfer to the Trustee for deposit in the Redemption Account an amount required to pay the principal of and premium, if any, on the Bonds to be optionally 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 optionally 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 December 2, 1986, with the adoption by the City of Ordinance No. 8616 (the “**Original Area**”) approving the Redevelopment Plan. 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 July 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.”

See ‘RISK FACTORS – State Budget’ herein for a discussion of recent proposals to eliminate redevelopment agencies in California.

### **Management of the Agency**

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

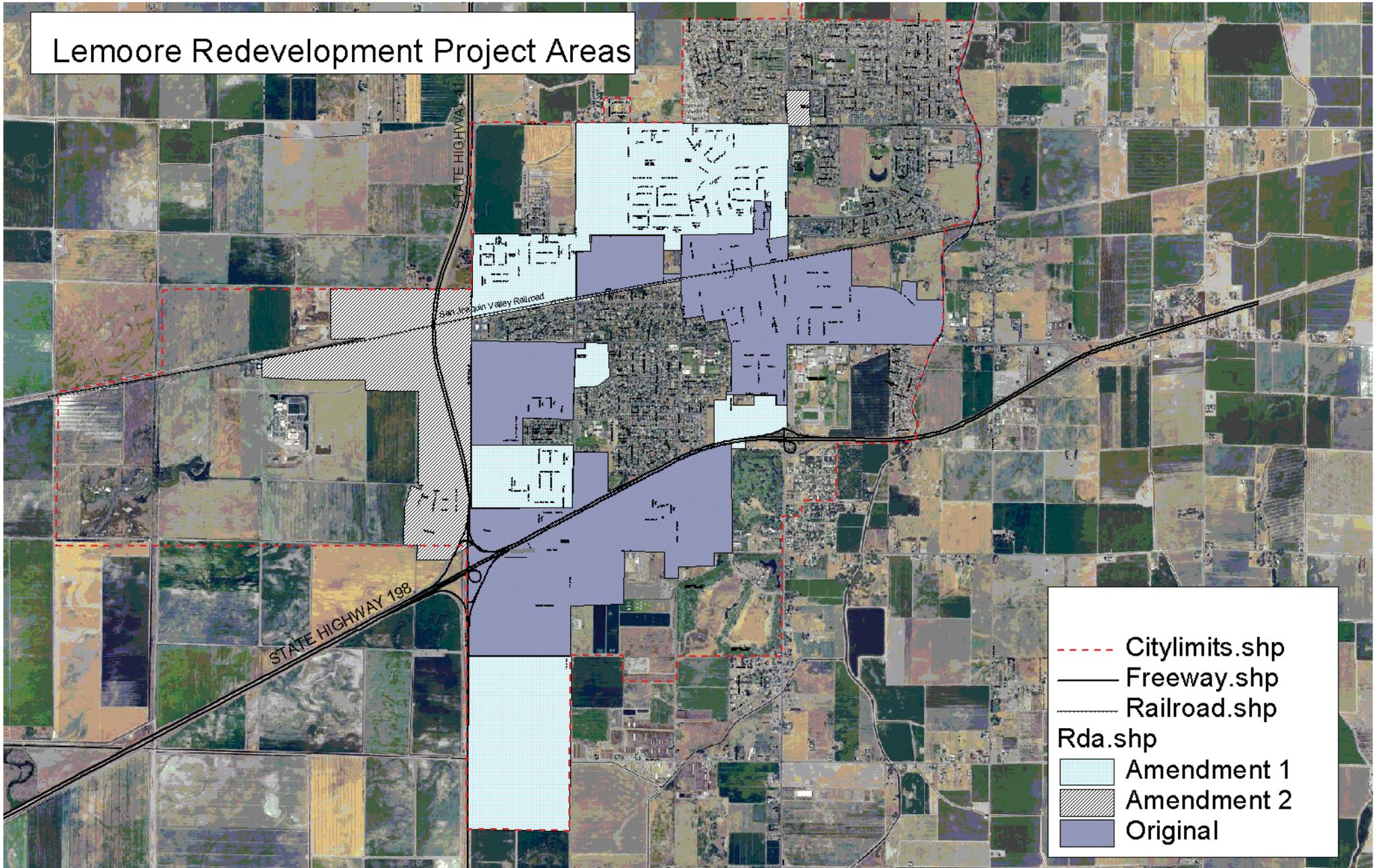
<u>Name</u>	<u>Agency and City Title</u>	<u>Term Expires</u>
Willard Rodarmel	Chairman / Mayor	2014
John Plourde	Vice Chair/Mayor Pro Tem	2012
John Murray	Member / Councilmember	2012
William Siegel	Member / Councilmember	2012
John Gordon	Member / Councilmember	2014

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



----- Citylimits.shp  
—— Freeway.shp  
—— Railroad.shp  
Rda.shp  
[Light Blue Box] Amendment 1  
[Hatched Box] Amendment 2  
[Dark Blue Box] Original

## 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. The total tax increment revenues received by the Agency over the life of the Redevelopment Plan with respect to the Original Area and Amendment Area No. 1 cannot exceed a total of \$307 million cumulatively. There is no limit with respect to Amendment Area No. 2. The total amount of indebtedness incurred by the Agency and payable from tax increment revenues that can be outstanding at any one time cannot exceed \$83,926,000.

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 (except that this time limit could be extended for an additional 10 years if certain findings were made by the Agency's Board of Directors);
- 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.

**Redevelopment Plan Limitations.** 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	7/19/2042
Bond Debt	\$83,926,000 Combined		
Cumulative Tax Increment	\$ 307 million cumulative		None

The Financial Advisor/Fiscal Consultant reports that, based on a review of Agency financial reports, through the end of fiscal year 2009-10, the Agency has received a cumulative total of approximately \$24.4 million in tax increment revenue from the Original Area, and \$25.6 million from the Amendment Area No. 1. 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.

The Agency has covenanted in the Indenture to file annually with the Trustee on or prior to April 1 of each year a Written Certificate of the Agency certifying: (i) that Gross Tax Increment received by the Agency through the date of such certificate, combined with the amount remaining to be paid on all outstanding Bonds and other obligations of the Agency payable from Gross Tax Increment, to the extent the amounts payable on such obligations are reasonably ascertainable, will not exceed the Plan Limit; and (ii) that Tax Revenues to be received by the Agency prior to the last date the Agency is entitled to receive Gross Tax Increment, based on the assumption that Tax Revenues received in the Fiscal Year in which the Written Certificate is filed will not increase or decrease in each subsequent year, but taking into account the termination of the Redevelopment Plan with respect to any portion of the Project Area, will be equal to not less than 150% of debt service on the Bonds. To the extent that the total Gross Tax Increment received, combined with the amount remaining to be paid on all outstanding Bonds and other obligations of the Agency payable from Gross Tax Increment, to the extent the amounts payable on such obligations are reasonably ascertainable, equals or exceeds 95% of the Plan Limit or Tax Revenues to be received are less than 150% of debt service on the Bonds, all Tax Revenues will be deposited with the Trustee and invested in defeasance investments as set forth in clause (a) of the Indenture's definition of "Permitted Investments" and may only be used to pay debt service or call bonds or such outstanding obligations.

## 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**

Land Use	Number of Parcels	2010-11 Secured Assessed Valuation	Percent of Total AV <sup>(1)</sup>
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. Agency financial assistance has been used for the following projects:

### 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

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
- 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**

**Original Area.** 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’s obligations under the 1986 County Pass-Through Agreement and the payments to the agencies listed above are senior to the receipt of Pledged Revenues.

**Amendment Area No. 1.** The Agency has entered into three (3) agreements for the allocation and distribution of tax increment funds from Project Amendment Area No. 1 (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:

**District's Share of Tax Increment**

**Pass-Through**

\$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.

The three 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, while the payment of amounts equal to any increases in the rate of tax imposed for the benefit of the school districts is senior to the receipt of Pledged Revenues.

**Statutory Tax Sharing**

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 or extend Redevelopment Plan time limits. The formula thus applies to the territory added to the Project Area in 1997 by Amendment No. Two, and to the Original Area and Amendment Area No. 1 as a result of the extension of Redevelopment Plan time limits.

The AB 1290 payments are based on a three tier formula:

<b>Tier</b>	<b>Payment Required</b>
Tier 1	Original Area: 25% of tax increment attributable to assessed value growth in the Original Area above the amount of assessed value in the AB 1290 Base Year during the remaining term the Agency receives tax increment.  Amendment Area No. 1: 25% of tax increment attributable to assessed value growth in Amendment Area No. 1 above the amount of assessed value in the AB 1290 Base Year during the remaining term the Agency receives tax increment.  Amendment Area No. 2: 25% of total tax increment received by the Agency from Amendment Area No. 2 during the entire term the Agency receives tax increment.

- Tier 2
- Original Area: Beginning in the 11<sup>th</sup> year after the AB 1290 Base Year, an additional payment equal to 21% of the tax increment attributable to assessed value growth in the Original Area above levels in the 10<sup>th</sup> year.
- Amendment Area No. 1: Beginning in the 11<sup>th</sup> year after the AB 1290 Base Year, an additional payment equal to 21% of the tax increment attributable to assessed value growth in Amendment Area No. 1 above levels in the 10<sup>th</sup> year.
- Amendment Area No. 2: Beginning in 2008-09, an additional payment equal to 21% of the tax increment attributable to assessed value growth in Amendment Area No. 2 above year 2007-08.
- Tier 3
- Original Area: Beginning in the 31<sup>st</sup> year after the AB 1290 Base Year, an additional payment equal to 14% of the tax increment attributable to assessed value growth in the Original Area above levels in the 30<sup>th</sup> year.
- Amendment Area No. 1: Beginning in the 31<sup>st</sup> year after the AB 1290 Base Year, an additional payment equal to 14% of the tax increment attributable to assessed value growth in Amendment Area No. 1 above levels in the 30<sup>th</sup> year.
- Amendment Area No. 2: Beginning in 2028-29, an additional payment equal to 14% of the tax increment attributable to assessed value growth in Amendment Area No. 2 above levels in 2027-28.

The following taxing entities are eligible to receive AB 1290 payments from the Project Area:

- Kings County General Fund;
- Kings County Public Library;
- Kings Mosquito Abatement District;
- Lemoore Cemetery District;
- City of Lemoore;
- Lemoore Union High School District;
- West Hills Community College District;
- County Superintendent of Schools; and
- Lemoore Union Elementary School District.

As indicated, amounts specified as payable to taxing agencies are to be computed after deducting the Housing Set-Aside amount. The Agency's AB 1290 obligations are senior to the receipt of Pledged Revenues.

### **Historical Assessed Values**

Taxable values are prepared and reported by the County Finance Department 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 Finance Department 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 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 approximately 106 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 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

<sup>(1)</sup> Unaudited

<sup>(2)</sup> Estimated

Source: Urban Futures, Inc.; Kings County Finance Department's Office

### 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 55.04% of the Project Area's total incremental value. See "RISK FACTORS – Concentration of Ownership."

**TABLE 4**  
**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:

**Leprino Foods Company** – See description under “PROJECT AREA - Outstanding Indebtedness of the Agency – Subordinate Debt” below.

**Olam Tomato Processors Inc** - Olam Tomato Processors, Inc. is the second largest California tomato processor. In addition, Olam Tomato Processors is the largest certified processor of organic products, with more than 30% of the organic processing tomato acreage in California. Olam Tomato Processors has two facilities, one located on 82 acres in the City of Lemoore; the other located on 42 acres in Williams, in the northern Sacramento Valley. The two facilities offer a wide range of aseptic bulk tomato paste, diced and canned products, with a combined peak capacity to process 1.5 million tons of raw tomatoes.

**Agusa** - Agusa is an American company backed by more than 40 years of experience in processing tomato based products such as tomato powder, dehydrated vegetables, tomato paste, vegetable powder, organic tomato powder, dehydrated tomato. Agusa's tomato paste processing plant is located in Lemoore California. Agusa was created in 2001 and is located in Lemoore California. The San Joaquin Valley is the largest fresh Tomato and Tomato Paste production area in the world. Agusa, can attend to the growing requirements of Tomato powder on the American Continent, and currently is the largest producer in the United States. Agusa is currently a subsidiary of Agraz, located in Las Vegas Bajas of the Guadiana Valley of Spain, the largest fresh Tomato production area in Spain, and one of the most important in the world. Agraz was formed in 1969, Agusa, uses that experience and knowledge to manufacture quality domestic products.

**Daley Enterprises Inc** – Daley Enterprises is a real estate developer and home builder in Kings and Tulare Counties. The company was founded in 1971 and has over 30 years' experience. Daley specializes in offering home buyers multiple options and features to personalize available floor plans. Its current subdivision project in Lemoore is Silva Estates, a project with approximately 200 single-family detached lots, as well as attached duplex and patio home units, Daley has also developed several up-scale rental projects in Lemoore, including Carmel Drive Luxury Patio Homes, the Cherry Lane Apartment Complex, and Silva Estates Luxury Duplexes.

**Gold Top Investments LLC** – Gold Top Investments LLC is the owner and manager of the Cinnamon Square Shopping Center, a 19,500 square foot neighborhood shopping center at the corner of Cinnamon Drive and Lemoore Avenue. Tenants include Navy Federal Credit Union, Starbucks Coffee, H&R Block, Tacos El Grullo, Quiznos Subs, Chubby's Diner, Super Spa Nails, Cuts Plus Salon & Beauty Supply, Cash Advance, Kings Wireless, and Little Caesars Pizza.

## **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 open appeals was conducted for the top ten property taxpayers, as shown in Table 4. Based on information provided by the Kings County Assessment Appeals Office, there are two open appeals in the Project Area for 2010-11 from top ten taxpayers. The first appeal is from Leprino Foods, Leprino has requested a reduction in assessed value from \$391,698,438 to \$194,547,000, or approximately 50% of the current assessed value. The second appeal is from Lemoore Capital LP. This taxpayer has requested a reduction in assessed value from \$4,797,101 to \$1,923,000, or approximately 60% of the current assessed value. For purposes of the tax increment projections on Table 5, since the outcome of these appeals cannot be accurately predicted, the Financial Advisor/Fiscal Consultant has not assumed any reductions in assessed value due to the appeals. To put the Leprino Foods' appeal in perspective, if the requested reduction in assessed value was granted in full, the assessed value in the Project Area would be reduced by \$197,151,438, reducing the 2010-11 maximum annual non-housing debt service coverage from 245% to 203%, and reducing the 2010-11 maximum annual housing debt service coverage from 339% to 268%.

#### *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 5. The values utilized are based on actual taxable values as provided by Kings County. 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. 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.

The future level of real and other property values has been estimated on Tables 6, 7, and 8. Real property values have not been increased in 2011-12 and thereafter, in light of the uncertainty surrounding real property values within the City and Project Area in future years.

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 4 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 5: 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 5 and 6 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 5 and 6. See "Assessment Appeals" above.

#### *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 5 and 6 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 5 and 6 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 5 and 6, 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 5**  
**THE LEMOORE REDEVELOPMENT AGENCY**  
**LEMOORE REDEVELOPMENT PROJECT**  
**Estimate of Tax increment Revenues for FY 2010-11 <sup>(1)</sup>**

<u>Local Secured</u>	
Net Local Secured	\$1,011,417,600
State Assessed	472,522
<u>Unsecured</u>	
Net Unsecured	15,728,745
<b>Total Value</b>	<b>1,027,618,867</b>
Base Year Taxable Value	77,974,700
<hr/>	
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>	137,518
<u>Liens on Tax Increment</u>	
Housing Set-Aside <sup>(4)</sup>	1,899,288
Senior Negotiated Tax Sharing <sup>(5)</sup>	914,112
Statutory Tax Sharing Payments <sup>(6)</sup>	907,388
<hr/>	
<b>Tax Revenue</b>	<b>\$5,495,688</b>

- (1) Based on taxable values per Kings County Finance Department.
- (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 Original Area, Amendment Area No. 1, and Amendment Area No. 2.

Source: Urban Futures, Inc.

**TABLE 6**  
**THE LEMOORE DEVELOPMENT AGENCY**  
**LEMOORE REDEVELOPMENT PROJECT**  
**Projected Tax Revenues**

<b>FY</b>	<b>Total Assessed Value (1)</b>	<b>Base Year Value</b>	<b>Incremental Assessed Value</b>	<b>Gross Tax Increment Revenues (2)</b>	<b>Less: Housing Set-Aside (3)</b>	<b>Less: Senior Pass Throughs (4)</b>	<b>Less: County Admin. Fees (5)</b>	<b>Net Tax Revenues</b>
2010-11	\$1,027,618,867	\$77,974,700	\$949,644,167	\$9,496,442	\$1,899,288	\$1,959,018	\$142,447	\$5,495,688
2011-12	1,027,618,867	77,974,700	949,644,167	9,496,442	1,899,288	1,966,289	142,447	5,488,418
2012-13	1,027,618,867	77,974,700	949,644,167	9,496,442	1,899,288	1,973,705	142,447	5,481,002
2013-14	1,027,618,867	77,974,700	949,644,167	9,496,442	1,899,288	1,981,270	142,447	5,473,437
2014-15	1,027,618,867	77,974,700	949,644,167	9,496,442	1,899,288	1,988,985	142,447	5,465,721
2015-16	1,027,618,867	77,974,700	949,644,167	9,496,442	1,899,288	1,996,855	142,447	5,457,851
2016-17	1,027,618,867	77,974,700	949,644,167	9,496,442	1,899,288	2,004,883	142,447	5,449,824
2017-18	1,027,618,867	77,974,700	949,644,167	9,496,442	1,899,288	2,013,071	142,447	5,441,636
2018-19	1,027,618,867	77,974,700	949,644,167	9,496,442	1,899,288	2,021,423	142,447	5,433,284
2019-20	1,027,618,867	77,974,700	949,644,167	9,496,442	1,899,288	2,029,941	142,447	5,424,765
2020-21	1,027,618,867	77,974,700	949,644,167	9,496,442	1,899,288	2,038,631	142,447	5,416,076
2021-22	1,027,618,867	77,974,700	949,644,167	9,496,442	1,899,288	2,047,493	142,447	5,407,213
2022-23	1,027,618,867	77,974,700	949,644,167	9,496,442	1,899,288	2,056,534	142,447	5,398,173
2023-24	1,027,618,867	77,974,700	949,644,167	9,496,442	1,899,288	2,065,755	142,447	5,388,952
2024-25	1,027,618,867	77,974,700	949,644,167	9,496,442	1,899,288	2,075,160	142,447	5,379,547
2025-26	1,027,618,867	77,974,700	949,644,167	9,496,442	1,899,288	2,084,754	142,447	5,369,953
2026-27	1,027,618,867	77,974,700	949,644,167	9,496,442	1,899,288	2,094,539	142,447	5,360,168
2027-28	1,027,618,867	77,974,700	949,644,167	9,496,442	1,899,288	2,104,520	142,447	5,350,187
2028-29	1,027,618,867	77,974,700	949,644,167	9,496,442	1,899,288	2,114,701	142,447	5,340,006
2029-30	1,027,618,867	77,974,700	949,644,167	9,496,442	1,899,288	2,125,085	142,447	5,329,621
2030-31	1,027,618,867	77,974,700	949,644,167	9,496,442	1,899,288	2,135,677	142,447	5,319,029
2031-32	1,027,618,867	77,974,700	949,644,167	9,496,442	1,899,288	2,146,481	142,447	5,308,226
2032-33	1,027,618,867	77,974,700	949,644,167	9,496,442	1,899,288	2,157,501	142,447	5,297,206
2033-34	1,027,618,867	77,974,700	949,644,167	9,496,442	1,899,288	2,168,742	142,447	5,285,965
2034-35	1,027,618,867	77,974,700	949,644,167	9,496,442	1,899,288	2,180,207	142,447	5,274,500
2035-36	1,027,618,867	77,974,700	949,644,167	9,496,442	1,899,288	2,191,901	142,447	5,262,806
2036-37	1,027,618,867	77,974,700	949,644,167	9,496,442	1,899,288	2,203,830	142,447	5,250,877
2037-38	712,345,777	16,801,722	695,544,055	6,955,441	1,391,088	1,009,105	142,447	4,450,916
2038-39	712,345,777	16,801,722	695,544,055	6,955,441	1,391,088	1,009,105	142,447	4,450,916
2039-40	712,345,777	16,801,722	695,544,055	6,955,441	1,391,088	1,009,105	142,447	4,450,916

(1) Based on FY 2010-11 assessed value ("AV") and 0% AV growth thereafter.

(2) Gross Tax Revenues based on a 1.00% tax rate.

(3) Housing Set-Aside based on 20% of Gross Tax Increment.

(4) Excludes pass through payments pursuant to Amendment No. 1 Tax Sharing Agreements.

(5) Estimated amounts, based on 1.5% of Gross Tax Increment.

Source: Urban Futures, Inc.

## Projected Debt Service Coverage

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

**TABLE 7**  
**THE LEMOORE DEVELOPMENT AGENCY**  
**LEMOORE REDEVELOPMENT PROJECT**  
**Projected Debt Service Coverage (Non-Housing)**

FY	Non-Housing Tax Revenues	Non-Housing Portion of Debt Service 1998 Bonds	Non- Housing Portion of Debt Service 2003 Bonds	Non-Housing Portion of Debt Service 2011 Bonds	Total Non-Housing Portion of Debt Service	Non- Housing Debt Service Coverage
2010-11	\$ 5,495,688	\$438,040	\$594,799	\$443,454	\$1,476,293	372%
2011-12	5,488,418	439,224	589,495	1,214,010	2,242,729	245%
2012-13	5,481,002	435,784	587,879	1,218,170	2,241,833	244%
2013-14	5,473,437	435,928	593,959	1,208,730	2,238,617	245%
2014-15	5,465,721	439,448	591,251	1,207,450	2,238,149	244%
2015-16	5,457,851	438,136	592,211	1,201,670	2,232,017	245%
2016-17	5,449,824	440,200	588,667	1,203,550	2,232,417	244%
2017-18	5,441,636	438,000	592,771	1,196,350	2,227,121	244%
2018-19	5,433,284	439,200	588,171	1,200,970	2,228,341	244%
2019-20	5,424,765	439,600	591,195	1,192,585	2,223,380	244%
2020-21	5,416,076	439,200	593,475	1,187,810	2,220,485	244%
2021-22	5,407,213	442,000	586,930	1,190,210	2,219,140	244%
2022-23	5,398,173	439,800	592,200	1,182,815	2,214,815	244%
2023-24	5,388,952	436,800	596,730	1,179,155	2,212,685	244%
2024-25	5,379,547	441,000	584,520	1,182,965	2,208,485	244%
2025-26	5,369,953	-	1,000,310	1,208,465	2,208,775	243%
2026-27	5,360,168	-	1,000,305	1,203,065	2,203,370	243%
2027-28	5,350,187	-	998,820	1,200,795	2,199,615	243%
2028-29	5,340,006	-	998,910	1,197,365	2,196,275	243%
2029-30	5,329,621	-	997,290	1,196,775	2,194,065	243%
2030-31	5,319,029	-	1,001,960	1,190,735	2,192,695	243%
2031-32	5,308,226	-	1,000,540	1,187,535	2,188,075	243%
2032-33	5,297,206	-	997,220	1,186,460	2,183,680	243%
2033-34	5,285,965	-	-	2,179,615	2,179,615	243%
2034-35	5,274,500	-	-	2,177,545	2,177,545	242%
2035-36	5,262,806	-	-	2,176,100	2,176,100	242%
2036-37	5,250,877	-	-	2,170,690	2,170,690	242%
2037-38	4,450,916	-	-	1,773,020	1,773,020	251%
2038-39	4,450,916	-	-	1,775,410	1,775,410	251%
2039-40	4,450,916	-	-	1,773,835	1,773,835	251%

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

<b>FY</b>	<b>Housing Tax Revenues</b>	<b>Housing Portion of Debt Service 1998 Bonds</b>	<b>Housing Portion of Debt Service 2003 Bonds</b>	<b>Housing Portion of Debt Service 2011 Bonds</b>	<b>Total Housing Portion of Debt Service</b>	<b>Housing Debt Service Coverage</b>
2010-11	\$1,899,288	\$109,510	\$148,700	\$110,864	\$369,073	515%
2011-12	1,899,288	109,806	147,374	303,503	560,682	339%
2012-13	1,899,288	108,946	146,970	304,543	560,458	339%
2013-14	1,899,288	108,982	148,490	302,183	559,654	339%
2014-15	1,899,288	109,862	147,813	301,863	559,537	339%
2015-16	1,899,288	109,534	148,053	300,418	558,004	340%
2016-17	1,899,288	110,050	147,167	300,888	558,104	340%
2017-18	1,899,288	109,500	148,193	299,088	556,780	341%
2018-19	1,899,288	109,800	147,043	300,243	557,085	341%
2019-20	1,899,288	109,900	147,799	298,146	555,845	342%
2020-21	1,899,288	109,800	148,369	296,953	555,121	342%
2021-22	1,899,288	110,500	146,733	297,553	554,785	342%
2022-23	1,899,288	109,950	148,050	295,704	553,704	343%
2023-24	1,899,288	109,200	149,183	294,789	553,171	343%
2024-25	1,899,288	110,250	146,130	295,741	552,121	344%
2025-26	1,899,288	-	250,078	302,116	552,194	344%
2026-27	1,899,288	-	250,076	300,766	550,843	345%
2027-28	1,899,288	-	249,705	300,199	549,904	345%
2028-29	1,899,288	-	249,728	299,341	549,069	346%
2029-30	1,899,288	-	249,323	299,194	548,516	346%
2030-31	1,899,288	-	250,490	297,684	548,174	346%
2031-32	1,899,288	-	250,135	296,884	547,019	347%
2032-33	1,899,288	-	249,305	296,615	545,920	348%
2033-34	1,899,288	-	-	544,904	544,904	349%
2034-35	1,899,288	-	-	544,386	544,386	349%
2035-36	1,899,288	-	-	544,025	544,025	349%
2036-37	1,899,288	-	-	542,673	542,673	350%
2037-38	1,391,088	-	-	443,255	443,255	314%
2038-39	1,391,088	-	-	443,853	443,853	313%
2039-40	1,391,088	-	-	443,459	443,459	314%

## **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. See "Risk of Earthquake and Other Hazards" below. 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, and pending assessment appeals from the Leprino Foods and from Lemoore Capital LP, the largest and the ninth-largest payers of property taxes in the Project Area for fiscal year 2010-11.

### **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 the Project Area's fiscal year 2010-11 total assessed value and 55.04% of the Project Area's fiscal year 2010-11 total incremental value. The single largest taxpayer, Leprino Foods, represents 38.71% of the Project Area's fiscal year 2010-11 total assessed value. Leprino Foods has a pending assessment appeal for 2010-11 in which it has requested a reduction in assessed value from \$391,698,438 to \$194,547,000, or approximately 50% of the current assessed value. For purposes of the tax increment projections on Table 5, since the outcome of the open assessment appeals cannot be accurately predicted, the Financial Advisor/Fiscal Consultant has not assumed any reductions in assessed value due to the appeals. To put the Leprino Foods' appeal in perspective, if the requested reduction in assessed value was granted in full, the assessed value in the Project Area would be reduced by \$197,151,438, reducing the 2010-11 maximum annual non-housing debt service coverage from 245% to 203%, and reducing the 2011-12 maximum annual housing debt service coverage from 339% to 268%. See also the section entitled "THE PROJECT AREA – Assessment Appeals" above.

With respect to any assessee in the Project Area whose total assessed value is in excess of 15% of the total assessed value in the Project Area (currently, only Leprino Foods Company), the Agency will covenant for the benefit of Bondholders to provide notice of information regarding bankruptcy, insolvency, receivership or similar proceedings undertaken with respect to such assesses, or information relating to a closure of a material portion of such assessee's facilities in the Project Area, to the extent such information becomes known by the Agency, See "APPENDIX F – Form of Continuing Disclosure Certificate."

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 Tables 6, 7, and 8 herein, the Financial Advisor/Fiscal Consultant has not increased values in 2011-12 and thereafter, in light of the uncertainty surrounding real property values within the City and Project Area in future years. 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 timely paid 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 mandated 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 expects to 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 included a provision that would eliminate all redevelopment agencies in California starting on July 1, 2011 and redirect property tax dollars from redevelopment agencies to schools, fire districts and other local entities. Draft legislation implementing this proposal was released by the State Department of Finance on February 23, 2011 (the "Proposed Legislation"). The Proposed Legislation has not been formally introduced as of this date, but the Agency expects it will be introduced and taken up soon by the Legislature's budget conference committee. No assurance can be given whether or not the Proposed Legislation will be enacted in its present form, or at all.

Although the Agency cannot predict what the final wording of the Proposed Legislation will be, the Proposed Legislation, in its current form, states that the intent of the Legislature is to do the following:

"(1) Bar existing redevelopment agencies from incurring new obligations that would divert any more money from core functions and dissolve all existing redevelopment. It is the intent of the Legislature that the greatest amount of funding be realized from these actions to fund core governmental services.

(2) Beginning with 2012-13 fiscal year, allocate these funds according to the existing property tax allocation, except for enterprise special districts, to make the funds available for cities, counties, special districts, school and community college districts to provide core governmental services. As a result of these actions, it is estimated that, by fiscal year 2012-13, these local entities will receive \$1.9 billion per year in new resources to use for their core priorities.

(3) Require a successor entity to settle the affairs of the redevelopment agencies.

(4) Require the protection of contractual rights by successor agencies, which will be required to retire redevelopment agency debts in accord with existing payment schedules. No existing contractual obligations will be impaired."

The Proposed Legislation, if enacted, would prohibit redevelopment agencies from, among other things:

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

The Proposed Legislation would establish successor agencies to administer each agency's existing "enforceable obligations" and would establish a series of special funds to effectuate the payments of such obligations and administer the transfer of property taxes to other local entities and the disposition of an agency's other assets such as real property and

cash. The City would be eligible to serve as the Agency's successor agency. As defined in the Proposed Legislation, "enforceable obligations" include bonds issued pursuant to the Redevelopment Law (including debt service on bonds, reserve set-asides and other payments required under the indenture governing the issuance of the bonds), as well as certain pre-existing loans, contracts, and other payment obligations.

The Proposed Legislation would also establish a seven member oversight committee to monitor and approve the activities of each successor agency. Only one member of the oversight committee may be selected by the city that formed the redevelopment agency. The remaining members are to be selected by the applicable county board of supervisors, county superintendent of schools, and largest non-enterprise special district in the territory of the former redevelopment agency (or by the Governor if positions are not otherwise filled). The result of the make up of the oversight committee is that its actions may not be in the best interest of the former redevelopment agency or the city that formed the redevelopment agency. As a result, if enacted as drafted, the Proposed Legislation may severely limit the City's or successor agency's future ability to spend the proceeds of the Bonds as described under "FINANCING PLAN" for redevelopment-type activities.

The Proposed Legislation also lengthens the statute of limitations (i) for the commencement of an action to review a determination or finding by the Agency or the City Council (acting as the legislative body of the Agency), from 90 days to three years after the determination or finding, if such determination or finding is made after January 1, 2011, and (ii) for any action that is brought on or after January 1, 2011, to determine the validity of bonds issued by a the Agency, from 60 days to three years after the date of the triggering event. While the Agency does not believe there is any defect in the proceedings for the issuance of the Bonds that could give rise to a successful challenge and Bond Counsel is providing its opinions with respect to the Bonds as set forth in Appendix E, due to the heightened scrutiny that may occur with respect to redevelopment agency activities, there could be an increased risk of a challenge and any such challenge could affect the market price of the Bonds.

The Proposed Legislation is styled as an urgency measure, which requires a two-thirds affirmative vote of each house of the Legislature for passage, and which would become effective immediately upon passage and upon the signature of the Governor. It is possible that, if the Proposed Legislation is included as a part of a budget package passed by the Legislature, it could be passed with majority vote approval and still become effective immediately. As presently written, the Proposed Legislation makes it clear that it would not be effective until the date of enactment and would not be retroactive.

Potential Impact on the Agency and the Bonds. There are a variety of ways in which the Proposed Budget and the Proposed Legislation, 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 Proposed Legislation:

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

(2) The Proposed Legislation, 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.

(3) Subject to certain constitutional protections described below, the Proposed Legislation, 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 Bond proceeds to fund new projects, compliance with Indenture covenants, continuing disclosure and other matters, although as indicated above, the Proposed Legislation states that it is Legislature's intent to "...require the protection of contractual rights by successor agencies, which will be required to retire redevelopment agency debts in accord with existing payment schedules. No existing contractual obligations will be impaired."

(4) Pending final adoption of laws to implement the Proposed Budget, interim proposals could affect the activities of the Agency and the value of the Bonds.

(5) Most significantly, the Proposed Legislation -- if adopted and implemented in its proposed form -- would eliminate redevelopment agencies and redeploy tax increment revenues that would otherwise accrue to 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.

No assurance can be given that the Proposed Legislation, if enacted, would not have an adverse impact on the price of the Bonds and/or the ability to sell the Bonds in the secondary market. The potential impact of such Proposed Legislation could be material to the Agency and its ability to finance or repay existing and future obligations and conduct its redevelopment activities. Although the Proposed Legislation provides that the Successor Agencies will be required to retire redevelopment agency debts in accordance with existing payment schedules, and the federal and state constitutions generally prohibit states from passing a law that impairs the obligation of contracts, the Agency cannot predict how this process will work.

With respect to the Agency's Low and Moderate Income Housing Fund, the Proposed Legislation provides that the city or county that established a redevelopment agency can elect to retain the housing assets, functions, obligations, and liabilities previously performed by the redevelopment agency. The Agency assumes that the amounts in the Low and Moderate Income Housing Fund would be transferred to the City if the City made such election.

The Proposed Legislation implements the above-described intent of the Legislature through a complex series of provisions, and appears to contain several inconsistencies and drafting problems which will likely require revision. The Agency cannot predict what the final wording of the Proposed Legislation will be or whether the Proposed Legislation in any form will be adopted.

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

[http://www.dof.ca.gov/budgeting/trailer\\_bill\\_language/financial\\_research\\_and\\_local\\_government/documents/502%20RDA%20Legislation%202-23p.pdf](http://www.dof.ca.gov/budgeting/trailer_bill_language/financial_research_and_local_government/documents/502%20RDA%20Legislation%202-23p.pdf)

The reference to this internet site is shown for reference and convenience only, and the information contained therein is not incorporated herein by reference and does not constitute part of this Official Statement.

**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 available at various State maintained websites. Text of the Governor's Budget Summary for the proposed fiscal year 2012-12 State budget, text of the current State budget, and other documents related to the State budget may be found at the website of the Department of Finance, [www.dof.ca.gov](http://www.dof.ca.gov). A nonpartisan analysis of the budget is posted by the Legislative Analyst's Office at [www.lao.ca.gov](http://www.lao.ca.gov). In addition, various State official statements, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer, [www.treasurer.ca.gov](http://www.treasurer.ca.gov). None of such websites is in any way incorporated into this Official Statement, and the Agency makes no representation whatsoever as to the accuracy or completeness of any of the information on such websites.

### **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 Finance Department. 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 Finance Department. The County Finance Department 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. See “APPENDIX B – City of Lemoore and County of Kings Demographic Information” for more information concerning NASL.

### **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.

**Flooding Risks.** The majority of the Project Area is located outside of the 100-year floodplain, as delineated on the Federal Emergency Management Agency's Flood Insurance Rate Maps, and so has a low risk of flooding. However, a small portion of Amendment Area No. 2, west of Leprino Foods' Lemoore West plant, is located within the 100-year floodplain. Statistically, then, this portion of the Project Area has a 1% chance of experiencing dangerous flooding in each year. Such flooding could damage or destroy developed property, thereby reducing its taxable value and the Tax Revenues available to the Agency.

**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 “RISK FACTORS - Reduction in Taxable Value - Economic Factors and Property Damage” 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 Finance Department 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 Tables 5, 6, 7, and 8 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 herein assume that the Agency will not defer Housing Set-Aside payments. The Projections also assume the Agency will pay approximately 20% of the required debt service on the Bonds from Housing Set-Aside funds, just as with the 1998 Bonds and the 2003 Bonds. Such amounts are reflected in Tables 5, 6, 7, and 8 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 – Redevelopment Plan; Redevelopment Plan 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, including events concerning assesseees with more than 15% of the total assessed value within the Project Area (currently only Leprino Foods Company). See "RISK FACTORS – Concentration of Ownership" above.

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 "A-" 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.

**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.

## **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 Lozano Smith, Fresno, California, City Attorney and Agency Counsel. Lozano Smith is also acting as Disclosure Counsel to the Agency. Certain legal matters will be passed upon for the Underwriter by Nossaman LLP, Irvine, California.

## **Underwriting**

The Bonds will be sold to the Lemoore 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 \$18,379,489.25 (being the principal amount of the Bonds (\$19,150,000.00) less an original issue discount of \$540,710.75 and (less) an underwriter's discount of \$229,800.00).

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 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; E. J. De La Rosa & Co. Inc., as Underwriter; and Nossaman LLP as counsel to the Underwriter.

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



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**APPENDIX A**

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

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**LEMOORE REDEVELOPMENT AGENCY**  
**(A Component Unit of the City of Lemoore)**

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**REPORT ON AUDIT OF COMPONENT UNIT**  
**FINANCIAL STATEMENTS AND ON**  
**COMPLIANCE AND INTERNAL CONTROL**

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**Year Ended June 30, 2009**

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Sampson, Sampson and Partners, LLP  
Certified Public Accountants

3148 Willow Ave., Suite 102  
Clovis, California 93612-4739  
(559) 291-0277 • FAX (559) 291-6411

February 17, 2010

Honorable Members of the  
Lemoore Redevelopment Agency  
City of Lemoore  
Lemoore, California

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lemoore Redevelopment Agency, California (Agency), a component unit of the City of Lemoore, California as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Agency, as of June 30, 2009, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2010, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Agency has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is required supplementary information, although not required to be part of, the basic financial statements.

Lemoore Redevelopment Agency  
February 17, 2010  
Page 2

The Budgetary comparison information on page 24 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly presented in all material respects in relation to the component unit financial statements taken as a whole.

*Sampson, Sampson and Partners, LLP*

LEMOORE REDEVELOPMENT AGENCY  
(A Component Unit of the City of Lemoore)  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

<b>ASSETS:</b>	
Cash and investments	\$13,115,172
Receivables:	
Taxes	1,019,166
Interest	53,430
Notes	1,517,037
Advances to the City of Lemoore	4,472,512
Assets held for resale	1,442,615
Bond discounts	209,032
Capital assets:	
Nondepreciable	1,555,944
Restricted assets:	
Cash with fiscal agent	<u>1,298,055</u>
Total assets	<u>24,682,963</u>
<b>LIABILITIES:</b>	
Accounts payable	27,759
Accrued interest payable	530,454
Due to the City of Lemoore	171
Advances from the City of Lemoore	1,625,914
Noncurrent liabilities:	
Due within one year	921,048
Due in more than one year	<u>19,650,352</u>
Total liabilities	<u>22,755,698</u>
<b>NET ASSETS:</b>	
Invested in capital assets	1,555,944
Restricted for:	
Housing	4,212,648
Unrestricted	<u>(3,841,327)</u>
Total net assets	<u>\$ 1,927,265</u>

LEMOORE REDEVELOPMENT AGENCY  
(A Component Unit of the City of Lemoore)  
STATEMENT OF ACTIVITIES  
JUNE 30, 2009

EXPENSES:	
Community development	\$ 5,047,875
Interest and fiscal charges	<u>1,153,844</u>
Total governmental expenses	<u>6,201,719</u>
Net governmental revenue (expense)	(6,201,719)
GENERAL REVENUES:	
Property taxes	8,766,783
Investment earnings	434,127
Other	18,521
Sale of property	158,422
Net transfers from the City of Lemoore	<u>552,122</u>
Total general revenues and transfers	<u>9,929,975</u>
Changes in net assets	<u>3,728,256</u>
Deficit, beginning of year, as previously reported	(1,376,078)
Prior period adjustments	<u>(424,913)</u>
Deficit, beginning of year-restated	<u>(1,800,991)</u>
Net assets, end of year	<u>\$ 1,927,265</u>

LEMOORE REDEVELOPMENT AGENCY  
(A Component Unit of the City of Lemoore)  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	Low and Moderate Income Housing Special Revenue Fund	Debt Service Fund	Capital Projects Fund	1998 and 2003 Note Project Fund	Non-Major Capital Facilities & Capital Projects	Total Governmental Funds
<b>ASSETS:</b>						
Cash and investments	\$2,832,354	\$1,820,522	\$3,258,600	\$4,643,838	\$559,858	\$13,115,172
Cash with fiscal Agents-restricted		1,298,055				1,298,055
Receivables:						
Taxes			1,019,166			1,019,166
Interest	9,627	5,306	17,849	18,561	2,087	53,430
Notes	1,085,852		431,185			1,517,037
Advances to the City of Lemoore			4,324,132	148,380		4,472,512
Assets held for resale	<u>296,528</u>			<u>1,146,087</u>		<u>1,442,615</u>
Total assets	<u>\$4,224,361</u>	<u>\$3,123,883</u>	<u>\$9,050,932</u>	<u>\$5,956,866</u>	<u>\$561,945</u>	<u>\$22,917,987</u>
<b>LIABILITIES AND FUND</b>						
<b>BALANCES:</b>						
Liabilities:						
Accounts payable	\$ 11,713	\$	\$ 13,828	\$ 2,218	\$	\$ 27,759
Due to the City of Lemoore				171		171
Advances from the City of Lemoore		<u>1,625,914</u>				<u>1,625,914</u>
Total liabilities	<u>11,713</u>	<u>1,625,914</u>	<u>13,828</u>	<u>2,389</u>		<u>1,653,844</u>
Fund balances:						
Reserved for:						
Low and moderate income housing	3,916,120					3,916,120
Debt service		1,497,969				1,497,969
Advances			4,324,132			4,324,132
Assets held for resale	296,528			1,146,087		1,442,615
Unreserved			<u>4,712,972</u>	<u>4,808,390</u>	<u>561,945</u>	<u>10,083,307</u>
Total fund balances	<u>4,212,648</u>	<u>1,497,969</u>	<u>9,037,104</u>	<u>5,954,477</u>	<u>561,945</u>	<u>21,264,143</u>
Total liabilities and fund balances	<u>\$4,224,361</u>	<u>\$3,123,883</u>	<u>\$9,050,932</u>	<u>\$5,956,866</u>	<u>\$561,945</u>	<u>\$22,917,987</u>

See independent auditors' report and notes to financial statements.

LEMOORE REDEVELOPMENT AGENCY  
(A Component Unit of the City of Lemoore)  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2009

Fund balances of governmental funds	\$ 21,264,143
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	1,555,944
Long-term liabilities are not due and payable in the current period. Therefore, they are not reported in the governmental funds.	(20,571,400)
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability on the governmental fund balance sheet.	(530,454)
Governmental funds reported the effect of issuance cost, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>209,032</u>
Net assets of governmental activities	<u>\$ 1,927,265</u>

LEMOORE REDEVELOPMENT AGENCY  
(A Component Unit of the City of Lemoore)  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2009

	Low and Moderate Income Housing Special Revenue Fund	Debt Service Fund	Capital Projects Fund	1998 and 2003 Note Project Fund	Non-Major Capital Facilities & Capital Projects	Total Governmental Funds
<b>REVENUES:</b>						
Property taxes	\$1,753,357	\$	\$ 7,013,426	\$	\$	\$ 8,766,783
Use of money and property	58,246	45,303	210,360	110,365	9,853	434,127
Other revenue	11,693	_____	1,707	5,121	_____	18,521
Total revenues	<u>1,823,296</u>	<u>45,303</u>	<u>7,225,493</u>	<u>115,486</u>	<u>9,853</u>	<u>9,219,431</u>
<b>EXPENDITURES:</b>						
Current:						
Community development	862,756	_____	4,000,764	182,882	_____	5,046,402
Capital outlay	877,393	_____	_____	382,932	_____	1,260,325
Debt service:						
Principal	_____	890,980	_____	_____	_____	890,980
Interest	_____	1,151,191	_____	_____	_____	1,151,191
Total expenditures	<u>1,740,149</u>	<u>2,042,171</u>	<u>4,000,764</u>	<u>565,814</u>	<u>_____</u>	<u>8,348,898</u>
Excess (deficiency) of revenues over (under) expenditures	<u>83,147</u>	<u>(1,996,868)</u>	<u>3,224,729</u>	<u>(450,328)</u>	<u>9,853</u>	<u>870,533</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Sale of property	158,422	_____	_____	_____	_____	158,422
Transfers in	_____	3,420,092	713,943	_____	166,298	4,300,333
Transfers out	(431,261)	(1,233,982)	(2,635,090)	_____	_____	(4,300,333)
Transfers from the City of Lemoore	_____	552,122	_____	_____	_____	552,122
Total other financing sources (uses)	<u>(272,839)</u>	<u>2,738,232</u>	<u>(1,921,147)</u>	<u>_____</u>	<u>166,298</u>	<u>710,544</u>
Net change in fund balances	<u>(189,692)</u>	<u>741,364</u>	<u>1,303,582</u>	<u>(450,328)</u>	<u>176,151</u>	<u>1,581,077</u>
Fund balances, July 1, 2008- as previously reported	4,402,340	756,605	7,733,522	6,256,425	385,794	19,534,686
Prior period adjustment	_____	_____	_____	148,380	_____	148,380
Fund balances, July 1, 2008-restated	<u>4,402,340</u>	<u>756,605</u>	<u>7,733,522</u>	<u>6,404,805</u>	<u>385,794</u>	<u>19,683,066</u>
Fund balances, June 30, 2009	<u>\$4,212,648</u>	<u>\$ 1,497,969</u>	<u>\$ 9,037,104</u>	<u>\$ 5,954,477</u>	<u>\$561,945</u>	<u>\$21,264,143</u>

See independent auditors' report and notes to financial statements.

LEMOORE REDEVELOPMENT AGENCY  
(A Component Unit of the City of Lemoore)  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009

Net change in fund balances of governmental funds	\$1,581,077
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	1,260,325
Debt repayments are reported as an expenditure in the governmental funds. The repayment is not an expense in the statement of activities as it is a reduction of a long-term liability. Governmental funds report the effect of issuance cost, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	880,736
Interest expenditures are reported in the governmental funds when paid. Interest expense is reported on the statement of activities when incurred. This amount represents the difference between interest paid and interest incurred.	<u>6,118</u>
Changes in net assets of governmental activities	<u>\$3,728,256</u>

LEMOORE REDEVELOPMENT AGENCY  
(A Component Unit of the City of Lemoore)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. Description of Reporting Entity**

The Lemoore Redevelopment Agency (Agency) was established in September, 1985, as authorized by the Health and Safety Code of the State of California. The primary purpose of the Agency is to prepare and carry out plans for improvement, rehabilitation, and redevelopment of the blighted areas within the City of Lemoore (City).

The Agency is comprised of all funds under the jurisdiction and control of the Agency's Governing Board. The Governing Board is comprised of the same individuals who comprise the City of Lemoore City Council. Because the City's governing council controls the Agency, the Agency is considered a component unit of the City; therefore, the Agency's financial information is blended into the City's annual Financial Report. The Agency has no financial or operational relationships with other related agencies, organizations, or functions of government which meet the reporting entity definition criteria of GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 39 determining *Whether Certain Organizations are Component Units*, for inclusion as a component unit of the Agency. A comprehensive annual financial report of the City may be obtained from the City of Lemoore, 119 Fox Street, Lemoore, CA 93245.

The financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for governmental accounting and financial reporting principles.

**B. Basis of Accounting/Measurement Focus**

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be sent and the means by which spending activities are controlled.

**Government-Wide Financial Statements**

The Agency government-wide financial statements include a statement of net assets and a statement of activities. These statements present summaries of the governmental activities for the Agency.

LEMOORE REDEVELOPMENT AGENCY  
(A Component Unit of the City of Lemoore)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(Continued)

These statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net assets. The statement of activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the Agency are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all taxes and other items, are presented instead as general revenues.

The statement of net assets and statement of activities display information about the Agency as a whole and, accordingly, eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities.

#### **Governmental Fund Financial Statements**

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and the aggregate remaining fund information. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements.

The Agency reports the following major governmental funds:

The **Low and Moderate Income Housing Special Revenue Fund** is used to account for the operations and projects of the Agency, and to account for the 20% of tax increment funds required by state law to be set aside for the purpose of increasing or improving the City's supply of low and moderate income housing needs.

The **Debt Service Fund** is used to account for the accumulation of resources for, and for the payment of, principal and interest on the Agency's long-term debt.

The **Capital Projects Fund** is used to account for redevelopment activities including administration and acquisition and construction of major capital projects undertaken by the Agency.

The **1998 and 2003 Note Projects Fund** is used to account for bond proceeds.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the

LEMOORE REDEVELOPMENT AGENCY  
(A Component Unit of the City of Lemoore)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(Continued)

modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash during the year or within 60 days after year-end. The primary revenue sources, which have been treated as susceptible to accrual by the Agency, are property taxes and investment income. Expenditures are recorded in the accounting period in which the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds.

The fund financial statements provide information about the Agency's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

Reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

**C. Cash and Investments**

Under the Agency's cash management program, cash in excess of operating requirements is pooled with the purpose of maximizing interest through investment activities, and is deposited in savings accounts or invested in bank certificates of deposit, bank money market accounts and the State of California Local Agency Investment Fund (LAIF). Interest income on pooled investments is allocated on the end of month balances in each fund included in the pools.

**D. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**E. Budgeting**

Prior to July 1, the Board of Directors adopts budgets for the governmental funds of the Agency. Following publication and public hearings, the budgets are legally enacted by resolution. The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

These budgets are revised by the Agency's governing board during the year to give consideration to unanticipated income and expenditures. Both the original and final revised budget for the low and moderate income housing are presented in the required supplementary information section.

LEMOORE REDEVELOPMENT AGENCY  
(A Component Unit of the City of Lemoore)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(Continued)

**F. Property Taxes**

Revenue is recognized when measurable and available. The assessment, levy and collection of property taxes are the responsibility of the County of Kings (County). The Agency records property taxes as revenue when received from the County, except at fiscal year-end, when property taxes received within 60 days after the end of the fiscal year are “available,” and, therefore, recognized as revenue.

Secured and unsecured property taxes are levied based on the assessed value as of January 1<sup>st</sup>, lien date, of the preceding fiscal year. Secured property tax is levied on July 1<sup>st</sup> and due in two installments, on November 1<sup>st</sup> and February 1<sup>st</sup>. Collection dates are December 10<sup>th</sup> and April 10<sup>th</sup>, which are also the delinquent dates. Unsecured property tax is levied on July 1<sup>st</sup> and due on July 31<sup>st</sup>, and has a collection date of August 31<sup>st</sup>, which is also the delinquent date.

**G. Capital Assets**

The Agency’s assets are capitalized at historical cost or estimated historical cost. Agency policy has set the capitalization threshold for reporting capital assets at \$1,000. Gifts or contributions of capital assets are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the useful life of the following assets:

Infrastructure	20 years
Buildings and Improvements	20 years

**H. Assets Held for Resale**

Land and improvements held by the Agency for the purpose of improving and reselling are accounted for in this account. The primary purpose of redevelopment agencies is the development or redevelopment of blighted properties. This is accomplished by buying, improving, and reselling parcels of land. Property is stated at the lower of cost or net realizable value.

**I. Long-Term Debt**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities section of the statement of net assets.

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

LEMOORE REDEVELOPMENT AGENCY  
(A Component Unit of the City of Lemoore)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(Continued)

**J. Low Income Housing**

Under requirements of the State of California Health and Safety Code, the Agency is required to set aside 20% of tax increment revenues for use in housing projects benefiting low- and moderate-income households. At June 30, 2009, the net cumulative upspent low- and moderate-income housing set aside funds have been obligated by the Agency and are included in the respective project area Low Income Housing Special Revenue Fund for 20% set aside.

**K. Use of Restricted/Unrestricted Net Assets**

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Agency's policy is to apply restricted net assets first.

**NOTE 2 - CASH AND INVESTMENTS:**

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

Statement of Net Assets	
Cash and investments	\$13,115,172
Restricted cash and investments	<u>1,298,055</u>
Total cash and investments	<u>\$14,413,227</u>

Cash and investments as of June 30, 2009 consisted of the following:

Deposits with financial institutions	\$ (636,801)
Investments	<u>15,050,028</u>
	<u>\$14,413,227</u>

**Investments Authorized by the California Government Code and the Lemoore Redevelopment Agency's Investment Policy.**

The table below identifies the **investment types** that are authorized for the Lemoore Redevelopment Agency's by the California government Code (or the Lemoore Redevelopment Agency's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Lemoore Redevelopment Agency's investment policy, where more restrictive) that address **interest rate risk, credit risk, and concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the Lemoore Redevelopment Agency rather than the general provisions of the California Government Code or the Lemoore Redevelopment Agency's investment policy.

LEMOORE REDEVELOPMENT AGENCY  
(A Component Unit of the City of Lemoore)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio or Amount</u>	<u>Maximum Investment of One Issuer or Amount</u>
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposits	5 years	30%	Legal Limit
Repurchase Agreements	1 year	None	None
Medium-Term Notes	5 years	30%	None
Mutual Accounts	N/A	20%	10%
Money Market Accounts	N/A	20%	10%
Local Agency Investment fund (LAIF)	N/A	None	None

**Investments Authorized by Debt Agreements**

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Bankers Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 year	None	None

LEMOORE REDEVELOPMENT AGENCY  
(A Component Unit of the City of Lemoore)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(Continued)

**Disclosures Relating to Interest Rate Risk**

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

Information about the sensitivity of the fair values of the Agency's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity.

Investment Type	Fair Value	Remaining Maturity (in months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
U.S. government money market funds	\$ 1,298,055	\$ 1,298,055	\$	\$
State Investment Pool	<u>13,751,973</u>	<u>13,751,973</u>		
Total	<u>\$15,050,028</u>	<u>\$15,050,028</u>	<u>\$</u>	<u>\$</u>

**Disclosures Relating to Credit Risk**

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

Investment Type	Amount	Minimum Legal Rating	Ratings as of Year End	
			AAA	Not Rated
U.S. government money market funds	\$ 1,298,055	N/A	\$1,298,055	\$
State investment pool	<u>13,751,973</u>	N/A		<u>13,751,973</u>
	<u>\$15,050,028</u>		<u>\$1,298,055</u>	<u>\$13,751,973</u>

LEMOORE REDEVELOPMENT AGENCY  
(A Component Unit of the City of Lemoore)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(Continued)

**Concentration of Credit Risk**

The Agency does not have a formal investment policy that has limits on the amount that can be invested in any one issuer beyond that stipulated in California Government Code. The Agency's investments are exempt from this disclosure.

**Custodial Credit Risk**

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

As of June 30, 2009, no Lemoore Redevelopment Agency deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. In addition, as of June 30, 2009, no investments were held by the same broker dealer (counterparty) that was used by the Agency to purchase the securities.

Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

*Investment in the State of California Investment Pool.* The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City of Lemoore investment in this pool is reported in the accompanying financial statements at amounts based upon the City of Lemoore's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

LEMOORE REDEVELOPMENT AGENCY  
(A Component Unit of the City of Lemoore)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 3 - ASSETS HELD FOR RESALE:**

The following is a summary of changes in the assets held for resale for the year ended June 30, 2009.

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009
Land	\$1,224,786	\$217,829	\$ _____	\$1,442,615
Total assets held for sale	<u>\$1,224,786</u>	<u>\$217,829</u>	<u>\$ _____</u>	<u>\$1,442,615</u>

**NOTE 4 – INTERFUND TRANSACTIONS:**

**A. Advances**

Advances to/from the City of Lemoore at June 30, 2009 were as follows:

	Receivable Funds	Payable Funds
Major Funds:		
City of Lemoore general fund	\$1,625,914	\$ _____
RDA debt service fund		1,625,914
RDA capital projects fund	4,472,512	
City of Lemoore golf course		4,324,132
City of Lemoore disposal fund	_____	<u>148,380</u>
	<u>\$6,098,426</u>	<u>\$6,098,426</u>

**C. Interfund Transfers**

With Council approval, resources may be transferred from one Agency’s fund to another or between the City of Lemoore and the Agency. The purpose of the majority of transfers is to reimburse a fund that has made expenditures on behalf of another fund. Current year transfers included activity to recognize the refunding of debt.

LEMOORE REDEVELOPMENT AGENCY  
(A Component Unit of the City of Lemoore)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(Continued)

Transfers in and out between Agency funds consisted of the following as of June 30, 2009.

	Transfers	
	In	Out
Major funds:		
Low and moderate income housing special revenue fund	\$ 3,420,092	\$ 431,261
Debt service fund	713,943	2,635,090
Capital projects fund	166,298	_____
Nonmajor capital facilities fund	_____	_____
Total	<u>\$4,300,333</u>	<u>\$4,300,333</u>

**LEMOORE REDEVELOPMENT AGENCY**  
**(A Component Unit of the City of Lemoore)**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2009**  
(Continued)

**NOTE 5 - CAPITAL ASSETS:**

The following table presents summary information on capital assets.

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$868,912	\$1,260,325	\$573,293	\$1,555,944
Construction in progress	_____	_____	_____	_____
Total capital assets not being depreciated	<u>868,912</u>	<u>1,260,325</u>	<u>573,293</u>	<u>1,555,944</u>
Capital assets being depreciated:				
Infrastructure	_____	_____	_____	_____
Buildings and improvements	_____	_____	_____	_____
Total capital assets being depreciated	_____	_____	_____	_____
Less accumulated depreciation	_____	_____	_____	_____
Total capital assets being depreciated, net	_____	_____	_____	_____
<b>Governmental activities capital assets, net</b>	<u><b>\$868,912</b></u>	<u><b>\$1,260,325</b></u>	<u><b>\$573,293</b></u>	<u><b>\$1,555,944</b></u>

**NOTE 6 - LONG-TERM LIABILITIES:**

A schedule of changes in long-term debt for the year ended June 30, 2009, is shown below:

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009	Due Within One Year	Due in More than One Year
<b>Bonds:</b>						
1998 Tax Allocation Refunding	\$ 5,815,000	\$	\$ 45,000	\$ 5,770,000	\$ 45,000	\$ 5,725,000
2003 Tax Allocation Refunding	13,120,000		370,000	12,750,000	380,000	12,370,000
Unamortized deferred charges for defeasance	(36,835)		(1,473)	(35,362)	(1,473)	(33,889)
<b>Obligations Payable:</b>						
Leprino Owner Participation Agreement	<u>2,562,742</u>	_____	475,980	<u>2,086,762</u>	<u>497,521</u>	<u>1,589,241</u>
<b>Total Long-term debt</b>	<u><b>\$21,460,907</b></u>	<u><b>\$</b></u>	<u><b>\$889,507</b></u>	<u><b>\$20,571,400</b></u>	<u><b>\$921,048</b></u>	<u><b>\$19,650,352</b></u>

LEMOORE REDEVELOPMENT AGENCY  
(A Component Unit of the City of Lemoore)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(Continued)

**Tax Allocation Refunding Bonds Payable**

**1998 Tax Allocation Refunding Bonds**

The Agency Issued \$6,180,000 of its Tax Allocation Refunding Bonds on April 1, 1998 (the 1998 Bonds), to advance refund \$5,015,000 of the Agency's \$8,500,000 issuance of 1995 Tax Allocation Bonds (the 1995 Bonds), and to fund issuance costs and a reserve account. Beginning August 1, 1998, interest on the 1998 Bonds is payable semi-annually on February 1, and August 1, of each year at interest rates varying from 3.60% to 5.28% per annum. Debt Service payments of the 1998 Bonds are secured by a pledge of the property tax revenue increments collected on properties within the redevelopment project area. The debt agreement requires a reserve account to be held by the trustee.

Annual debt service requirements to maturity for the 1998 RDA Tax Allocation Refunding Bonds are as follows:

<u>Year Ending June 30,</u>	<u>1998 RDA Tax Allocation Refunding Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 45,000	\$ 292,230	\$ 337,230
2011	45,000	289,890	334,890
2012	260,000	287,550	547,550
2013	275,000	274,030	549,030
2014	285,000	259,730	544,730
2015-2019	1,680,000	1,059,640	2,739,640
2020-2024	2,160,000	589,750	2,749,750
2025-2026	<u>1,020,000</u>	<u>77,250</u>	<u>1,097,250</u>
Totals	<u>\$5,770,000</u>	<u>\$3,130,070</u>	<u>\$8,900,070</u>

**2003 RDA Tax Allocation Refunding Bonds**

On May 15, 2003, the Agency issued \$13,835,000 of its Tax Allocation Refunding Bonds, Series 2003 (the 2003 Bonds), bearing interest of 1.6% to 4.75%, payable semi-annually on August 1 and February 1, commencing August 1, 2003. Beginning August 1, 2006, principal comes due annually in various sums through August 1, 2033, subject to optional redemption by the Agency, in whole or in part, on August 1, 2013. The 2003 Bonds are payable from, and secured by, incremental property tax revenues (Pledged Tax Revenues). The proceeds were used to legally defease the remaining outstanding balance (\$2,360,000) of the 1995 Bonds to fund a

LEMOORE REDEVELOPMENT AGENCY  
(A Component Unit of the City of Lemoore)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(Continued)

debt service payment reserve account, and to pay costs of issuance, with the balance of the 2003 Bond proceeds deposited into the Agency's Housing and Redevelopment Funds for future redevelopment activities. The refunding of the 1995 bonds resulted in an economic gain (the difference between the present value of the debt service payments on the original and refunding debt) of \$298,825 which is being amortized in the government-wide financial statements on a straight-line basis over the life of the 2003 Bonds, along with the costs of issuing the 2003 Bonds.

Annual debt service requirements to maturity for the 2003 Tax Allocation Refunding Bonds are as follows:

<u>Year Ending June 30,</u>	<u>2003 RDA Tax Allocation Refunding Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 380,000	\$ 566,419	\$ 946,419
2011	400,000	554,799	954,799
2012	195,000	545,184	740,184
2013	195,000	538,359	733,359
2014	200,000	531,148	731,148
2015-2019	1,150,000	2,524,956	3,674,956
2020-2024	1,410,000	2,247,813	3,657,813
2025-2029	3,375,000	1,772,219	5,147,219
2030-2034	<u>5,445,000</u>	<u>670,582</u>	<u>6,115,582</u>
	<u>\$12,750,000</u>	<u>\$9,951,479</u>	<u>\$22,701,479</u>
Less: Unamortized deferred charges for defeasance	<u>(35,362)</u>	<u>_____</u>	<u>(35,362)</u>
Totals	<u>\$12,714,638</u>	<u>\$9,951,479</u>	<u>\$22,666,117</u>

**Leprino Owner Participation Agreement Obligation**

On March 7, 2000, The Agency entered into an owner participation agreement with Leprino Foods Company (Leprino) whereby Leprino was to construct a dairy and related products manufacturing and storage facility within the redevelopment project area. The City was 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. During the current fiscal year, a payment of \$757,500 was made. This payment was adjusted from \$600,000 because the facility assessed value was \$293 million. Future payments are expected to equal \$600,000.

LEMOORE REDEVELOPMENT AGENCY  
(A Component Unit of the City of Lemoore)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(Continued)

Although the stated interest rate on this obligation is zero percent, the Agency has used the effective interest rate on its 2003 Tax Allocation Refunding Bonds (4.75%) as an imputed interest discount rate to value the obligation at its present value of \$3,017,181 (taking into account the increase in this fiscal years payment discussed above) for reporting purposes. Scheduled payments on this obligation are summarized below:

<u>Year Ending June 30,</u>	<u>Leprino Owner Participation Agreement Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 497,521	\$102,479	\$ 600,000
2011	519,062	80,938	600,000
2012	529,576	70,424	600,000
2013	<u>540,603</u>	<u>59,397</u>	<u>600,000</u>
Totals	<u>\$2,086,762</u>	<u>\$313,238</u>	<u>\$2,400,000</u>

**NOTE 7 - CLASSIFICATION OF NET ASSETS:**

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

**Invested in capital assets** – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

**Restricted net assets** – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

**Unrestricted net assets** – This category represents the remaining net assets of the Agency, which are not restricted for any project or other purposes.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Council and management and can be increased, reduced or eliminated by similar actions.

LEMOORE REDEVELOPMENT AGENCY  
(A Component Unit of the City of Lemoore)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 8- PRIOR PERIOD ADJUSTMENTS:**

The beginning fund balances/net assets of various funds and activities have been adjusted as follows:

	<u>Statement of Activities</u>	<u>Fund Financial Statements</u>
Net assets (deficit), beginning of the year as previously stated	\$(1,376,078)	\$19,534,686
Prior period adjustments:		
Advances from the RDA to the disposal fund were expensed in the prior year	148,380	148,380
The capital assets were adjusted to correct amounts that were overstated in 2003/2004	(573,293)	_____
Net assets, beginning-restated	<u><u>\$(1,800,991)</u></u>	<u><u>\$19,683,066</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

LEMOORE REDEVELOPMENT AGENCY  
(A Component Unit of the City of Lemoore)  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL  
LOW AND MODERATE INCOME HOUSING SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Property taxes	\$ 1,531,019	\$ 1,531,019	\$1,753,357	\$ 222,338
Use of money and property	120,000	120,000	58,246	(61,754)
Other revenue	<u>39,109</u>	<u>39,109</u>	<u>11,693</u>	<u>(27,416)</u>
Total revenues	<u>1,690,128</u>	<u>1,690,128</u>	<u>1,823,296</u>	<u>133,168</u>
<b>EXPENDITURES:</b>				
Community development	1,225,000	1,225,000	862,756	362,244
Capital outlay	<u>2,470,000</u>	<u>2,470,000</u>	<u>877,393</u>	<u>1,592,607</u>
Total expenditures	<u>3,695,000</u>	<u>3,695,000</u>	<u>1,740,149</u>	<u>1,954,851</u>
Revenues over (under) expenditures	(2,004,872)	(2,004,872)	83,147	2,088,019
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of property	475,000	475,000	158,422	(316,578)
Transfers out	<u>(431,261)</u>	<u>(431,261)</u>	<u>(431,261)</u>	<u>                    </u>
Total other financing sources (uses)	<u>43,739</u>	<u>43,739</u>	<u>(272,839)</u>	<u>(316,578)</u>
Net change in fund balances	<u>(1,961,133)</u>	<u>(1,961,133)</u>	(189,692)	<u>1,771,441</u>
Fund balance-July 1, 2008	<u>\$ 4,402,340</u>	<u>\$ 4,402,340</u>	<u>4,402,340</u>	<u>\$                    </u>
Fund balance June 30, 2009			<u>\$4,212,648</u>	

See independent auditors' report and notes to financial statements.



Sampson, Sampson and Partners, LLP  
Certified Public Accountants

3148 Willow Ave., Suite 102  
Clovis, California 93612-4739  
(559) 291-0277 • FAX (559) 291-6411

February 17, 2010

Honorable Members of the  
Lemoore Redevelopment Agency  
City of Lemoore  
Lemoore, California

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

We have audited the component unit financial statements of the Lemoore Redevelopment Agency (the Agency); a component unit of the City of Lemoore, California, as of and for the year ended June 30, 2009, and have issued our report thereon dated February 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than inconsequential will not be prevented or detected by the Agency's internal control.

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

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

Lemoore Redevelopment Agency  
February 17, 2010  
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations contained in the *Guidelines For compliance Audits of California Redevelopment Agencies* issued by the California State Controller's Office, Division of Local Government Fiscal Affairs, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Agency Board, management of the Lemoore Redevelopment Agency and the California State Controller's Office. However, this report is a matter of public record and its distribution is not limited.

*Sampson, Sampson and Partners, LLP*

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## APPENDIX B

### CITY OF LEMOORE AND COUNTY OF KINGS DEMOGRAPHIC INFORMATION

*The following information concerning the City of Lemoore and Kings County are included only for the purpose of supplying general information regarding the area of the Agency. The Bonds are not a debt, liability of obligation of the City, the State, or any of its political subdivisions (except the Agency), and neither the City, the State, nor any of its political subdivisions (except the Agency) is liable therefor.*

#### **General**

The City of Lemoore is situated within the northern portion of Kings County, in the center of the San Joaquin Valley. The City is conveniently located in the center of California near the junction of California State Route 198 (SR-198) and State Route 41 (SR-41), approximately 170 miles southeast of San Jose and 100 miles northwest of Bakersfield. A number of national parks including Yosemite, Sequoia, and Kings Canyon National Park and the scenic Central Coast, are located within a two-hour drive.

The Naval Air Station Lemoore (NAS Lemoore) is located approximately 3 miles west of the City Limits. NAS Lemoore is the Navy's newest and largest master jet air station in the United States and a major economic driver for Lemoore. By US Navy's estimate, NASL provides approximately 1,500 civilian jobs to people living in the City. Approximately 6,100 military personnel worked on base in 2008.

The Santa Rosa Rancheria is located approximately 2 miles south of the Planning Area. The Rancheria consists of approximately 40 acres of land owned by the Tachi Yokuts Indians. The Palace Indian Gaming Center is located at the northern edge of the site. This facility—comprising nearly 500,000 square feet of space — includes a 177,000 square-foot casino, a seven-story hotel, and 53,000 square feet of warehouse space. The 235,000 square-foot crescent-shaped hotel includes 252 rooms, two swimming pools, a restaurant, a coffee shop, a conference center, a day spa, and a 2,000-seat amphitheatre. The casino is currently the second largest employer for people living in Lemoore, providing approximately 800 jobs.

Lemoore exhibits characteristics of many Central Valley communities, with a traditional downtown surrounded by residential neighborhoods and agriculture lands. The City's existing City Limits encompass approximately 5,430 acres (8.5 square miles) of incorporated land. The existing City Limits include residential, commercial, and industrial developments as well as public facilities. These public facilities include City Hall, the Police Department, two fire stations, schools, a waste water treatment facility, the Lemoore Municipal Complex, and numerous park and recreational facilities.

#### **History**

The land on which Lemoore is now located was originally occupied by Tachi Yokuts Indians, the largest of the fifty sub-tribes in the Yokuts nation whose territory held the entire floor of the San Joaquin Valley. Each tribe moved freely within their designated boundaries surviving as hunter-gatherers. The Tachi tribe was fortunate to have in its specified territory the benefit of the western tracks of Tulare Lake and the Kings River each offering up a bounty of flora and fauna.

After California was declared a Province of Mexico in 1822 it became common practice for Mexican Governors to make gifts of land grants to favored citizens in return for political favors. Along the Kings River one such land grant was given to Manual Castro of Monterey in 1846. He named it Laguna de Tache and used the land grant to help fatten up his beef cattle for market. After California became a state in 1850 and the glory of the Gold Rush had subsided, other settlers arrived buying up sections of the Laguna de Tache as well as other ground to raise stock. Sutherland, Rhoades, and Phillips are the names of a few of the early cattlemen along the Kings River.

In the mid-1860s a small influx of people created a village just west of the present day Lemoore High School. They first called it Tailholt and then La Tache. When Dr. Lovern Lee Moore arrived in April 1871, he began to organize farm families into a community for trading purposes. Before long, there were enough residents to warrant petitioning the government for a local post office. Upon rejecting the town's name of La Tache the U.S. Government gave it the name Lemoore derived from Dr. Moore's name as the applicant on the petition. The Lemoore post office was at last established on September 21, 1875.

The "No Fence" Law of 1874 was the beginning of the end of the Cattle King era. Farmers who had endured the insults of cattlemen who called them "sandlappers" and "sky-farmers" could now be assured that by law cattlemen would keep their cattle off their crops or pay restitution. It was because of the "No Fence" Law, the Homestead Act, and the promotion of railroad land at a reasonable price that settlers were now more boldly attracted to farm ground throughout what is now Kings County.

The Southern Pacific Railroad Company came to the region in 1877. At that time Grangeville was the largest community in the area, but after dispute with its residents, rail officials decided to by-pass Grangeville in favor of Hanford. A line was extended through Lemoore in 1877 to bring goods to the growing community and help export farm products. The location of the railroad influenced the downtown to move north, adjacent to E (formerly known as Front Street) and D streets, as the main business avenues of the community.

The new railroad connected Lemoore to the rest of California and enabled the town to enjoy the import of goods and export of farm products as well as passenger services. In 1883 the town had a flouring mill with 200 barrels daily capacity. It was an important shipping point for wheat and wool, and not long afterwards became a center for fruit shipping as well. Population grew rapidly as settlers came in search of agriculture-related jobs. Soon, it became necessary to secure the town's rights and benefits under State law. On July 11, 1900, Lemoore incorporated as a charter city with an elected City Council. Its citizens filled their lives with hard work, family, church, service clubs, local baseball games, literary societies, entertainment at the local opera house, building new schools, horse races at the local track, saloons, town dances, and parades, all the while earning the reputation of being one of the San Joaquin Valley's most cultured communities.

Lemoore's population grew more rapidly after 1961, when the Navy decided to construct a new airstrip a few miles west of the City. The NAS Lemoore became a catalyst for growth as many of its pilots purchased homes or visited the City for food and recreation. As the City grew, agricultural activity became a less important reason for settling in Lemoore. Today, the City of Lemoore endeavors to maintain a comfortable small town feeling that strives to provide an affordable atmosphere in order to attract hardworking and community minded residents.

Agriculture is a dominant factor in the local economy and social character of Kings County and the City of Lemoore. In 2005 Kings County was ranked 9th among California counties in agricultural production. Common crops include cotton, tomatoes, alfalfa, and corn. Dairies are currently located in south and east of the City.

West Hills College Lemoore is located at the west side of the Planning Area and provides college level education to residents from around the region. The college presently accommodates 3,770 students onsite and online. When the campus is fully completed, the college expects to enroll approximately 11,100 part-time students or 6,000 full-time equivalents.

### **Municipal Government**

The City was incorporated as a general law city in 1900, with a Council-Manager form of government. The City provides full City services, including a water system, sewer plant, trash collection, and a Redevelopment Agency. Lemoore operates a police department, and volunteer fire department services are available. The City owns a municipal golf course and contracts out operations and management of the course for the benefit of the public. The City has an annual General Fund budget of approximately \$18.35 million and employs approximately 100 full-time staff. Lemoore became a charter city in 2000 upon approval of the City’s voters.

### **Population**

Population estimates of the past seven years for the City and the County are shown in the following table.

**CITY OF LEMOORE AND COUNTY OF KINGS  
Population Estimates  
Calendar Years 2004 through 2010**

<u>Year</u>	<u>City of Lemoore</u>	<u>Kings County</u>
2004	21,770	142,110
2005	22,443	145,443
2006	23,269	148,228
2007	24,068	151,225
2008	24,333	153,531
2009	25,761	154,440
2010	25,461	156,290

*Source: California State Department of Finance.*

## Employment and Industry

The following tables show civilian labor force and wage and salary employment data for Kings County, for the years 2005 through 2009. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the City. Figures for 2010 are not yet available.

### COUNTY OF KINGS Civilian Labor Force, Employment and Unemployment, Unemployment by Industry (Annual Averages)

TITLE	2005	2006	2007	2008	2009
Civilian Labor Force <sup>(1)</sup>	54,000	55,300	57,700	59,100	61,200
Civilian Employment	48,800	50,600	52,700	52,900	52,200
Civilian Unemployment	5,100	4,700	5,000	6,200	8,900
Civilian Unemployment Rate	9.5%	8.4%	8.6%	10.5%	14.6%
Total All Industries	41,200	43,000	45,000	44,300	43,300
Total Farm	7,700	8,700	9,300	6,700	6,700
Total Nonfarm	33,500	34,300	35,700	37,600	36,700
Total Private	19,900	20,300	20,900	22,100	21,100
Goods Producing	5,300	5,300	5,600	6,300	5,400
Mining, Logging and Construction	1,400	1,400	1,300	1,100	900
Manufacturing	3,900	3,900	4,300	5,100	4,400
Durable Goods	600	600	600	600	400
Nondurable Goods	3,300	3,400	3,700	4,600	4,000
Service Providing	28,300	29,000	30,100	31,300	31,300
Private Service Producing	14,600	15,000	15,400	15,900	15,700
Trade, Transportation & Utilities	5,300	5,400	5,500	5,500	5,200
Wholesale Trade	700	600	600	600	600
Retail Trade	3,900	4,100	4,200	4,100	3,900
Food & Beverage Stores	900	900	900	800	900
General Merchandise Stores	1,100	1,200	1,300	1,300	1,200
Retail Trade – Residual	1,900	2,000	2,000	2,000	1,900
Transportation, Warehousing & Utilities	800	800	800	900	800
Information	300	300	300	300	300
Financial Activities	1,100	1,100	1,100	1,100	1,000
Finance & Insurance	600	600	600	600	600
Real Estate & Rental & Leasing	500	500	400	500	500
Professional & Business Services	1,200	1,200	1,100	1,200	1,300
Educational & Health Services	3,400	3,600	3,900	4,400	4,600
Leisure & Hospitality	2,700	2,800	2,800	2,700	2,800
Other Services	600	600	600	600	500
Government	13,700	14,000	14,700	15,500	15,600
Federal Government	1,000	1,100	1,200	1,100	1,200
State & Local Government	12,700	12,900	13,600	14,300	14,400
State Government	5,300	5,400	5,900	6,300	6,300
Local Government	7,400	7,500	7,600	8,100	8,200
Special Districts plus Indian Tribes <sup>(2)</sup>	1,700	1,800	2,000	2,000	2,000

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Columns may not add to totals due to rounding.

Source: State of California Employment Development Department.

## Major Employers

The following table shows the major employers in the County as of January 2011, listed in alphabetical order.

### KINGS COUNTY Major Employers as of January 1, 2011 (Listed Alphabetically)

Employer Name	Location	Industry
Badasci & Wood Transport	Lemoore	Trucking
California State Prison	Corcoran	State Govt-Correctional Institutions
California State Prison	Corcoran	State Govt-Correctional Institutions
Central Valley Genl Hospital	Hanford	Hospitals
Central Valley Meat Co Inc	Hanford	Meat Packers (Mfrs)
Con Agra Foods Inc	Hanford	Food Brokers (Whls)
Del Monte Foods Co	Hanford	Canned Specialties (Mfrs)
Exopack	Hanford	Plastics-Foil & Coated Paper Bags (Mfrs)
Hanford Community Medical Ctr	Hanford	Hospitals
Hotel At Tachi Palace	Lemoore	Casinos
J G Boswell Co	Corcoran	Cotton Goods-Manufacturers
J G Boswell Co	Corcoran	Exporters (Whls)
Keenan Farms	Kettleman City	Salted & Roasted Nuts & Seeds (Mfrs)
Kings County Government Ctr	Hanford	Government Offices-County
Kmart	Lemoore	Department Stores
Lemoore High School	Lemoore	Schools
Leprino Foods Co (East Plant)	Lemoore	Cheese Processors (Mfrs)
Leprino Foods Co (West Plant)	Lemoore	Cheese Processors (Mfrs)
Nichols Farms	Hanford	Farms
Sentinel	Hanford	Newspapers (Publishers/Mfrs)
US Naval Air Station	Lemoore	Federal Government-National Security
US Naval Hospital	Lemoore	Hospitals
Walmart Supercenter	Hanford	Department Stores

*Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2011 1st Edition.*

## Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state, and local), nontax payments (fines, fees, penalties, etc.), and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the median household effective buying income for the County of Kings, the State of California, and the United States for the years 2004 through 2010.

**COUNTY OF KINGS, THE STATE OF CALIFORNIA  
AND THE UNITED STATES**

**Median Household Effective Buying Income  
As of January 1, 2004 through 2010**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Kings County	\$35,224	\$36,548	\$37,559	\$38,300	\$39,820	\$40,058	\$41,266
California	43,915	44,681	46,275	48,203	48,952	49,736	49,736
United States	39,324	40,529	41,255	41,792	42,303	43,252	43,252

*Source: Sales & Marketing Management Survey of Buying Power for 2004;  
Claritas Demographics for 2005 through 2010.*

**Commercial Activity**

A summary of historic taxable sales within the City is shown in the following table. Annual figures for 2010 are not yet available.

**CITY OF LEMOORE  
Taxable Retail Sales  
Number of Permits and Valuation of  
Taxable Transactions (shown in thousands of dollars)**

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2002	141	\$ 92,497	280	\$130,561
2003	141	95,524	284	139,948
2004	149	99,823	286	135,044
2005	155	109,109	284	145,787
2006	154	113,735	280	148,757
2007	163	117,040	288	155,290
2008	161	109,668	286	163,358
2009	186	97,452	271	137,553

*Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).*

A summary of historic taxable sales within the City is shown in the following table. Annual figures for 2010 are not yet available.

**COUNTY OF KINGS  
Taxable Retail Sales  
Number of Permits and Valuation of  
Taxable Transactions (shown in thousands of dollars)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2002	1,037	\$694,661	2,032	\$ 994,649
2003	1,047	742,897	2,086	1,007,437
2004	1,065	810,440	2,096	1,089,349
2005	1,108	903,691	2,143	1,219,619
2006	1,110	953,048	2,153	1,303,907
2007	1,118	969,042	2,178	1,328,747
2008	1,140	921,899	2,144	1,389,409
2009	1,333	787,342	1,998	1,174,981

*Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).*

**Construction Activity**

Building activity for the past five years in the City of Lemoore is shown in the following table. Complete figures for 2010 are not yet available.

**CITY OF LEMOORE  
Total Building Permit Valuations  
(Valuations in Thousands)**

Permit Valuation	2005	2006	2007	2008	2009
Total Residential	\$35087	\$37335	\$18300	\$19914	\$5584
Total Nonresidential	7032	9984	4170	7836	5379
Total All Buildings <sup>(1)</sup>	\$42119	\$47319	\$22470	\$27750	\$10963
<u>New Dwelling Units</u>					
Single Family	241	206	92	67	28
Multiple Family	28	0	0	130	0
TOTAL <sup>(1)</sup>	269	206	92	197	28

<sup>(1)</sup> Columns may not add to totals due to rounding.

*Source: Construction Industry Research Board, Building Permit Summary; City of Lemoore.*

Building activity for the past five years in the County of Kings is shown in the following table. Complete figures for 2010 are not yet available

**COUNTY OF KINGS  
Total Building Permit Valuations  
(Valuations in Thousands)**

<u>Permit Valuation</u>	2005	2006	2007	2008	2009
Total Residential	\$148,450	\$140,006	\$100,730	\$51,357	\$34,182
Total Nonresidential	64,216	41,827	52,523	40,241	35,540
Total All Buildings <sup>(1)</sup>	\$212,667	\$181,833	\$153,253	\$91,598	\$69,722
<u>New Dwelling Units</u>					
Single Family	1050	730	491	241	188
Multiple Family	116	175	151	137	0
TOTAL <sup>(1)</sup>	1,166	905	642	378	188

(1) Columns may not add to totals due to rounding.

Source: Construction Industry Research Board, Building Permit Summary.

## Transportation

Union Pacific freight service is provided through the San Joaquin Valley Railroad. An AMTRAK passenger station is located in Hanford, approximately 8 miles away. Fresno Air Terminal, providing air freight and passenger service, is within 30 miles of the City; Hanford Municipal Utility Airport, with a 4,200 foot runway, is 10 miles away. Kings Area Rural Transit has daily commuter service. Located on Freeway 198 and Highway 41, Lemoore is midway (20 miles) between Interstate 5 and Highway 99.

## APPENDIX C

### SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

*The following is a summary of certain provisions of the Indenture which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the respective agreement for a full and complete statement of the provisions thereof.*

#### DEFINITIONS

Definitions. Unless the context otherwise requires, the terms defined in the Indenture, for all purposes of the Indenture, of any Supplemental Indenture, and of any certificate, opinion or other document therein mentioned, have the meanings therein specified.

Agency. The term “Agency” means the Lemoore Redevelopment Agency, a public body corporate and politic duly organized and existing under the Law.

Alternate Reserve Account Security. The term “Alternate Reserve Account Security” means 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 are approved by the Agency.

Authority. The term “Authority” means the Lemoore Financing Authority, a joint powers authority duly organized and existing under the laws of the State.

Beneficial Owner. The term “Beneficial Owner” means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

Bond Counsel. The term “Bond Counsel” means an attorney or firm of attorneys acceptable to the Agency of nationally recognized standing in matters pertaining to the federal tax exclusion of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America or the District of Columbia.

Bond Year. The term “Bond Year” means the twelve (12) month period commencing on August 2 of each year, provided that the first Bond Year will extend from the Delivery Date to August 1, 2011.

Bondowner or Owner. The terms “Bondowner” or “Owner,” or any similar term, mean any person who is the registered owner or his duly authorized attorney, trustee or representative of any Outstanding Bond.

Bonds. The term “Bonds” means the Lemoore Redevelopment Agency Lemoore Redevelopment Project 2011 Tax Allocation Bonds, and, if the context requires, any Parity Bonds, authorized by and at any time Outstanding pursuant to the Indenture and any Supplemental Indenture.

Business Day. The term “Business Day” means any day other than: (i) a Saturday or Sunday or legal holiday or a day on which banking institutions in the city in which the corporate trust office of the Trustee in Seattle, Washington or St. Paul, Minnesota is located are authorized to close; or (ii) a day on which the New York Stock Exchange is closed.

City. The term “City” means the City of Lemoore, State of California.

Chairman. The term “Chairman” means the chairman of the Agency.

Code. The term “Code” means the Internal Revenue Code of 1986, as amended, and any regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it.

Computation Year. The term “Computation Year” means each annual period beginning on August 2 and ending on August 1 of the following year, provided that the first Computation Year will begin on the Delivery Date and the last year end on the date no Bonds are Outstanding.

Continuing Disclosure Certificate. The term “Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate of the Agency, dated the Delivery Date, relating to the Original Purchaser’s obligations under Rule 15c2-12 promulgated pursuant to the Securities Exchange Act of 1934, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

Costs of Issuance. The term “Costs of Issuance” means the costs and expenses incurred in connection with the issuance and sale of the Bonds, including the initial fees and expenses of the Trustee, bond insurance premium, if any, and/or rating agency fees, legal fees and expenses, costs of printing the Bonds and Official Statement, fees of financial consultants and other fees and expenses set forth in a Written Certificate of the Agency.

Delivery Date. The term “Delivery Date” means the date on which the Bonds are delivered to the initial purchaser thereof.

Depository. The term “Depository” means: (i) initially, DTC; and (ii) any other Securities Depository acting as Depository pursuant to the Indenture.

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

Event of Default. The term “Event of Default” means an event described in the Indenture.

Fiscal Year. The term “Fiscal Year” means any twelve (12) month period beginning on July 1st and ending on the next following June 30th.

Gross Tax Increment. The term “Gross Tax Increment” means 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 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 is allocated to, and when collected paid into, the fund of that taxing agency), and as provided in the Redevelopment Plan.

Housing Fund. The term “Housing Fund” means the Low and Moderate Income Housing Fund established and held by the Agency pursuant to Section 33334.3 of the Law.

Incremental Assessed Valuation. The term “Incremental Assessed Valuation” means the excess assessed valuation of property over the assessed valuation of such property as of the date of the effective date of the ordinance approving the Redevelopment Plan or, as to territory added to the Project Area by amendment to the Redevelopment Plan, the effective date of the ordinance approving the amendment thereto, as applicable.

Indenture. “Indenture” means the Indenture of Trust, dated as of February 1, 2011, by and between the Agency and U.S. Bank National Association approved by Resolution No. \_\_ \_\_\_\_, adopted by the Agency on February \_\_, 2011 authorizing the issuance of the Bonds.

Independent Financial Consultant; Independent Engineer; Independent Certified Public Accountant; Independent Redevelopment Consultant. The terms “Independent Financial Consultant,” “Independent Engineer,”

“Independent Certified Public Accountant” or “Independent Redevelopment Consultant” mean any individual or firm engaged in the profession involved, appointed by the Agency, and who, or each of whom, has a favorable reputation in the field in which his/her opinion or certificate will be given, and: (a) is in fact independent and not under domination of the Agency; (b) does not have any substantial interest, direct or indirect, with the Agency, other than as original purchaser of the Bonds; and (c) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

Information Services. The term “Information Services” means the Municipal Securities Rulemaking Board; or, in accordance with then current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the Agency may specify in a certificate to the Trustee.

Interest Account. The term “Interest Account” means the account by that name referenced in the Indenture.

Interest Payment Date. The term “Interest Payment Date” means August 1, 2011 and each February 1 and August 1 thereafter so long as any of the Bonds remain Outstanding under the Indenture.

Law. The term “Law” means the Community Redevelopment Law of the State of California.

Maximum Annual Debt Service. The term “Maximum Annual Debt Service” means 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 will be deducted pro rata from the remaining amounts thereon.

1998 Bonds. The term “1998 Bonds” means the Agency’s Lemoore Redevelopment Project Tax Allocation Refunding Bonds, Issue of 1998.

1998 Indenture. The term “1998 Indenture” means that certain Indenture of Trust, dated as of April 1, 1998, by and between the Agency and U.S. Bank National Association, as successor in interest to U.S. Bank Trust National Association, pursuant to which the 1998 Bonds were issued.

Opinion of Counsel. The term “Opinion of Counsel” means a written opinion of an attorney or firm of attorneys of favorable reputation in the field of municipal bond law. Any opinion of such counsel may be based upon, insofar as it is related to factual matters, information which is in the possession of the Agency as shown by a certificate or opinion of, or representation by, an officer or officers of the Agency, unless such counsel knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which his or her opinion may be based, as aforesaid, is erroneous.

Original Purchaser. The term “Original Purchaser” means E.J. De La Rosa & Co., Inc., as the original purchaser of the Bonds from the Authority, and in connection with the issuance of any Parity Bonds, the original purchaser thereof.

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

Parity Bonds. The term “Parity Bonds” means 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 as permitted by the 1998 Indenture, the 2003 Indenture and the Indenture.

Pass-Through Agreements. The term “Pass-Through Agreements” means the agreements entered into on or prior to the date of the Indenture pursuant to Section 33401 of the Health and Safety Code by and between the Agency and: (i) the County of Kings; (ii) the Lemoore Union High School District; (iii) the Lemoore Union Elementary School District; (iv) the West Hills Community College District; (v) the Lemoore Cemetery District; (vi) the Kings Mosquito Abatement District; and (vii) the County Superintendent of Schools, respectively.

Permitted Investments. The term “Permitted Investments” means the following. The Trustee is entitled to rely upon the written investment direction of the Agency as a representation that such investment constitutes a legal investment under the laws of the State: (a) The following obligations may be used for all purposes, including defeasance investments in refunding escrow accounts: (1) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below); or (2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including: U.S. treasury obligations; All direct or fully guaranteed obligations; Farmers Home Administration; General Services Administration; Guaranteed Title XI financing; Government National Mortgage Association (GNMA); and State and Local Government Series. Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date). (b) The following obligations may be used for all purposes other than defeasance investments in refunding escrow accounts: (1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: Export-Import Bank; Rural Economic Community Development Administration; U.S. Maritime Administration; Small Business Administration; U.S. Department of Housing & Urban Development (PHAs); Federal Housing Administration; and Federal Financing Bank; (2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: Senior debt obligations rated “Aaa” by Moody’s and “AAA” by S&P issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC); Obligations of the Resolution Funding Corporation (REFCORP); and Senior debt obligations of the Federal Home Loan Bank System; (3) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks (including the Trustee and its affiliates) which have a rating on their short term certificates of deposit on the date of purchase of “P-1” by Moody’s and “A-1” or “A-1+” by S&P and maturing no more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.); (4) Commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s and “A-1+” by S&P and which matures not more than 270 calendar days after the date of purchase; (5) Investments in a money market fund, including those funds from which the Trustee or any of its affiliates receive any advisory or other fees, rated “AAAm” or “AAAm-G” or better by S&P; (6) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (A) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of S&P and Moody’s or any successors thereto; or (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (a)(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in the Indenture on the maturity date or dates specified in the irrevocable instructions referred to above as appropriate; (7) Municipal obligations rated “Aaa/AAA” or general obligations of States with a rating of at least “A2/A” or higher by both Moody’s and S&P; (8) Investment agreements supported by appropriate opinions of counsel; and (9) Investments in the State of California Local Agency Investment Fund created pursuant to Section 16429.1 of the Government Code of the State. (c) The value of the above investments will be determined as follows: “Value,” which will be determined as of the end of each month, means that the value of any investments will be calculated as follows: (A) For securities: (1) the closing bid price quoted by Interactive Data Systems, Inc.; or (2) a valuation performed by a nationally recognized and accepted pricing service whose valuation method consists of the composite average of various bid price quotes on the valuation date; or (3) the lower of two dealer bids on the valuation date. The dealers or their parent holding companies must be rated at least investment grade by Moody’s

and S&P and must be market makers in the securities being valued; (B) As to certificates of deposit and bankers' acceptance: the face amount thereof, plus accrued interest; and (C) As to any investment not specified above: the value thereof established by prior agreement between the Agency and the Trustee.

Plan Limit. The term "Plan Limit" means 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 Law.

Principal Account. The term "Principal Account" means the account by that name referenced in the Indenture.

Project Area; Redevelopment Project. The terms "Project Area" or "Redevelopment Project" mean the project area defined and described in the Redevelopment Plan.

Rebate Regulations. The term "Rebate Regulations" means any final, proposed or temporary Treasury Regulations issued under Section 148(f) of the Code.

Redemption Account. The term "Redemption Account" means the account by that name referenced in the Indenture.

Redevelopment Fund. The term "Redevelopment Fund" means the fund by that name continued pursuant to the Indenture.

Redevelopment Plan. The term "Redevelopment Plan" means the Redevelopment Plan for the Lemoore Redevelopment Project, approved and adopted by the City Council of the City by Ordinance No. 8616 of the City of Lemoore on November 18, 1986 and amended by Ordinance No. 9009 adopted by the City Council on June 19, 1990, further amended by Ordinance No. 9702 adopted by the City Council on July 19, 1997 and further amended by Ordinance No. 2006-02 adopted by the City Council on May 2, 2006, and includes any amendment thereof made pursuant to the Law.

Regular Record Date. The term "Regular Record Date" means the fifteenth day of the month preceding any Interest Payment Date whether or not such day is a Business Day.

Reserve Account. The term "Reserve Account" means the account by that name referenced in the Indenture.

Reserve Requirement. The term "Reserve Requirement" means, as of the date of computation, 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) 125% of the then average annual debt service on the Bonds and the Parity Bonds.

Securities Depositories. The term "Securities Depositories" means, DTC, or, in accordance with the then current guidelines of the Securities and Exchange Commission, such other securities depositories as the Agency may designate in a Request of the Agency delivered to the Trustee.

Special Fund. The term "Special Fund" means that trust fund established in the Indenture.

State. The term "State" means the State of California, United States of America.

Statutory Pass-Throughs. The term "Statutory Pass-Throughs" means amounts payable to taxing entities pursuant to Sections 33607.5, 33607.7 or 33676 of the Law.

Supplemental Indenture. The term "Supplemental Indenture" means any indenture then in full force and effect which has been duly adopted by the Agency under the Law, or any act supplementary thereto or amendatory thereof, at a meeting of the Agency duly convened and held, of which a quorum was present and acted thereon,

amendatory of or supplemental to the Indenture or any indebtedness entered into in connection with the issuance of Parity Bonds; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

Tax Certificate. The term “Tax Certificate” means that certain Tax Certificate executed by the Agency with respect to the Bonds.

Tax Revenues. The term “Tax Revenues” means 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 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 will be issued to finance amounts deposited in the Low and Moderate Income Housing Fund for use pursuant to Section 33334.2 of the 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 Law and amounts required to be paid to taxing agencies pursuant to the Pass-Through Agreements or Statutory Pass-Throughs.

Tax Revenue Fund. The term “Tax Revenue Fund” means the existing Agency Administration Fund.

Trustee. The term “Trustee” means U.S. Bank National Association, a national banking association, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the Indenture.

Trust Office. The term “Trust Office” means such corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the Agency, initially being at the address set forth in the Indenture, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term means the office or agency of the Trustee at which at any particular time, its corporate trust agency is conducted, initially located in St. Paul, Minnesota.

2003 Bonds. The term “2003 Bonds” means the Agency’s Lemoore Redevelopment Project Tax Allocation Refunding Bonds, Series 2003.

2003 Indenture. The term “2003 Indenture” means that certain Indenture of Trust, dated as of May 1, 2003, by and between the Agency and U.S. Bank National Association, pursuant to which the 2003 Bonds were issued.

Written Request of the Agency; Written Certificate of the Agency. The terms “Written Request of the Agency” or “Written Certificate of the Agency” mean a request or certificate, in writing signed by the Executive Director, Secretary or Treasurer of the Agency or by any other officer of the Agency duly authorized by the Agency for that purpose.

## AUTHORIZATION AND TERMS

Authorization of Bonds. The Bonds will be and are special obligations of the Agency and are secured by an irrevocable pledge of, and are payable as to principal, interest and premium, if any, on a parity with the Agency’s Parity Bonds from Tax Revenues and other funds as provided in the Indenture. The Bonds, interest and premium, if any, thereon are not a debt of the City, the State or any of its political subdivisions (except the Agency), and none of the City, the State nor any of its political subdivisions (except the Agency) is liable for the payment thereof. In no event will the Bonds, interest thereon and premium, if any, be payable out of any funds or properties other than those of the Agency as set forth in the Indenture. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the members of the Agency nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

The Bonds will be and are equally secured together with the Parity Bonds, by an irrevocable pledge of the Tax Revenues and other funds as provided in the Indenture, without priority for number, maturity, date of sale, date of execution or date of delivery, except as expressly provided in the Indenture.

The validity of the Bonds is not and will not be dependent upon: (i) the completion of the Redevelopment Project or any part thereof; (ii) the performance by anyone of his/her obligations relative to the Redevelopment Project; or (iii) the proper expenditures of the proceeds of the Bonds.

Nothing in the Indenture precludes: (1) the payment of the Bonds from the proceeds of refunding bonds issued pursuant to law; or (2) the payment of the Bonds from any legally available funds. Nothing in the Indenture prevents the Agency from making advances of its own funds, however derived, to any of the uses and purposes mentioned in the Indenture.

The Agency has the right to defease the Bonds and be discharged from the lien of the Indenture in accordance with the provisions of the Indenture. If the Agency causes to be paid, or has made provision to pay upon maturity or upon redemption prior to maturity, to the Bondowners the principal of, premium, if any, and interest to become due on the Bonds, through setting aside trust funds or setting apart in a reserve fund or special trust account created pursuant to the Indenture or otherwise, or through the irrevocable segregation for that purpose in some sinking fund or other fund or trust account with a fiscal agent or otherwise, moneys sufficient therefor, including, but not limited to, interest earned or to be earned on the investment of such funds, then the lien of the Indenture, including, without limitation, the pledge of the Tax Revenues, and all other rights granted by the Indenture, will cease, terminate and become void and be discharged and satisfied, and the principal of, premium, if any, and interest on the Bonds will no longer be deemed to be outstanding and unpaid; provided, however, that nothing in the Indenture requires the deposit of more than such amount as may be sufficient, taking into account both the principal amount of such funds and the interest to become due on the investment thereof, to implement any refunding of the Bonds.

Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Trust Office for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Bond or Bonds is surrendered for registration of transfer, the Agency will execute and the Trustee will authenticate and deliver a new Bond or Bonds, of like series, interest rate, maturity and principal amount. The Trustee will collect any tax or other governmental charge on the transfer of any Bonds pursuant to the Indenture. The cost of printing any Bonds and any services rendered or any expenses incurred by the Trustee in connection with any exchange or transfer will be paid by the Agency.

The Trustee may refuse to transfer, under the provisions of the Indenture, either: (a) any Bonds during the period established by the Trustee for the selection of Bonds for redemption; or (b) any Bonds selected by the Trustee for redemption pursuant to the provisions of the Indenture.

Exchange of Bonds. Bonds may be exchanged at the Trust Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same series, interest rate and maturity. The Trustee will collect any tax or other governmental charge on the exchange of any Bonds pursuant to the Indenture. The cost of printing any Bonds and any services rendered or any expenses incurred by the Trustee in connection with any exchange or transfer will be paid by the Agency.

The Trustee may refuse to exchange, under the provisions of the Indenture, either: (a) any Bonds during the period established by the Trustee for the selection of Bonds for redemption; or (b) any Bonds selected by the Trustee for redemption pursuant to the provisions of the Indenture.

Registration Books. The Trustee will keep or cause to be kept, at its Trust Office, sufficient records for the registration and registration of transfer of the Bonds, which will at all times during normal business hours be open to inspection by the Agency with reasonable prior notice; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books, Bonds as provided in the Indenture.

Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, will be of such denominations as may be determined by the Agency, and may contain such reference to any of the provisions of the Indenture as may be appropriate. Every temporary Bond will be executed by the Agency upon the same conditions and in substantially the same manner as the definitive Bonds. If the Agency issues temporary Bonds it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds will be surrendered, for cancellation, in exchange therefor at the Trust Office of the Trustee, and the Trustee will deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds will be entitled to the same benefits pursuant to the Indenture as definitive Bonds authenticated and delivered thereunder.

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

Book Entry System. (a) The Bonds will be initially delivered in the form of a separate single fully registered Bond for each of the series and maturities set forth in the Indenture. Upon initial delivery, the ownership of each Bond will be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC. Except as provided in the Indenture, all of the Outstanding Bonds will be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC.

(b) With respect to Bonds registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, the Agency and the Trustee have no responsibility or obligation with respect to: (i) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the Bonds; (ii) the delivery to any Participant or any other person, other than an Owner of a Bond, as shown in the registration books kept by the Trustee, of any notice with respect to the Bonds, including any notice of redemption; or (iii) the payment to any Participant or any other person, other than an Owner of a Bond, as shown in the registration books kept by the Trustee, of any amount with respect to principal of, premium, if any, or interest on the Bonds. The Agency and the Trustee may treat and consider the person in whose name each Bond is registered in the registration books kept by the Trustee as the holder and absolute Owner of such Bond for the purpose of payment of principal, premium, if any, and interest with respect to such Bond, for the purpose of giving notices of redemption, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee will pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners of the Bonds, as shown in the registration books kept by the Trustee, as provided in the Indenture, or their respective attorneys duly authorized in writing, and all such payments will be valid and effective to fully satisfy and discharge the Agency's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner of a Bond, as shown in the registration books kept by the Trustee, will receive a certificated Bond evidencing the obligation of the Agency to make payments of principal, premium, if any, and interest pursuant to the Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in the Indenture with respect to Record Dates, the word "Cede & Co." in the Indenture will refer to such new nominee of DTC.

(c) In order to qualify the Bonds for the DTC's book entry system, an authorized representative of the Agency has been authorized to execute and deliver to DTC the Representation Letter. The

execution and delivery of the Representation Letter will not in any way impose upon the Agency any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners, as shown on the registration books kept by the Trustee. The Trustee has agreed to take all action necessary to continuously comply with all representations made by it in the Representation Letter to the extent that such action is not inconsistent with the Indenture. In addition to the execution and delivery of the Representation Letter, an Authorized Officer of the Agency has been authorized to take any other actions, not inconsistent with the Indenture, to qualify the Bonds for DTC's book entry program.

(d) (1) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the Agency and the Trustee and discharging its responsibilities with respect thereto under applicable law. (2) The Agency, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds if the Agency determines that: (i) DTC is unable to discharge its responsibilities with respect to the Bonds; or (ii) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., or any other nominee of DTC, is not in the best interest of the beneficial owners of the Bonds. (3) Upon the termination of the services of DTC with respect to the Bonds pursuant to the Indenture, after which no substitute securities depository willing to undertake the functions of DTC under the Indenture can be found which, in the opinion of the Agency, is willing and able to undertake such functions upon reasonable and customary terms, the Agency is obligated to deliver the Bonds at the expense of the beneficial Owners of the Bonds, as described in the Indenture and the Bonds will no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names of Owners of Bonds transferring or exchanging Bonds designate, in accordance with the provisions of the Indenture.

(e) Notwithstanding any other provisions of the Indenture to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond will be made and given, respectively, in the manner provided in the Representation Letter.

#### DEPOSIT AND APPLICATION OF PROCEEDS OF BONDS

Redevelopment Fund. There has been continued with the Agency a fund known as the "Lemoore Redevelopment Project, Redevelopment Fund" (the "Redevelopment Fund"), which fund the Agency has agreed and covenanted to cause to continue to be maintained and to be held by the Agency. The moneys in the Redevelopment Fund will be used in the manner provided by the Law solely for the purpose of aiding in financing the Redevelopment Project, including the payment of expenses in connection with the issuance and sale of the Bonds and fees and expenses of the Trustee not otherwise paid from the Costs of Issuance Fund. A portion of the money deposited in the Redevelopment Fund will be transferred to the Housing Fund in accordance with the provisions of Section 33334.2 of the Law. The Agency has warranted that no funds on deposit in the Redevelopment Fund will be applied for any purpose not authorized by the Law. If any sum remains in the Redevelopment Fund after the full accomplishment of the objects and purposes for which the Bonds were issued as determined by resolution of the Agency, that sum will be transferred to the Tax Revenue Fund. All of the above uses constitute a "redevelopment activity" as that term is defined in Health and Safety Code Section 33678.

Validity of Bonds. The validity of the authorization and issuance of the Bonds is not dependent upon the completion of the Redevelopment Project or upon the performance by any person of his obligation with respect to the Redevelopment Project.

#### SECURITY OF BONDS; FLOW OF FUNDS

Security of Bonds; Equal Security. Except as provided in the Indenture, the Bonds, together with the Parity Bonds, will be equally secured by a first pledge of and lien on all of the Tax Revenues and a first and exclusive pledge of and lien upon all of the moneys in the Tax Revenue Fund, and the Bond subaccounts of each of the Interest Account, the Principal Account, the Reserve Account and the Redemption Account without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Tax Revenues and such moneys, no funds or properties of the Agency will be pledged to, or otherwise liable for, the

payment of principal of or interest or redemption premium (if any) on the Bonds. The foregoing applies to existing security, if any security, as well as any to be granted in the future.

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

Tax Revenue Fund; Special Fund; Deposit of Tax Revenues. In order to carry out and effectuate the pledge and lien contained in the Indenture, all Tax Revenues will be received in a special trust fund known as the "Tax Revenue Fund," which will be held by the Agency and which the Agency has covenanted and agreed to hold separate and apart from other funds so long as any Parity Bonds remain unpaid. There has been continued a special trust fund known as the "Lemoore Redevelopment Project, Special Fund" (the "Special Fund") and the accounts therein referred to below, which will be held by the Trustee. The Agency will deposit all of the Tax Revenues received in any Bond Year in the Tax Revenue Fund promptly upon receipt thereof by the Agency to secure equally and ratably each series of Parity Bonds, until such time during such Bond Year as the amounts on deposit in the Tax Revenue Fund equal the aggregate amounts required to be transferred to the Trustee for deposit into the Interest Account, the Principal Account, the Reserve Account and the Redemption Account of the Special Fund (and respective subaccounts therein) in such Bond Year pursuant to the Indenture and for deposit in such Bond Year in the funds and accounts established with respect to Parity Bonds, as provided in any Supplemental Indenture.

All Tax Revenues received by the Agency during any Bond Year in excess of the amount required to be deposited in the Tax Revenue Fund during such Bond Year pursuant to the preceding paragraph will be declared as "surplus" and released from the pledge and lien under the Indenture for the security of the Bonds and may be applied by the Agency for any lawful purposes of the Agency, including but not limited to the payment of any amounts due and owing to the United States of America pursuant to the Indenture. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the Bonds and the payment in full of other amounts payable under the Indenture, and under any Supplemental Indentures, the Agency will not have any beneficial right or interest in the moneys on deposit in the Tax Revenue Fund, except as may be provided in the Indenture and in any Supplemental Indentures.

#### Rebate Fund.

(a) Establishment. The Trustee will establish a separate fund for the Bonds designated the "Rebate Fund." Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected, the Agency will cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Indenture and the Tax Certificate. All money at any time deposited in the Rebate Fund will be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund for the Bonds will be governed by the Indenture and the Tax Certificate, unless and to the extent that the Agency delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected if such requirements are not satisfied. Notwithstanding anything to the contrary contained in the Indenture or in the Tax Certificate, the Trustee will be deemed conclusively to have complied with the provisions of the Indenture and the Tax Certificate if the Trustee follows the directions of the Agency, and the Trustee has no independent responsibility to or liability resulting from failure of the Trustee to enforce compliance by the Agency with the Tax Certificate or the provisions of the Indenture.

(i) Annual Computation. Within 55 days of the end of each Bond Year, the Agency will calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and the construction expenditures exception of Section 148(f)(4)(C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the

“1½% Penalty”) has been made), for such purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the “Rebatable Arbitrage”). The Agency will obtain expert advice as to the amount of the Rebatable Arbitrage to comply with the Indenture.

(ii) Annual Transfer. Within 55 days of the end of each Bond Year, upon the Written Request of the Agency, an amount will be deposited to the Rebate Fund by the Trustee from any Tax Revenues legally available for such purpose (as specified by the Agency in the aforesaid Written Request), if and to the extent required so that the balance in the Rebate Fund equals the amount of Rebatable Arbitrage so calculated in accordance with clause (i) above. In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, upon Written Request of the Agency, the Trustee will withdraw the excess from the Rebate Fund and transfer such excess to the Agency for deposit in the Tax Revenue Fund.

(iii) Payment to the Treasury. The Trustee will pay, as directed by Written Request of the Agency, to the United States Treasury, out of amounts in the Rebate Fund: (A) Not later than 60 days after the end of: (1) the fifth Bond Year; and (2) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and (B) Not later than 60 days after the payment of all of the Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code and Section 1.148-3 of the Treasury Regulations.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Agency will calculate or cause to be calculated the amount of such deficiency and transfer to the Trustee for deposit into the Rebate Fund an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to the foregoing provisions will be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038-T prepared by the Agency, or will be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment of the Bonds and the payments described in clause (a) above being made may be withdrawn at the request of the Agency and utilized in any manner by the Agency.

(c) Survival of Defeasance. Notwithstanding anything in the Indenture to the contrary, the obligation to comply with the rebate fund requirements of the Indenture will survive the defeasance or payment in full of the Bonds.

#### OTHER COVENANTS OF THE AGENCY

Covenants of the Agency. As long as the Bonds are outstanding and unpaid, the Agency will (through its proper members, officers, agents or employees) faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture or in any Bond issued thereunder, including the following covenants and agreements for the benefit of the Bondowners which are necessary, convenient and desirable to secure the Bonds and the Parity Bonds and will tend to make them more marketable; provided, however, that the covenants do not require the Agency to expend any funds other than the Tax Revenues.

Complete Redevelopment Project; Amendment to Redevelopment Plan. The Agency has covenanted and agreed that it will diligently carry out and continue to completion in a sound and economical manner, with all practicable dispatch, the Redevelopment Project in accordance with its duty to do so under and in accordance with the Law and the Redevelopment Plan and in a sound and economical manner. The Redevelopment Plan may be amended as provided in the Law but no amendment will be made unless it will not impair the security of the Bonds or the rights of the Bondowners, as shown by an Opinion of Counsel addressed to the Agency and the Trustee, based upon a certificate or opinion of an Independent Financial Consultant appointed by the Agency.

Use of Proceeds; Management and Operation of Properties. The Agency has covenanted and agreed that the proceeds of the sale of the Bonds will be deposited and used as provided in the Indenture and that it will manage and operate all properties owned by it comprising any part of the Project Area in a sound and businesslike manner.

No Priority. The Agency has covenanted and agreed that it will not issue any obligations payable, either as to principal or interest, from the Tax Revenues which have any lien upon the Tax Revenues prior or superior to the lien of the Bonds. Except as permitted by the Indenture, it will not issue any obligations or other indebtedness (including pass-through agreements), payable as to principal or interest, from the Tax Revenues, which have any lien upon the Tax Revenues on a parity with the Bonds authorized in the Indenture. Notwithstanding the foregoing, nothing in the Indenture prevents the Agency: (i) from issuing and selling pursuant to law, refunding obligations payable from and having any lawful lien upon the Tax Revenues, if such refunding obligations are issued for the purpose of, and are sufficient for the purpose of, refunding any or all of the Outstanding Bonds and Parity Bonds; (ii) from issuing and selling obligations which have, or purport to have, any lien upon the Tax Revenues which is junior to the Bonds; or (iii) from issuing and selling bonds or other obligations which are payable in whole or in part from sources other than the Tax Revenues. As used in the Indenture, "obligations" include, without limitation, bonds, notes, interim certificates, debentures or other obligations.

Punctual Payment. The Agency has covenanted and agreed that it will duly and punctually pay or cause to be paid the principal of and interest on each of the Bonds on the date, at the place and in the manner provided in the Bonds.

Payment of Taxes and Other Charges. The Agency has covenanted and agreed that it will from time to time pay and discharge, or cause to be paid and discharged, all payments in lieu of taxes, service charges, assessments or other governmental charges which may lawfully be imposed upon the Agency or any of the properties then owned by it in the Project Area, or upon the revenues and income therefrom, and will pay all lawful claims for labor, materials and supplies which if unpaid might become a lien or charge upon any of the properties, revenues or income or which might impair the security of the Bonds or the use of Tax Revenues or other legally available funds to pay the principal of and interest on the Bonds, all to the end that the priority and security of the Bonds will be preserved; provided, however, that nothing in the Indenture require the Agency to make any such payment so long as the Agency in good faith contests the validity of the payment.

Books and Accounts; Financial Statements. The Agency has covenanted and agreed that it will at all times keep, or cause to be kept, proper and current books and accounts (separate from all other records and accounts) in which complete and accurate entries are made of all transactions relating to the Project Area and the Tax Revenues and other funds relating to the Project Area. The Agency will prepare within 270 days after the close of each of its Fiscal Years a complete financial statement or statements for the Fiscal Year, in reasonable detail covering the Project Area Tax Revenues and other funds, accompanied by an opinion of an Independent Certified Public Accountant appointed by the Agency, and will furnish a copy of the statement or statements to the Trustee and any rating agency which maintains a rating on the Bonds, and, upon written request, to any Bondowner. The Trustee has no duty to review such financial statements.

Taxation of Leased Property. All amounts derived by the Agency pursuant to Section 33673 of the Law with respect to the lease of property for redevelopment will be treated as Tax Revenues for all purposes of the Indenture.

Eminent Domain Proceeds. The Agency has covenanted and agreed that if all or any part of the Project Area should be taken from it without its consent, by eminent domain proceedings or other proceedings authorized by law, for any public or other use under which the property will be tax exempt, it will take all steps necessary to adjust accordingly the base year property tax roll of the Project Area.

Disposition of Property. The Agency has covenanted and agreed that it will not dispose of more than 10% of the land area in the Project Area (except property shown in the Redevelopment Plan in effect on the date the Indenture is adopted as planned for public use, or property to be used for public streets, public offstreet parking, sewage facilities, parks, easements or right-of-way for public utilities, or other similar uses) to public bodies or other persons or entities whose property is tax exempt, unless such disposition will not result in the security of the Bonds or the rights of Bondowners being substantially impaired, as shown by an Opinion of Counsel addressed to the

Agency and the Trustee, based upon the certificate or opinion of an Independent Financial Consultant appointed by the Agency.

Protection of Security and Rights of Bondowners. The Agency has covenanted and agreed to preserve and protect the security of the Bonds and the rights of the Bondowners and to contest by court action or otherwise: (a) the assertion by any officer of any government unit or any other person whatsoever against the Agency that: (i) the Law is unconstitutional; or (ii) that the Tax Revenues pledged under the Indenture cannot be paid to the Agency for the debt service on the Bonds; or (b) any other action affecting the validity of the Bonds or diluting the security therefor.

Tax Covenants. Notwithstanding any other provision of the Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds will not be adversely affected for federal income tax purposes, the Agency has covenanted to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and has specifically covenanted, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The Agency will not take or omit to take any action or make any use of the proceeds of the Agency or of any other moneys or property which would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code.

(b) Arbitrage. The Agency will make no use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(c) Federal Guarantee. The Agency will make no use of the proceeds of the Bonds or take or omit to take any action that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(d) Information Reporting. The Agency will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code necessary to preserve the exclusion of interest with respect to the Bonds pursuant to Section 103(a) of the Code.

(e) Hedge Bonds. The Agency will make no use of the proceeds of the Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the Agency takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the Bonds for federal income tax purposes.

(f) Miscellaneous. The Agency will take no action, or omit to take any action, inconsistent with its expectations stated in any Tax Certificate executed with respect to the Bonds and will comply with the covenants and requirements stated therein and incorporated by reference in the Indenture.

The foregoing tax covenants are not applicable to, and nothing contained in the Indenture prevents the Agency from issuing bonds, the interest with respect to which has been determined by Bond Counsel to be subject to federal income taxation.

Compliance with Law. The Agency has covenanted that it will comply with the requirements of the Law. Without limiting the generality of the foregoing, the Agency has covenanted and agreed to file all required statements and hold all public hearings required under the Law to assure compliance by the Agency with its covenants under the Indenture. Without limiting the generality of the foregoing, the Agency has covenanted that it will deposit or cause to be deposited in the Housing Fund established pursuant to Section 33334.3 of the Law, all amounts when, as and if required to be deposited therein pursuant to the Law and will expend amounts deposited in the Housing Fund, including, without limitation, proceeds of any Parity Bonds deposited therein, solely in accordance with Sections 33334.2 and 33334.6 of the Law and in any event so that the amount payable to such Housing Fund in any year on a basis superior to the Bonds will not exceed 20% of Gross Tax Increment unless Tax

Revenues following such payments exclusive of such larger amount are at least 1.35 times Maximum Annual Debt Service, applying the Parity Bond test set forth in the Indenture.

Limitation on Indebtedness. The Agency has covenanted and agreed that it has not and will not incur any loans, obligations or indebtedness repayable from Tax Revenues such that the total aggregate debt service on said loans, obligations or indebtedness incurred from and after the date of adoption of the Redevelopment Plan, when added to the total aggregate debt service on the Bonds, will exceed the maximum amount of Tax Revenues to be divided and allocated to the Agency pursuant to the Redevelopment Plan.

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

Continuing Disclosure Certificate. The Agency has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate dated the Delivery Date. Notwithstanding any other provision of the Indenture, failure of the Agency to comply with the Continuing Disclosure Certificate will not be considered an Event of Default; however, any participating underwriter, holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Calculation of Gross Tax Increment. The Agency will file annually with the Trustee on or prior to April 1 of each year a Written Certificate of the Agency certifying: (i) that Gross Tax Increment received by the Agency through the date of such certificate, combined with the amount remaining to be paid on all outstanding Bonds and other obligations of the Agency payable from Gross Tax Increment, to the extent the amounts payable on such obligations are reasonably ascertainable, will not exceed the Plan Limit; and (ii) that Tax Revenues to be received by the Agency prior to the last date the Agency is entitled to receive Gross Tax Increment, based on the assumption that Tax Revenues received in the Fiscal Year in which the Written Certificate is filed will not increase or decrease in each subsequent year, but taking into account the termination of the Redevelopment Plan with respect to any portion of the Project Area, will be equal to not less than 150% of debt service on the Bonds. To the extent that the total Gross Tax Increment received, combined with the amount remaining to be paid on all outstanding Bonds and other obligations of the Agency payable from Gross Tax Increment, to the extent the amounts payable on such obligations are reasonably ascertainable, equals or exceeds 95% of the Plan Limit or Tax Revenues to be received are less than 150% of debt service on the Bonds, all Tax Revenues will be deposited with the Trustee and invested in defeasance investments as set forth in clause (a) of the definition of "Permitted Investments" and may only be used to pay debt service or call bonds or such outstanding obligations.

#### THE TRUSTEE

Duties, Immunities and Liabilities of Trustee. (a) The Trustee will, prior to the occurrence of an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants will be read into the Indenture against the Trustee. The Trustee will, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of its own affairs.

(b) The Agency may remove the Trustee at any time, unless an Event of Default has occurred and is continuing, and will remove the Trustee: (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing); or (ii) if at any time the Agency has knowledge that the Trustee has ceased to be eligible in accordance with the Indenture, or has become incapable of acting, or has been adjudged as bankrupt or insolvent, or a receiver of the Trustee or its property has been appointed, or any public officer has taken control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal will be accomplished by the giving of written notice of such removal by the Agency to the Trustee, whereupon the Agency will appoint a successor Trustee by an instrument in

writing. The Trustee may be removed pursuant to the Indenture for any breach of the duties and obligations of the Trustee set forth in the Indenture. Notwithstanding any other provision of the Indenture, no removal, resignation or termination of the Trustee will take effect until a successor is appointed.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Agency and by giving the Owners notice of such resignation by first class mail, postage prepaid, at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Agency will promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee will become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee has been appointed and has accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture will signify its acceptance of such appointment by executing and delivering to the Agency and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, will become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless at the Written Request of the Agency or the request of the successor Trustee, such predecessor Trustee will execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and will pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the Agency will execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in the Indenture, the Agency will mail, with a copy to the Successor Trustee, a notice of the succession of such Trustee to the trusts under the Indenture to each rating agency which then has a current rating on the Bonds and to the Owners at their respective addresses shown on the Registration Books. If the Agency fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee will cause such notice to be mailed at the expense of the Agency.

(e) Any Trustee appointed under the provisions of the Indenture will be a bank, national banking association or trust company having a combined capital and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of the Indenture the combined capital and surplus of such bank, national banking association or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee ceases to be eligible in accordance with the provisions of the Indenture, the Trustee will resign immediately in the manner and with the effect specified in the Indenture.

(f) The Trustee has no responsibility or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

(g) Before taking any action under the Indenture at the request or direction of the Owners, the Trustee may require that an indemnity bond satisfactory to the Trustee be furnished by the Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or its willful misconduct in connection with any action so taken.

(h) The Trustee is not liable for any action taken or not taken by it in accordance with the direction of the Owners of a majority (or other percentage provided for in the Indenture) in aggregate principal amount of Bonds outstanding relating to the exercise of any right or remedy available to it or the exercise of any trust or power available to the Trustee.

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

Merger or Consolidation. Any bank, national banking association or trust company into which the Trustee may be merged or converted or with which either of them may be consolidated, any bank, national banking association or trust company resulting from any merger, conversion or consolidation to which it is a party or any bank, national banking association or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such bank, national banking association or trust company is eligible under the Indenture, will be the successor to such Trustee without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

Liability of Trustee. (a) The recitals of facts in the Indenture and in the Bonds will be taken as statements of the Agency, and the Trustee does not assume responsibility for the correctness of the same, nor make any representations as to the validity or sufficiency of the Indenture or of the Bonds nor incur any responsibility in respect thereof, other than as expressly stated in the Indenture. The Trustee will, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee is not liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct. The Trustee may become the Owner of any Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such committee represents the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee is not liable for any error of judgment made in good faith by a responsible officer, unless the Trustee has been negligent in ascertaining the pertinent facts.

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

(d) The Trustee is not liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture, except for actions arising from the negligence or willful misconduct of the Trustee.

(e) The Trustee will not be deemed to have knowledge of any Event of Default under the Indenture unless and until a responsible officer has actual knowledge thereof, or has received written notice thereof at its Trust Office. Except as otherwise expressly provided in the Indenture, the Trustee is not bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements therein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default thereunder. The Trustee is not responsible for the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee is not responsible for reviewing the contents of any financial statements furnished to the Trustee pursuant to the Indenture and may rely conclusively on the certificates accompanying such financial statements to establish the Agency's compliance with its financial covenants under the Indenture, including, without limitation, the covenants regarding the deposit of Tax Revenues into the Tax Revenue Fund and the investment and application of moneys on deposit in the Tax Revenue Fund (other than covenants to transfer such moneys to the Trustee when due under the Indenture).

(f) No provision in the Indenture requires the Trustee to risk or expend its own funds or otherwise incur any financial liability thereunder if it has reasonable grounds for believing that repayment of such funds or adequate indemnity against such liability or risk is not assured to it.

(g) The Trustee is not considered in breach of or in default in its obligations under the Indenture or progress in respect thereto in the event of enforced delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or

general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or other relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(h) The permissive right of the Trustee to do things enumerated in the Indenture will not be construed as a duty and the Trustee is not answerable for other than its negligence or willful misconduct.

(i) The Trustee has no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

(j) The Trustee has agreed to accept and act upon facsimile transmission of written instructions and/or directions pursuant to the Indenture provided, however, that: (i) subsequent to such facsimile transmission of written instructions and/or directions the Trustee will forthwith receive the originally executed instructions and/or directions; (ii) such originally executed instructions and/or directions will be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions; and (iii) the Trustee will have received a current incumbency certificate containing the specimen signature of such designated person.

Right to Rely on Documents. The Trustee will be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties, in the absence of negligence or willful misconduct by the Trustee. The Trustee may consult with counsel, including, without limitation, counsel of or to the Agency, with regard to legal questions, and, in the absence of negligence or willful misconduct by the Trustee, the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by the Trustee under the Indenture in accordance therewith.

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

Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof be specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the Agency, which will be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Written Certificate of the Agency, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable. The Trustee may conclusively rely on any certificate of report of any Independent Accountant or Independent Redevelopment Consultant appointed by the Agency.

Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the Indenture will be retained in its possession and will be subject at all reasonable times during regular business hours upon reasonable notice to the inspection of the Agency and any Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Compensation and Indemnification. The Agency will pay to the Trustee from time to time reasonable compensation for all services rendered under the Indenture and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under the Indenture. Upon the occurrence of an Event of Default, the Trustee will have a first lien on the Tax Revenues and all funds and accounts held by the Trustee under the Indenture to secure the payment to the Trustee of all fees, costs and expenses, including reasonable compensation to its experts, attorneys and counsel incurred in declaring such Event of Default and in exercising the rights and remedies set forth in the Indenture.

The Agency has further covenanted and agreed, to the extent permitted by law, to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense, and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties under the Indenture, including the costs and expenses of defending against any claim of liability, but excluding any and all losses, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors, agents or employees. The foregoing obligations of the Agency will survive resignation or removal of the Trustee under the Indenture and payment of the Bonds and discharge of the Indenture.

Investment of Moneys in Funds and Accounts. Subject to the provisions of the Indenture, all moneys held by the Trustee in the Special Fund, the Costs of Issuance Fund, the Redemption Account or the Rebate Fund, will, at the written direction of the Agency, be invested only in Permitted Investments. If the Trustee receives no written directions from the Agency as to the investment of moneys held in any Fund or Account, the Trustee will request such written direction from the Agency and, pending receipt of instructions, invest such moneys solely in Permitted Investments described in clause (b)(5) of the definition thereof.

(a) Moneys in the Tax Revenue Fund will be invested by the Agency only in obligations permitted by the Law which will by their terms mature not later than the date the Agency estimates the moneys represented by the particular investment will be needed for withdrawal from the Tax Revenue Fund.

(b) Moneys in the Interest Account, the Principal Account and the Redemption Account of the Special Fund will be invested by the Trustee only in obligations which will by their terms mature on such dates as to ensure that before each interest and principal payment date, there will be in such Account, from matured obligations and other moneys already in such account, cash available to pay to the interest and principal payable on such payment date.

(c) Moneys in the Reserve Account will be invested by the Trustee in: (i) obligations which will by their terms mature on or before the date of the final maturity of the Bonds or five (5) years from the date of investment, whichever is earlier; or (ii) an investment agreement which permits withdrawals or deposits without penalty at such time as such moneys will be needed or in order to replenish the Reserve Account.

(d) Moneys in the Rebate Fund will be invested by the Trustee in Federal Securities which mature on or before the date such amounts are required to be paid to the United States.

Except as otherwise provided in the Indenture, obligations purchased as an investment of moneys in any of the funds or accounts created or continued under the Indenture will be deemed at all times to be a part of such respective fund or account and the interest accruing thereon and any gain realized from an investment will be credited to such fund or account and any loss resulting from any authorized investment will be charged to such fund or account without liability to the Trustee. The Agency or the Trustee, as the case may be, will sell or present for redemption any obligation purchased whenever it is necessary to do so in order to provide moneys to meet any payment or transfer from such fund or account as required by the Indenture and will incur no liability for any loss realized upon such a sale. All interest earnings received on any monies invested in the Interest Account, Principal Account, Redemption Account or Reserve Account, to the extent that it exceeds the amount required to be in such account, will be transferred on or before each Interest Payment Date to the Special Fund. All interest earnings on monies invested in the Rebate Fund will be retained in such fund and applied as set forth in the Indenture. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the Indenture. The Trustee is not responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with the Indenture. The Agency has acknowledged that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Agency the right to receive brokerage confirmations of security transactions as they occur, the Agency will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Agency periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture. For investment purposes, the Trustee may commingle the funds and accounts established thereunder (other than the Rebate Fund), but will account for each separately.

Except as otherwise provided in the Indenture or agreed in writing among the parties thereto, the Agency will retain the authority to institute, participate and join in any plan or reorganization, readjustment, merger or consolidation with respect to the issuer of any securities held under the Indenture, and in general, to exercise each

and every other power or right with respect to each such asset or investment as individuals generally have and enjoy with respect to their own assets and investment, including power to vote upon any securities.

Unless the Agency notifies the Trustee otherwise in writing, the Trustee will provide the obligatory information to the registrant/issuer or U.S. securities upon their request. Any objection will apply to all securities held in any trust account now and in the future unless the Agency notifies the Trustee in writing of such objection.

Accounting Records and Financial Statements. The Trustee will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries are made of all transactions made by it relating to the proceeds of the Bonds and all funds and accounts held by it established pursuant to the Indenture. Such books of record and account will be available for inspection by the Agency at reasonable hours and under reasonable circumstances with reasonable prior notice. The Trustee will furnish to the Agency, at least quarterly, an accounting of all transactions in the form of its regular account statements relating to the proceeds of the Bonds and all funds and accounts held by the Trustee pursuant to the Indenture.

Appointment of Co-Trustee or Agent. It is the purpose of the Indenture that there be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as trustee in such jurisdiction. It is recognized that in the case of litigation under the Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee has deemed that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies granted to the Trustee in the Indenture or hold title to the properties, in trust, as granted in the Indenture, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee or Agency appoint an additional individual or institution as a separate co-trustee. The following provisions are adopted to these ends.

In the event that the Trustee or Agency appoint an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by the Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto will be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee will run to and be enforceable by either of them.

Should any instrument in writing from the Agency be required by the separate trustee or co trustee so appointed by the Trustee or Agency for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing will, on request, be executed, acknowledged and delivered by the Agency. In case any separate trustee or co-trustee, or a successor to either, becomes incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, will vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

In addition to the appointment of a co-trustee under the Indenture, the Trustee may, at the expense and with the prior written consent of the Agency, appoint any agent of the Trustee in New York, New York, for the purpose of administering the transfers or exchanges of Bonds or for the performance of any other responsibilities of the Trustee under the Indenture.

#### MODIFICATION OR AMENDMENT OF THE INDENTURE

Amendments. The Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which will become binding upon adoption, without consent of any Owners, to the extent permitted by law and any for any one or more of the following purposes:

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

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

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

(d) to amend any provision of the Indenture relating to the requirements of or compliance with the Code or the Internal Revenue Code of 1986, as amended, as applicable, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on any of the Bonds, in the opinion of Bond Counsel.

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

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

Endorsement or Replacement of Bonds After Amendment. After the effective date of any amendment or modification of the Indenture pursuant thereto, the Agency may determine that any or all of the Bonds will bear a notation, by endorsement in form approved by the Agency, as to such amendment or modification and in that case upon demand of the Agency, the Owners of such Bonds will present such Bonds for that purpose at the Trust Office of the Trustee, and thereupon a suitable notation as to such action will be made on such Bonds. In lieu of such notation, the Agency may determine that new Bonds will be prepared and executed in exchange for any or all of the Bonds and, in that case upon demand of the Agency, the Owners of the Bonds will present such Bonds for exchange at the Trust Office of the Trustee, without cost to such Owners.

Amendment by Mutual Consent. The provisions of the Indenture do not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner, provided that due notation thereof is made on such Bond.

Opinion of Counsel. The Trustee may obtain an opinion of counsel that any such amendment or Supplemental Indenture entered into by the Agency and the Trustee complies with the provisions of the Indenture and the Trustee may conclusively rely upon such opinion.

## EVENTS OF DEFAULT AND REMEDIES OF OWNERS

Events of Default and Acceleration of Maturities. The following events constitute Events of Default under the Indenture: (a) if default is made in the due and punctual payment of the principal of or interest or redemption premium (if any) on any Bond or Parity Bond when and as the same become due and payable, whether at maturity as therein expressed, by declaration or otherwise; (b) if default is made by the Agency in the observance of any of

the covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, other than a default described in the preceding clause (a), and such default continues for a period of 60 days following receipt by the Agency of written notice from the Trustee or any Owner of the occurrence of such default; (c) if the Agency commences a voluntary action under Title 11 of the United States Code or any substitute or successor statute; or (d) if an event of default occurs with respect to any Parity Bonds under the terms thereof.

Upon the occurrence of an Event of Default, the Trustee may, and will, at the direction of a majority of the Bondholders, by written notice of the Agency, declare the principal of the Bonds to be immediately due and payable, whereupon that portion of the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment will, without further action, become and be immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding.

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

The foregoing provision, however, is subject to the condition that if, at any time after the principal of the Bonds have been so declared due and payable, and before any judgment or decree for the payment of the moneys due have been obtained or entered, the Agency will deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law) at the net effective rate then borne by the Outstanding Bonds, and the reasonable fees and expenses of the Trustee, including but not limited to attorneys fees, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate have been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment will extend to or affect any subsequent default, or impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration. All of the Tax Revenues and all sums in the funds and accounts established and held by the Trustee under the Indenture upon the date of the declaration of acceleration as provided therein, and all sums thereafter received by the Trustee thereunder, will be applied by the Trustee in the order following, upon presentation of the several Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid: First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in exercising the rights and remedies set forth in the Indenture, including reasonable compensation to its agents, attorneys and counsel including all sums owed the Trustee pursuant to thereto; and Second, to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, with interest on the overdue principal and installments of interest at the net effective rate then borne by the Outstanding Bonds (to the extent that such interest on overdue installments of principal and interest has been collected), and in case such moneys are insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest or any Bond over any other Bond.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, has taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it will have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of

such action; provided, however, that the Trustee will not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Owner's Right to Sue. No Owner of any Bond issued under the Indenture has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless: (a) such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding has made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (c) said Owners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee has refused or omitted to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

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

The right of any Owner of any Bond to receive payment of the principal of (and premium, if any) and interest on such Bond as provided in the Indenture will not be impaired or affected without the written consent of such Owner, notwithstanding any other provision of the Indenture.

Non-waiver. Nothing in the Indenture or in the Bonds affects or impairs the obligation of the Agency, which is absolute and unconditional, to pay from the Tax Revenues and other amounts pledged under the Indenture, the principal of and interest and redemption premium (if any) on the Bonds to the respective Owners on the respective Interest Payment Dates, as provided in the Indenture, or affect or impair the right of action, which is also absolute and unconditional, of the Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Owner will not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner to exercise any right or power accruing upon any default will impair any such right or power or be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Law or by the Indenture may be enforced and exercised from time to time and as often as deemed expedient by the Owners.

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

Actions by Trustee as Attorney-in-Fact. Any suit, action or proceeding which any Owner has the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee has been appointed (and the successive respective Owners by taking and holding the Bonds or Parity Bonds, as applicable, will be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact; provided that the Trustee has no duty or obligation to enforce any such right or remedy if it has not been indemnified to its satisfaction from loss, liability or any expense including, but not limited to reasonable fees and expenses of its attorneys.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy is cumulative and in addition to every other remedy given under the Indenture or now or later existing, at law or in equity by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

#### MISCELLANEOUS

Benefits Limited to Parties. Nothing in the Indenture expressed or implied is intended or will be construed to confer upon, or to give or grant to, any person or entity, other than the Agency, the Trustee and the registered Owners of the Bonds, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation thereof, and all covenants, stipulations, promises and agreements in the Indenture contained by and on behalf of the Agency are for the sole and exclusive benefit of the Agency, the Trustee and the registered Owners of the Bonds.

Successor is Deemed Included in All References to Predecessor. Whenever in the Indenture or any Supplemental Indenture either the Agency or the Trustee is named or referred to, such reference includes the successors or assigns thereof, and all the covenants and agreements in the Indenture by or on behalf of the Agency or the Trustee bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Discharge of Indenture. If the Agency pays and discharge the entire indebtedness on all Bonds or any portion thereof in any one or more of the following ways: (i) by well and truly paying or causing to be paid the principal of and interest and premium (if any) on all such Bonds, including all principal, interest and redemption premiums, (if any); or (ii) by irrevocably depositing with the Trustee or an escrow agent, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to the Indenture, is fully sufficient to pay all such Bonds, including all principal, interest and redemption premiums (if any); or (iii) by irrevocably depositing with the Trustee or an escrow agent, in trust, non-callable securities in the form in clause (a) of the definition of Permitted Investments and in such amount as an Independent Certified Public Accountant determines will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on all such Bonds (including all principal, interest and redemption premiums, if any) at or before maturity; and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption has been given pursuant to the Indenture or provision satisfactory to the Trustee has been made for the giving of such notice, then, at the election of the Agency, and notwithstanding that any Bonds have not been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in the Indenture and all other obligations of the Trustee and the Agency under the Indenture with respect to all Outstanding Bonds will cease and terminate, except only: (a) the obligation of the Trustee to transfer and exchange Bonds thereunder; and (b) the obligation of the Agency to pay or cause to be paid to the Owners, from the amounts so deposited with the Trustee, all sums due thereon and to pay the Trustee all fees, expenses and costs of the Trustee. Notice of such election will be filed with the Trustee. Any funds thereafter held by the Trustee, which are not required for said purpose, will be paid over to the Agency.

Execution of Documents and Proof of Ownership by Owners. Any request, declaration or other instrument which the Indenture may require or permit to be executed by any Owner may be in one or more instruments of similar tenor, and will be executed by such Owner in person or by their attorneys appointed in writing. Except as otherwise expressly provided in the Indenture, the fact and date of the execution by any Owner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The ownership of Bonds and the amount, maturity, number and date of ownership thereof will be provided by the Registration Books. Any request, declaration or other instrument or writing of the Owner of any Bond will bind all future Owners of such Bond in respect of anything done or suffered to be done by the Agency or the Trustee in good faith and in accordance therewith.

Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are

owned or held by or for the account of the Agency or the City (but excluding Bonds held in any employees' retirement fund) will be disregarded and deemed not to be Outstanding for the purpose of any such determination, provided, however, that for the purpose of determining whether the Trustee is protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to be so owned or held will be disregarded.

Waiver of Personal Liability. No member, officer, agent or employee of the Agency is individually or personal liable for the payment of the principal of or interest or any premium on the Bonds; but nothing in the Indenture relieves any such member, officer, agent or employee from the performance of any official duty provided by law.

Destruction of Canceled Bonds. Whenever in the Indenture provision is made for the surrender to the Trustee of any Bonds which have been paid or canceled pursuant to the provisions of the Indenture, the Trustee will destroy such Bonds and upon written request of the Agency, provide the Agency a certificate of destruction. The Agency is entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to.

Partial Invalidity. If any section, paragraph, sentence, clause or phrase of the Indenture is for any reason held illegal, invalid or unenforceable, such holding will not affect the validity of the remaining portions of the Indenture. The Agency has declared that it would have adopted the Indenture and each and every other section, paragraph, sentence, clause or phrase thereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses, or phrases of the Indenture may be held illegal, invalid or unenforceable. If, by reason of the judgment of any court, the Trustee is rendered unable to perform its duties thereunder, all such duties and all of the rights and powers of the Trustee thereunder will, pending appointment of a successor Trustee in accordance with the provisions of thereof, be assumed by and vest in the Treasurer of the Agency in trust for the benefit of the Owners that the Treasurer in such case will be vested with all of the rights and powers of the Trustee thereunder, and will assume all of the responsibilities and perform all of the duties of the Trustee thereunder, in trust for the benefit of the Bondowners, pending appointment of a successor Trustee in accordance with the provisions thereof.

Unclaimed Moneys. Anything contained in the Indenture to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or premium (if any) on or principal of the Bonds which remains unclaimed for two (2) years after the date when the payments of such interest, premium (if any) and principal have become payable, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Bonds have become payable, will be repaid by the Trustee to the Agency as its absolute property free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Bond Owners will look only to the Agency for the payment of the principal of and interest and redemption premium (if any) on such Bonds.

Governing Law. The Indenture will be construed and governed in accordance with the laws of the State.

Payments Due on Other Than a Business Day. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Indenture, is not a Business Day, such payment, with no interest accruing for the period on and after such nominal date, may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided therefore in 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.

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## APPENDIX E

### FORM OF CO-BOND COUNSEL OPINION

*Upon issuance of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:*

\_\_\_\_\_, 2011

Lemoore Redevelopment Agency  
Lemoore, California 93245

*Re:     \$\_\_\_\_\_ Lemoore Redevelopment Agency Lemoore Redevelopment Project 2011 Tax  
          Allocation Bonds*

Members of the Agency:

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

The Bonds have been issued pursuant to the authority contained in Part 1 of Division 24 of the Health and Safety Code of the State of California and 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, which was approved by Resolution No. \_\_\_\_\_ of the Agency adopted on February \_\_, 2011 (the "Resolution").

The Bonds are initially dated as of the Delivery Date, and mature on the dates and bear interest payable on the dates and at the rates per annum set forth in the Indenture. The Bonds are registered Bonds issued in the form set forth in the Indenture, redeemable in the amounts, at the times and in the manner provided for in the Indenture. All terms not defined herein have the meanings ascribed to such terms in the Indenture.

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

(1)       The proceedings of the Agency show lawful authority for the issuance and sale of the Bonds under the laws of the State of California now in force, and the Indenture has been duly authorized, executed and delivered by the Agency, and, assuming due authorization, execution and delivery by the Trustee, as appropriate, the Bonds and the Indenture are valid and binding obligations of the Agency enforceable against the Agency in accordance with their terms.

(2)       The obligation of the Agency to make the payments of principal of and interest on the Bonds from Tax Revenues (as such term is defined in the Indenture) is an enforceable obligation of the Agency. The Bonds are special obligations of the Agency but are not a debt of the City of Lemoore, the State of California or any other political subdivisions thereof within the meaning of any constitutional or statutory limitation, and neither the City of Lemoore, the State of California, or any other of its political subdivisions is liable for the payment thereof.

(3) 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 such interest is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, we note that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect such corporation's alternative minimum tax liability.

(4) Interest on the Bonds is exempt from State of California personal income tax.

(5) The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity are 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 a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (as described in paragraph 3 above), and is exempt from State of California personal income tax.

The opinions set forth in paragraph (3) and (5) above 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 are subject to the condition that the Agency comply with certain covenants and the applicable 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 remain excludable from gross income for federal income tax purposes. Failure to comply with such covenants and requirements of the Code may 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. We express no opinion regarding other tax consequences with respect to the Bonds.

Certain requirements and procedures contained or referred to in the Indenture, the Bond Purchase Agreement, dated \_\_\_\_\_, 2011, by and among the Agency, the Lemoore Financing Authority and E.J. De La Rosa & Co., Inc., and the Tax Certificate relating to the Bonds may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect on the exclusion of interest (and original issue discount) on the Bonds from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

The opinions expressed herein are based on an analysis and interpretation of existing laws, regulations, rulings and judicial decisions and the foregoing opinions cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Such actions or events may adversely affect the value or tax treatment of the Bonds and we express no opinion with respect thereto.

We call attention to the fact that the rights and obligations under the Indenture and the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

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

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

Respectfully submitted,

*Upon issuance and delivery of the Bonds, Richards, Watson & Gershon, A Professional Corporation, Co-Bond Counsel, proposes to render its final approving opinion in substantially the following form:*

[Delivery Date]

Lemoore Redevelopment Agency  
Lemoore, California

**Opinion of Bond Counsel**

with reference to

\$19,150,000  
Lemoore Redevelopment Agency  
Lemoore Redevelopment Project  
2001 Tax Allocation Bonds

Members of the Agency:

We have examined the law and original documents or copies certified or otherwise identified to our satisfaction of proceedings taken in connection with the issuance of the above-referenced bonds (the "Series 2011 Bonds") by the Lemoore Redevelopment Agency (the "Agency"). We have also examined supplemental documents furnished to us and have obtained such certificates and documents from public officials and others as we have deemed necessary for the purpose of this opinion. As to questions of fact material to our opinion we have relied upon such certificates and documents without undertaking to verify the same by independent investigation.

The Series 2011 Bonds are issued under and pursuant to Part 1 of Division 24 of the California Health and Safety Code (the "Law") and other laws supplemental thereto, 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"). Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Indenture.

From such examination, we are of the opinion that under existing law:

1. The Agency has the right and power to enter into the Indenture. The Indenture has been duly and lawfully authorized, executed and delivered by the Agency. Assuming due authorization, execution and delivery by the Trustee, the Indenture is in full force and effect in accordance with its terms and is valid and binding upon the Agency and enforceable in accordance with its terms, and no other authorization for the Indenture is required. The Indenture creates the valid pledge which it purports to create of the Tax Revenues and certain funds established by the Indenture, including the investments, if any, thereof, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

2. The Series 2011 Bonds have been duly and validly issued in accordance with the Indenture and the Law, and are enforceable in accordance with their terms, subject to the terms of the Indenture and entitled to the benefits of the Indenture and the Law. The Series 2011 Bonds are valid and binding special obligations of the Agency, payable solely from Tax Revenues and certain other funds as provided in the Indenture.

3. Interest on the Series 2011 Bonds is exempt from State of California personal income taxes.

4. Assuming compliance with the covenants described below, interest on the Series 2011 Bonds is excluded from gross income for Federal income tax purposes. The Series 2011 Bonds are not “specified private activity bonds” within the meaning of Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the “Code”) and, therefore, the interest on the Series 2011 Bonds will not be treated as a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code. However, we note a portion of the interest on the Series 2011 Bonds owned by corporations may be subject to the Federal alternative minimum tax, which is based in part on adjusted current earnings.

The Code sets forth certain requirements which must be met subsequent to the issuance and delivery of the Series 2011 Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2011 Bonds to be included in gross income retroactive to the date of issue of the Series 2011 Bonds. The Agency has covenanted to satisfy, or take such actions as may be necessary to cause to be satisfied, each provision of the Code necessary to maintain the exclusion of the interest on the Series 2011 Bonds from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code.

Certain requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. We express no opinion as to any Series 2011 Bond, or the interest thereon, if any change occurs or action is taken or omitted upon the advice or approval of any counsel other than ourselves.

Except as stated in the foregoing paragraphs numbered 3 and 4 and the paragraph immediately following paragraph 4, we express no opinion as to any Federal or state tax consequences of the ownership or disposition of the Series 2011 Bonds.

The opinions expressed in the paragraphs numbered 1 and 2 hereof are qualified to the extent that the enforceability of the Indenture and the Series 2011 Bonds may be limited by any applicable bankruptcy, insolvency, debt adjustment, fraudulent conveyance or transfer, moratorium, reorganization or other similar laws affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents.

The opinions expressed herein are based on an analysis of existing law and cover certain matters not directly addressed thereby. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof, and we have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in such documents. Furthermore, we have assumed compliance with all agreements and covenants contained in the Indenture. We have not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement or any other offering material relating to the Bonds and no opinion is expressed herein with respect thereto.

Respectfully submitted,

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## APPENDIX F

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

#### CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”), dated \_\_\_\_\_, 2011, is executed and delivered by the Lemoore Redevelopment Agency (the “Agency”) in connection with the issuance by the Agency of its \$\_\_\_\_\_ aggregate principal amount Lemoore Redevelopment Project 2011 Tax Allocation Bonds (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of February 1, 2011, between the Agency and U.S. Bank National Association, as trustee (the “Trustee”). The Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined below).

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

“Annual Report” shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

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

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Obligated Person” shall mean any person, including an issuer of municipal securities, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

“Official Statement” shall mean the final Official Statement relating to the Bonds.

“Participating Underwriter” shall E. J. De La Rosa & Co., Inc., as the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provisions of Annual Reports.

(a) The Agency shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of the Agency's Fiscal Year (which Fiscal Year currently commences on July 1 and ends on June 30 of each year), commencing with the report for the 2010-2011 fiscal year, provide to the MSRB, in an electronic format accompanied by identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than fifteen (15) business days prior to the date specified in subsection (a) above for providing the Annual Report to the MSRB, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Agency to determine if the Agency is in compliance with the first sentence of this subsection (b). The Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB, in substantially the form attached as Exhibit A or in such other form as prescribed or acceptable to MSRB.

(d) The Dissemination Agent (if other than the Agency) shall, if and to the extent, the Agency has provided an Annual Report in final form to the Dissemination Agent for dissemination, file a report with the Agency certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) Audited financial statements of the Agency prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, as may be further modified by applicable state law. If the Agency's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements customarily used by the Agency, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed pursuant to the preceding subsection (a) by the date required by Section 3 hereof:

(i) The total amount of assessed valuation of properties within the Project Area for the most recently completed Fiscal Year, showing the total secured value and the total unsecured value and to the extent necessary to make the foregoing specifically required information, in light of the circumstances in which they were made, not misleading, information on assessment appeals;

(ii) The total Tax Revenues allocated to the Agency from the Project Area for the most recent completed Fiscal Year, including gross tax increment revenues and appropriate deductions for payments under the tax-sharing agreements, deposits into the Agency's low and moderate incoming housing fund, and any other deductions required to be made to compute Tax Revenues;

(iii) The ten (10) largest assessees of taxable property within the Project Area, indicating taxpayer, type of business, assessed valuation, percent of Project Area assessed valuation and percent represented by aggregated assessed value of the top ten secured property taxpayers; and

(iv) The percent by which annual Tax Revenues have provided coverage for Maximum Annual Debt Service for the most current completed Fiscal Year.

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

#### Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds, which notice shall be given in a timely manner, not in excess of ten (10) business days after the occurrence of such Listed Event:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Bonds;

- (7) Modifications to rights of Bond owners, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Obligated Person;
- (13) The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material; and
- (15) With respect to any assessee in the Project Area whose total assessed value is in excess of 15% of the total assessed value in the Project Area, to the extent known to the Agency, information regarding bankruptcy, insolvency, receivership or similar proceedings undertaken with respect to such assesses, or information relating to a closure of a material portion of such assesses facilities in the Project Area.

(b) The Dissemination Agent shall, within one (1) business day after obtaining knowledge of the occurrence of any of the events listed in Section 5(a) (1), (3), (4), (5), (6), (9), (11) or (12), inform the Agency of the occurrence of such event. As soon as reasonably practicable after obtaining knowledge of the occurrence of such event, the Agency shall, or shall cause the Dissemination Agent to, file in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, a notice of such occurrence with the MSRB, in an electronic format accompanied by identifying information as prescribed by the MSRB.

(c) The Dissemination Agent shall, within one (1) business day after obtaining knowledge of the occurrence of any of any of the events listed in Section 5(a) (2), (7), (8), (10), (13) or (14), inform the Agency of the occurrence of such event and request that the Agency promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (d).

(d) Whenever the Agency obtains knowledge of the occurrence of any event specified in Section 5(a) (2), (7), (8), (10), (13) or (14), the Agency shall as soon as possible, in order to meet the ten (10) business day deadline to file notices required under the Rule and pursuant to the following sentence, determine if such event would be material under applicable Federal securities law. If the Agency determines that knowledge of the occurrence of such event would be material

under applicable Federal securities law, the Agency shall, or shall cause the Dissemination Agent to, file in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, a notice of such occurrence with the MSRB, in an electronic format accompanied by identifying information as prescribed by the MSRB.

Section 6. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 7. Dissemination Agent. The initial Dissemination Agent shall be the Agency. From time to time, the Agency may appoint a different Dissemination Agency to assist it in carrying out its obligations under this Disclosure Certificate. The Agency may replace the Dissemination Agent with or without cause.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an Obligated Person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. For purposes of this paragraph, "impact" has the meaning as that word is used in the letter from the staff of the Securities and Exchange Commission to the National Association of Bond Lawyers dated June 23, 1995.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the

ability of the Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB in the same manner as for a Listed Event under Section 5(b).

No amendment to this Agreement which modifies the duties or rights of the Dissemination Agent shall be made without the prior written consent of the Dissemination Agent.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Agency or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent (if different than the Agency) shall be paid compensation by the Agency for its services provided hereunder in accordance with its schedule of fees as amended from time to time. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Agency, the Owners, or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the Agency or an opinion of nationally recognized bond counsel. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the Agency has caused its duly authorized officer to execute and deliver this Certificate on the date first written above.

LEMOORE REDEVELOPMENT AGENCY

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

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING  
BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Lemoore Redevelopment Agency

Name of Bond Issue: \$ \_\_\_\_\_ Lemoore Redevelopment Project 2011 Tax Allocation  
Bonds

Date of Issuance: \_\_\_\_\_, 2011

NOTICE IS HEREBY GIVEN that the Lemoore Redevelopment Agency (the "Agency") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated \_\_\_\_\_, 2011, executed by the Agency. The Agency anticipates that the Annual Report will be filed by \_\_\_\_\_.

Date: \_\_\_\_\_, 20\_\_

LEMOORE REDEVELOPMENT AGENCY

By: \_\_\_\_\_  
Title: \_\_\_\_\_

