

RESOLUTION NO. SA 09-14

RESOLUTION OF THE LANCASTER SUCCESSOR AGENCY
AUTHORIZING THE ISSUANCE AND SALE OF TAX
ALLOCATION REFUNDING BONDS, AND APPROVING THE
FORM OF AN INDENTURE OF TRUST, OFFICIAL STATEMENT,
BOND PURCHASE CONTRACTS, CONTINUING DISCLOSURE
CERTIFICATE, ESCROW AGREEMENTS AND RELATED
DOCUMENTS AND AUTHORIZING CERTAIN OTHER ACTIONS
IN CONNECTION THEREWITH

WHEREAS, the Lancaster Redevelopment Agency was a public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers under and pursuant to the provisions of the Community Redevelopment Law (Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California) (the "Law"), and the powers of the Lancaster Redevelopment Agency included the power to issue Bonds for any of its corporate purposes; and

WHEREAS, the Redevelopment Plan for a redevelopment project known and designated as the "Lancaster Residential Redevelopment Project" has been adopted and approved by Ordinance No. 158 of the City of Lancaster adopted on November 13, 1979, and all requirements of law for and precedent to the adoption and approval of the Redevelopment Plan have been duly complied with; and

WHEREAS, the Redevelopment Plan for a redevelopment project known and designated as the "Central Business District Redevelopment Project" has been adopted and approved by Ordinance No. 226 of the City of Lancaster adopted on June 1, 1981 and all requirements of law for and precedent to the adoption and approval of the Redevelopment Plan have been duly complied with; and

WHEREAS, the Redevelopment Plan for a redevelopment project known and designated as the "Fox Field Redevelopment Project" has been adopted and approved by Ordinance No. 289 of the City of Lancaster adopted on December 20, 1982 and all requirements of law for and precedent to the adoption and approval of the Redevelopment Plan have been duly complied with; and

WHEREAS, the Redevelopment Plan for a redevelopment project known and designated as the "Amargosa Redevelopment Project" has been adopted and approved by Ordinance No. 321 of the City of Lancaster on October 17, 1983 and all requirements of law for and precedent to the adoption and approval of the Redevelopment Plan, as amended, have been duly complied with; and

WHEREAS, the Redevelopment Plan for a redevelopment project known and designated as the “Lancaster Redevelopment Project No. 5” has been adopted and approved by Ordinance No. 360 of the City of Lancaster on November 26, 1984 and all requirements of law for and precedent to the adoption and approval of the Redevelopment Plan, as amended, have been duly complied with; and

WHEREAS, the Redevelopment Plan for a redevelopment project known and designated as the “Lancaster Redevelopment Project No. 6” has been adopted and approved by Ordinance No. 505 of the City of Lancaster on July 3, 1989 and all requirements of law for and precedent to the adoption and approval of the Redevelopment Plan, as amended, have been duly complied with; and

WHEREAS, the Redevelopment Plan for a redevelopment project known and designated as the “Lancaster Redevelopment Project No. 7” has been adopted and approved by Ordinance No. 624 of the City of Lancaster on November 28, 1992 and all requirements of law for and precedent to the adoption and approval of the Redevelopment Plan have been duly complied with; and

WHEREAS, the Agency has previously issued its Lancaster Redevelopment Agency, Combined Redevelopment Project Areas (Housing Programs), Subordinate Tax Allocation Refunding Bonds, Issue of 2003 (the “2003 Bonds”); and

WHEREAS, the Agency has previously issued its Lancaster Redevelopment Agency, Combined Redevelopment Project Areas (Housing Programs), Subordinate Tax Allocation Refunding Bonds, Issue of 2003B (the “2003B Bonds”); and

WHEREAS, the Agency has previously issued its Lancaster Redevelopment Agency Combined Redevelopment Project Areas (Housing Programs), Subordinate Tax Allocation Bonds, Issue of 2004 (Taxable) (the “2004 Bonds”); and

WHEREAS, the Agency has previously issued its Lancaster Redevelopment Agency Combined Redevelopment Project Areas (Housing Programs), Tax Allocation Bonds, Issue of 2009 (the “2009 Bonds”); and

WHEREAS, on June 28, 2011, the California Legislature adopted ABx1 26 (the “Dissolution Act”) and ABx1 27 (the “Opt-in Bill”); and

WHEREAS, the California Supreme Court subsequently upheld the provisions of the Dissolution Act and invalidated the Opt-in Bill resulting in the Lancaster Redevelopment Agency being dissolved as of February 1, 2012; and

WHEREAS, the powers, assets and obligations of the Lancaster Redevelopment Agency were transferred on February 1, 2012 to the Successor Agency to the Lancaster Redevelopment Agency (the “Successor Agency”); and

WHEREAS, on or about June 27, 2012, AB1484 was adopted as a trailer bill in connection with the 2012-13 California Budget; and

WHEREAS, California Health and Safety Code Section 34177.5(a) authorizes successor agencies to refund outstanding bonds or other indebtedness to be refunded provided that (i) the total interest cost to maturity on the refunding bonds or other indebtedness plus the principal amount of the refunding bonds or other indebtedness shall not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded, and (ii) the principal amount of the refunding bonds or other indebtedness shall not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance; and

WHEREAS, the Successor Agency desires to issue its Combined Redevelopment Project Areas (Housing Programs), Tax Allocation Refunding Bonds, Issue of 2015A (the “2015A Bonds”) for the purpose of refunding the 2003B Bonds and a portion of the 2004 Bonds to the extent it is determined that such portion was used for governmental purposes and to achieve debt service savings; and

WHEREAS, the Successor Agency desires to issue its Combined Redevelopment Project Areas (Housing Programs), Taxable Tax Allocation Refunding Bonds, Issue of 2015B (the “2015B Bonds”) for the purpose of refunding the remaining portion of the 2004 Bonds to achieve debt service savings; and

WHEREAS, the Successor Agency wishes at this time to approve all matters relating to the issuance and sale of the 2015A and 2015B Bonds;

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE SUCCESSOR AGENCY TO THE LANCASTER REDEVELOPMENT AGENCY, AS FOLLOWS:

Section 1. Subject to the provisions of the Indenture referred to in Section 2 hereof, the issuance of the 2015A Bonds in the approximate aggregate principal amount of Thirteen Million Two Hundred Thousand Dollars (\$13,200,000) and the 2015B Bonds in an approximate aggregate principal amount of Eleven Million, Eight Hundred Fifty-Five Thousand Dollars (\$11,855,000) on the terms and conditions set forth in, and subject to the limitations specified in, the Indenture, is hereby authorized and approved. The principal amount of each series of bonds may vary depending on whether it is determined that a portion of the 2004 Bonds may be refunded on a tax-exempt basis. The 2015A Bonds and the 2015B Bonds will be dated, will bear interest at the rates, will mature on the dates, will be issued in the form, will be subject to redemption, and will be as otherwise provided in the Indenture, as the same will be completed as provided in this Resolution. The proceeds of the sale of the 2015A Bonds and the 2015B Bonds shall be applied as provided in the Indenture. The 2015A Bonds and the 2015B Bonds may each be issued as a single issue, or from time to time in separate series, as the Successor Agency shall determine. The 2015A Bonds and the 2015B Bonds shall be issued pursuant to the provisions of Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law"). The approval of the issuance of the 2015A Bonds and the 2015B Bonds by the Successor Agency and the Oversight Board shall constitute the approval of each and every separate series of 2015A Bonds and the 2015B Bonds, without the need for any further approval from the Oversight Board.

Section 2. The Indenture of Trust in substantially the form submitted at this meeting and made a part hereof as though set forth in full herein (the "Indenture"), is hereby approved. The Chair and the Secretary of the Successor Agency are hereby authorized and directed to execute and deliver the Indenture in the form presented at this meeting with such changes insertions and omissions as may be requested by Bond Counsel and approved by the Chair, said execution being conclusive evidence of such approval.

Section 3. (a) The Bonds may be sold by negotiated sale pursuant to the Bond Purchase Contracts between the Successor Agency, and Southwest Securities, Inc. (the "Underwriter") with respect to the 2015A Bonds and the 2015B Bonds, respectively, in substantially the forms submitted at this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved. The Executive Director of the Successor Agency is hereby authorized and directed to execute the Bond Purchase Contracts in the form presented at this meeting with such changes, insertions and omissions as may be approved by the Executive Director or the Deputy Executive Director, said execution being conclusive evidence of such approval; provided, however, that the 2015A Bond Purchase Contract shall be signed only if the terms of the agreement are such that (i) the total interest cost to maturity on the 2015A Bonds plus the principal amount of the 2015A Bonds will not exceed the total remaining interest cost to maturity on the 2003B Bonds and a portion of the 2004 Bonds plus the remaining principal of the 2003B Bonds and the 2004 Bonds, and (ii) the principal amount of the 2015A Bonds will not exceed the amount required to defease the 2003B Bonds and the 2004 Bonds, to establish a customary debt service reserve fund, and to pay related costs of issuance; and provided, further, that the 2015B Bond Purchase Contract shall be signed only if the terms of the agreement are such that (i) the total interest cost to maturity on the 2015B Bonds plus the principal amount of the 2015B Bonds will not exceed the total remaining interest cost to maturity on the 2004 Bonds plus the remaining principal of the 2004 Bonds, and (ii) the principal amount of the 2015B Bonds will not exceed the amount required to defease the remaining portion of the 2004 Bonds, to establish a customary debt service reserve fund, and to pay related costs of issuance.

(b) As an alternative to the sale of the Bonds through a public offering authorized in paragraph (a), the Bonds may be sold on a private placement basis through Southwest Securities, Inc., acting as private placement agent (the "Private Placement Agent"), if a private placement of the Bonds will produce lower interest rates (and therefore greater savings) than are available through a public offering of the Bonds, in the opinion of, and upon recommendation of, the Financial Advisor (herein defined), which recommendation is agreed to by, the Executive Director or the Finance Director, so long as the interest rate savings specified in paragraph (a) are achieved through said private placement of the Bonds, and so long as the compensation to the Private Placement Agent through a private placement of the Bonds does not exceed the amount approved by the Executive Director.

Section 4. The Preliminary Official Statement relating to the 2015A Bonds and the 2015B Bonds (the "Preliminary Official Statement"), in the form presented and on file with the Secretary, is hereby approved. The Executive Director is hereby authorized and directed to cause the Preliminary Official Statement to be updated and revised and the Preliminary Official Statement, with such additions or changes therein as the Executive Director may approve shall be presented to this Successor Agency for the purpose of deeming it final for the purposes of Rule 15c2-12 of the Securities and Exchange Act of 1934 ("Rule 15c2-12"). The Underwriter is hereby authorized to distribute the Preliminary Official Statement, as deemed final, to prospective purchasers of the 2015A Bonds and the 2015B Bonds in substantially the form hereby approved, together with such additions thereto and changes therein as are determined necessary by the Executive Director to make the Preliminary Official Statement final as of its date for purposes of Rule 15c2-12, including, but not limited to, such additions and changes as are necessary to make all information set forth therein accurate and not misleading.

Section 5. The preparation and delivery of an Official Statement, and its use by the Successor Agency and the Underwriter, in connection with the offering and sale of the 2015A Bonds and the 2015B Bonds, is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be requested by Bond Counsel or the Underwriter and approved by the Chair of the Successor Agency, such approval to be conclusively evidenced by the execution and delivery thereof. The Executive Director is hereby authorized and directed to execute the final Official Statement and any amendment or supplement thereto, in the name of and on behalf of the Successor Agency, and thereupon to cause the final Official Statement and any such amendment or supplement to be delivered to the Underwriter.

Section 6. The Continuing Disclosure Agreement in substantially the form submitted at this meeting and made a part hereof as though set forth in full herein, is hereby approved. The Executive Director and the Secretary of the Successor Agency are hereby authorized and directed to execute and deliver the Continuing Disclosure Agreement in the form presented at this meeting with such changes insertions and omissions as may be requested by Bond Counsel and approved by the Executive Director, said execution being conclusive evidence of such approval.

Section 7. The Escrow Agreements in substantially the form submitted at this meeting and made a part hereof as though set forth in full herein, are hereby approved. The Executive Director and the Secretary of the Successor Agency are hereby authorized and directed to execute and deliver the Escrow Agreements in the form presented at this meeting with such changes insertions and omissions as may be requested by Bond Counsel and approved by the Executive Director, said execution being conclusive evidence of such approval.

Section 8. The Chair of the Successor Agency, the Executive Director of the Successor Agency, the Deputy Executive Director of the Successor Agency, the Finance Officer of the Successor Agency, the Secretary of the Successor Agency, and any other proper officer of the Successor Agency, acting singly, be and each of them hereby is authorized and directed to execute and deliver any and all documents and instruments, relating to the 2015A Bonds and the 2015B Bonds, and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the Indenture, the Bond Purchase Contract, the Official Statement, the Continuing Disclosure Agreement, the Escrow Agreements, this Resolution and any such agreements.

Section 9. U.S. Bank National Association is hereby appointed as Trustee and Escrow Bank, Stradling Yocca Carlson & Rauth, a Professional Corporation is hereby appointed as Bond Counsel, Urban Futures, Inc. is appointed as Financial Advisor and Dissemination Agent and Richards, Watson and Gershon, A Professional Corporation is hereby appointed as Disclosure Counsel. Southwest Securities, Inc. is hereby appointed as Underwriter.

Section 10. This Resolution shall take effect immediately upon its adoption.

PASSED, APPROVED, and ADOPTED this _____ day of _____, 2014, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

APPROVED:

BRITT AVRIT, CMC
City Clerk
Lancaster, CA

R. REX PARRIS
Chairman
Lancaster Successor Agency

STATE OF CALIFORNIA }
COUNTY OF LOS ANGELES } ss
CITY OF LANCASTER }

CERTIFICATION OF RESOLUTION
LANCASTER SUCCESSOR AGENCY

I, _____, _____, Lancaster, CA do hereby certify that this is a true and correct copy of the original Resolution No. SA 09-14, for which the original is on file in my office.

WITNESS MY HAND AND THE SEAL OF THE CITY OF LANCASTER, on this _____ day of _____, _____.

(seal)

NEW ISSUE – BOOK ENTRY ONLY

**Standard & Poor's: “__” (Insured) / “__” (Underlying)
(See “CONCLUDING INFORMATION -- Ratings” herein)**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with covenants intended to preserve the exclusion from gross income for federal income tax purposes of interest on the 2015A Bonds, interest on the 2015A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the 2015A Bonds and the 2015B Bonds is also exempt from present State of California personal income taxes. The difference between the issue price of a 2015A Bond (the first price at which a substantial amount of the 2015A Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity is original issue discount. See “CONCLUDING INFORMATION – Tax Exemption” herein for a discussion of the effect of certain provisions of the Code on Owners of the 2015A Bonds.

\$ _____*
**SUCCESSOR AGENCY TO THE
 LANCASTER REDEVELOPMENT AGENCY**
**Combined Redevelopment Project Areas
 (Housing Programs)**
**Tax Allocation Refunding Bonds
 Issue of 2015A**

\$ _____*
**SUCCESSOR AGENCY TO THE
 LANCASTER REDEVELOPMENT AGENCY**
**Combined Redevelopment Project Areas
 (Housing Programs)**
**Taxable Tax Allocation Refunding Bonds
 Issue of 2015B**

Dated: Delivery Date

Due: August 1, as shown on inside cover

The above-captioned Issue of 2015A bonds (the “2015A Bonds”) and Issue of 2015B bonds (the “2015B Bonds”); and together with the 2015A Bonds, the “Bonds”) will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to ultimate purchasers (“Beneficial Owners”) in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the Bonds. The principal of, premium if any, and semiannual interest (due February 1 and August 1 of each year, commencing August 1, 2015) on the Bonds will be payable by U.S. Bank National Association, as trustee (the “Trustee”), to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Bonds (see “THE BONDS—Book-Entry System” herein).

The Bonds are subject to optional redemption and mandatory sinking account redemption prior to their maturity as described herein. See “THE BONDS – Redemption and Purchase of Bonds” herein.

The Bonds are being issued by the Successor Agency to the Lancaster Redevelopment Agency (the “Agency”) on a parity basis with the Lancaster Redevelopment Agency’s (the “Prior Agency”) previously issued (i) Combined Redevelopment Project Areas (Housing Programs), Subordinate Tax Allocation Refunding Bonds, Issue of 2003 (the “2003 Bonds”); and (ii) Combined Redevelopment Project Areas (Housing Programs) Tax Allocation Bonds, Issue of 2009 (the “2009 Bonds”); and together with the 2003 Bonds, the “Existing Parity Bonds”).

The 2015A Bonds are being issued to refinance the Prior Agency’s previously issued Combined Redevelopment Project Areas (Housing Programs), Subordinate Tax Allocation Refunding Bonds, Issue of 2003B (the “2003B Bonds”) currently outstanding in the principal amount of \$ _____. The 2015B Bonds are being issued to refinance the Prior Agency’s previously issued Combined Redevelopment Project Areas (Housing Programs), Subordinate Tax Allocation Refunding Bonds, Issue of 2004 (Taxable) (the “2004 Bonds”), currently outstanding in the principal amount of \$ _____. The 2003B Bonds and the 2004 Bonds are referred to collectively herein as the “Refunded Bonds.”

The Bonds and the Existing Parity Bonds are payable from and equally and ratably secured, without preference or distinction as to series, by the Pledged Tax Revenues as defined herein to be derived from the Project Areas (as defined herein). Taxes levied on the property within the Project Areas on that portion of the taxable valuation over and above the taxable valuation of the base year property tax roll to the extent they constitute Pledged Tax Revenues, shall be deposited in the Redevelopment Obligation Retirement Fund, and administered by the Agency and the Trustee in accordance with the Indenture of Trust dated as of January 1, 2015 (the “Indenture”) by and between the Agency and the Trustee providing for the issuance of the Bonds.

[The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by _____. See “BOND INSURANCE” and “APPENDIX H – Specimen Municipal Bond Insurance Policy” herein. **Bond insurance to be determined.**]

[Bond Insurer logo]

This cover page of the Official Statement contains information for quick reference only. It is not a complete summary of the Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. Attention is hereby directed to certain Risk Factors more fully described herein.

The Bonds are not a debt of the City of Lancaster, the State of California (the “State”) or any of its political subdivisions (except the Agency) and neither said City, said State or any of its political subdivisions (except the Agency) is liable therefor. The principal of and interest on the Bonds are payable solely from the Pledged Tax Revenues allocated to the Agency from the Project Areas (all as defined herein and in the Indenture) and other funds 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.

The Bonds are offered, when, as and if issued, subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Certain legal matters will be passed on for the Agency by Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, Disclosure Counsel, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Agency Counsel. It is anticipated that the Bonds will be available for delivery to DTC in New York, New York, on or about January __, 2015.

SOUTHWEST SECURITIES, INC.

Dated: January __, 2015

* Preliminary; subject to change.
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This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the dated date of the Official Statement in its final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

\$ _____ *

**SUCCESSOR AGENCY TO THE
LANCASTER REDEVELOPMENT AGENCY
Combined Redevelopment Project Areas
(Housing Programs)
Tax Allocation Refunding Bonds
Issue of 2015A**

\$ _____ *

**SUCCESSOR AGENCY TO THE
LANCASTER REDEVELOPMENT AGENCY
Combined Redevelopment Project Areas
(Housing Programs)
Taxable Tax Allocation Refunding Bonds
Issue of 2015B**

**2015A BONDS
MATURITY SCHEDULE
(Base CUSIP[†] _____)**

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[†] Suffix
	\$	%	%	

\$ _____ % 2015B Term Bonds due August 1, 2034 - Yield – _____%, CUSIP[†] Suffix _____

**2015B BONDS
MATURITY SCHEDULE
(Base CUSIP[†] _____)**

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[†] Suffix
	\$	%	%	

\$ _____ % 2015B Term Bonds due August 1, 2035 - Yield – _____%, CUSIP[†] Suffix _____

* Preliminary; subject to change.

† CUSIP® Copyright 2014, CUSIP Global Services, and a registered trademark of American Bankers Association. CUSIP® data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. Neither the Agency nor the City nor the Underwriter guarantees the accuracy of the CUSIP® data.

**SUCCESSOR AGENCY TO THE
LANCASTER REDEVELOPMENT AGENCY
LANCASTER, CALIFORNIA**

Agency Board

R. Rex Parris, *Chair*
Marvin Crist, *Vice Chair*
Sandra Johnson, *Agency Member*
Ken Mann, *Agency Member*
Ronald D. Smith, *Agency Member*

Agency Staff

Mark V. Bozigian, *Executive Director*
Jason Caudle, *Deputy Executive Director*
Barbara Boswell, *Finance Director of the City of Lancaster*
Pamela Statsmann, *Assistant Finance Director of the City of Lancaster*
Allison E. Burns, *Agency Counsel*
Britt Avrit, CMC, *Secretary*

SPECIAL SERVICES

Bond Counsel

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

Disclosure Counsel

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

Trustee and Escrow Bank

U.S. Bank National Association
Los Angeles, California

Financial Advisor / Dissemination Agent

Urban Futures, Inc.
Orange, California

Underwriter

Southwest Securities, Inc.
Cardiff by the Sea, California

Verification Agent

_____, _____

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

Use of Preliminary Official Statement. This Preliminary Official Statement is submitted in connection with the sale of the Bonds described in this Preliminary Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Preliminary Official Statement does not constitute a contract between any Bond Owner and the Agency or the Underwriter.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. 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.

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

This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Agency or the other parties described in this Official Statement, since the date of this Official Statement.

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

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

No Registration with the SEC. The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

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

Web Page. The City of Lancaster maintains a website. However, the information maintained on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

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APPENDIX H – Specimen Municipal Bond Insurance Policy	H-1

\$ _____ *

**SUCCESSOR AGENCY TO THE
LANCASTER REDEVELOPMENT AGENCY
Combined Redevelopment Project Areas
(Housing Programs)
Tax Allocation Refunding Bonds
Issue of 2015A**

\$ _____ *

**SUCCESSOR AGENCY TO THE
LANCASTER REDEVELOPMENT AGENCY
Combined Redevelopment Project Areas
(Housing Programs)
Taxable Tax Allocation Refunding Bonds
Issue of 2015B**

INTRODUCTION

This introduction does not purport to be complete, and reference is made to the body of this Official Statement, appendices and the documents referred to herein for more complete information with respect to matters concerning the Bonds (as defined herein). Potential investors are encouraged to read the entire Official Statement.

Authority and Purpose

This Official Statement, including the cover page, is provided to furnish information in connection with the sale by the Successor Agency to the Lancaster Redevelopment Agency (the "Agency") of its (i) \$ _____ * Combined Redevelopment Project Areas (Housing Programs), Tax Allocation Refunding Bonds, Issue of 2015A (the "2015A Bonds"), and (ii) \$ _____ * Combined Redevelopment Project Areas (Housing Programs), Taxable Tax Allocation Refunding Bonds, Issue of 2015B (the "2015B Bonds"; and together with the 2015A Bonds, the "Bonds").

The Bonds are being issued pursuant to the Constitution and laws of the State of California (the "State"), including Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Bond Law") and the provisions of Health and Safety Code Section 34177.5, and an Indenture of Trust dated as of January 1, 2015 (the "Indenture") by and between the Agency and U.S. Bank National Association, as trustee (the "Trustee") approved by Resolution No. _____ adopted by the Agency on October 28, 2014 (the "Successor Agency Resolution"), and by Resolution No. _____ adopted by the Oversight Board for the Agency on October 29, 2014 (the "Oversight Board Resolution"). Written notice of the Oversight Board Resolution was provided to the State Department of Finance pursuant to the Dissolution Act (as defined herein) on October __, 2014, and the State Department of Finance requested review within five business days of such written notice. On _____, 2014, the State Department of Finance provided a letter to the Agency stating that based on such department's review and application of the law, the Oversight Board Resolution approving the refinancing of the Refunded Bonds (as defined below) is approved by the State Department of Finance and that the letter constitutes the department's determination with respect to the Oversight Board action taken pursuant to the Oversight Board Resolution (the "DOF Determination Letter"). A copy of the DOF Determination Letter is set forth as Appendix G hereto.

The 2015A Bonds are being issued to refinance for savings the Lancaster Redevelopment Agency's (the "Prior Agency") previously issued Combined Redevelopment Project Areas (Housing Programs), Subordinate Tax Allocation Refunding Bonds, Issue of 2003B (the "2003B Bonds") currently outstanding in the principal amount of \$ _____. The 2015B Bonds are being issued to refinance for savings the Prior Agency's previously issued Combined Redevelopment Project Areas (Housing Programs), Subordinate Tax Allocation Refunding Bonds, Issue of 2004 (Taxable) (the "2004 Bonds"),

* Preliminary; subject to change.

currently outstanding in the principal amount of \$_____. The 2003B Bonds and the 2004 Bonds are referred to collectively herein as the “Refunded Bonds.”

[The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by _____. See “BOND INSURANCE” herein. **Bond insurance to be determined.**]

The City and the Agency

The City of Lancaster, California (the “City”), is located in northern Los Angeles County (the “County”), in an area known as the Antelope Valley. The City was incorporated in 1977. It maintains a council-manager form of government, with the Mayor and Councilmembers elected at-large for two and four-year terms, respectively. For certain additional information regarding the City and the County, see “SUPPLEMENTAL INFORMATION – The City of Lancaster and the County of Los Angeles.

On April 2, 1979, the Lancaster Redevelopment Agency (the “Prior Agency”) was established by the City Council of the City pursuant to the Community Redevelopment Law (Part 1, Division 25, commencing with Section 33000 of the Health and Safety Code of the State) (the “Redevelopment Law”), at which time the City Council declared itself to be the governing board of the Prior Agency. On June 29, 2011, Assembly Bill No. 26 (“AB X1 26”) was enacted as Chapter 5, Statutes of 2011, together with a companion bill, Assembly Bill No. 27 (“AB X1 27”). A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al., v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. 2011), challenging the constitutionality of AB X1 26 and AB X1 27. In its December 29, 2011 decision, the California Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Prior Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

The primary provisions enacted by AB X1 26 relating to the dissolution and wind down of former redevelopment agency affairs are Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484 (“AB 1484”), enacted as Chapter 26, Statutes of 2012 (as amended from time to time, the “Dissolution Act”).

On January 10, 2012, pursuant to Resolution No. 12-04 and Section 34173 of the Dissolution Act, the City Council of the City elected to serve as successor agency to the Prior Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Prior Agency will not be transferred to the City nor will the assets of the Prior Agency become assets of the City.

The Project Areas

The City Council, on behalf of the Prior Agency, established the following redevelopment projects within the City and which are referred to herein, collectively, as the “Project Areas”:

(i) “Lancaster Residential Redevelopment Project” (the “Residential Project”) approved by Ordinance No. 158 of the City of Lancaster adopted on November 13, 1979;

(ii) “Central Business District Redevelopment Project” (the “CBD Project”) approved by Ordinance No. 226 of the City of Lancaster adopted on June 1, 1981;

(iii) “Fox Field Redevelopment Project” (the “Fox Field Project”) approved by Ordinance No. 289 of the City of Lancaster adopted on December 20, 1982;

(iv) “Amargosa Redevelopment Project” (the “Amargosa Project”) approved by Ordinance No. 321 of the City of Lancaster adopted on October 17, 1983;

(v) “Lancaster Redevelopment Project No. 5” (“Project No. 5”) approved by Ordinance No. 360 of the City of Lancaster adopted on November 26, 1984;

(vi) “Lancaster Redevelopment Project No. 6” (“Project No. 6”) approved by Ordinance No. 505 of the City of Lancaster adopted on July 3, 1989; and

(vii) “Lancaster Redevelopment Project No. 7” (Project No. 7”) approved by Ordinance No. 624 of the City of Lancaster adopted on November 28, 1992

See “THE PROJECT AREAS” for additional information regarding assessed valuations, property ownership, and land uses of the Project Areas.

Tax Allocation Financing

Prior to the enactment of AB X1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations.

The Dissolution Act authorizes refunding bonds, including the Bonds, to be secured by a pledge of monies deposited from time to time in a Redevelopment Property Tax Trust Fund held by a county auditor-controller with respect to a successor agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects. Under the Indenture, Pledged Tax Revenues consist of the amounts deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to and as provided in the Dissolution Act. See “SECURITY FOR THE BONDS – Tax Increment Financing” herein for additional information.

Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described above. See “RISK FACTORS.”

Security for the Bonds

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Prior Agency had the Prior Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Agency established

and held by the County Auditor-Controller (the “Redevelopment Property Tax Trust Fund”) pursuant to the Dissolution Act. The Dissolution Act provides that any bonds authorized thereunder to be issued by the Agency will be considered indebtedness incurred by the dissolved Prior Agency, with the same legal effect as if the bonds had been issued prior to effective date of AB X1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Agency’s Recognized Obligation Payment Schedule (see “Appendix A – Definitions” and “SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule”).

The Dissolution Act further provides that bonds authorized thereunder to be issued by the Agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized under the Dissolution Act, such as the Bonds, are taxes allocated to the Agency pursuant to the provisions of the Redevelopment Law and the State Constitution which provided for the allocation of tax increment revenues under the Redevelopment Law, as described in the foregoing paragraph.

In accordance with the Dissolution Act, “Pledged Tax Revenues” are defined under the Indenture as the monies deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to subdivision (c) of Section 34172 of the Dissolution Act, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act, provided, in the event of a shortfall in moneys on deposit in the Redevelopment Property Tax Trust Fund to pay scheduled debt service on all outstanding bonds issued by the Agency or the Former Agency (excluding bonds secured by pass-through payments to taxing entities), the Pledged Tax Revenues shall be calculated as twenty percent (20%) of gross tax revenues as determined pursuant to Section 33334.2 of the Redevelopment Law prior to the enactment of AB X1 26 (the “Prior Law”). If, and to the extent, that the provisions of Section 34172 or paragraph (2) of subdivision (a) of Section 34183 are invalidated by a final judicial decision, then Pledged Tax Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution.

The Bonds and the Existing Parity Bonds are payable from and equally and ratably secured, without preference or distinction as to series, by the Pledged Tax Revenues to be derived from the Project Areas, all of the monies in the Redevelopment Obligation Retirement Fund established and held by the Agency pursuant to the Dissolution Act, and all of the monies in the Debt Service Fund (including the Interest Account, the Principal Account, the Reserve Account, and the Redemption Account therein) established and held by the Trustee under the Indenture. Taxes levied on the property within the Project Areas on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various territories within the Project Areas, to the extent they constitute Pledged Tax Revenues, as described herein, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Agency’s Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year to the extent required for payments listed in the Agency’s Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act (see “SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule”). Monies deposited by the County Auditor-Controller into the Agency’s Redevelopment Obligation Retirement Fund will be transferred by the Agency to the Trustee for deposit in the Debt Service Fund established under the Indenture and administered by the Trustee in accordance with the Indenture.

Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described above. See “RISK FACTORS.”

Outstanding Bonds

The Bonds are being issued on a parity basis with the Prior Agency's previously issued (i) Combined Redevelopment Project Areas (Housing Programs), Subordinate Tax Allocation Refunding Bonds, Issue of 2003 (the "2003 Bonds"); and (ii) Combined Redevelopment Project Areas (Housing Programs) Tax Allocation Bonds, Issue of 2009 (the "2009 Bonds"; and together with the 2003 Bonds, the "Existing Parity Bonds").

Reserve Account

In order to further secure the payment of the principal of and interest on the Bonds, a Reserve Account within the Debt Service Fund is created pursuant to the Indenture in an amount equal to the Reserve Requirement. "Reserve Requirement" means, as of the date of computation, an amount equal to the lesser of (i) Maximum Annual Debt Service on the Bonds and any Parity Bonds, (ii) 10% of the net proceeds of the Bonds and any Parity Bonds, or (iii) 125% of the Annual Debt Service on all Bonds and Parity Bonds Outstanding.

Further Information

Brief descriptions of the Bonds, the Indenture, the Agency, the Prior Agency and the City are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture, the Bond Law, the Redevelopment Law, the Dissolution Act, the Constitution and the laws of the State as well as the proceedings of the Prior Agency, the Agency and the City are qualified in their entirety by reference to such documents. References herein to the Bonds are qualified in their entirety by the form thereof included in the Indenture and the information with respect thereto included herein, copies of which are all available for inspection at the offices of the Agency. During the period of the offering of the Bonds, copies of the forms of all documents are available at the offices of Southwest Securities, Inc., 2533 South Coast Hwy 101, Suite 250, Cardiff by the Sea, California 92007, and thereafter from the City Clerk's office, City of Lancaster, 44933 North Fern Avenue, Lancaster, California 93534.

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PLAN OF REFUNDING

A portion of the proceeds of the 2015A Bonds will be used to currently refund and defease all of the Prior Agency's previously issued 2003B Bonds, currently outstanding in the principal amount of \$ _____. A portion of the proceeds of the 2015B Bonds will be used to currently refund and defease all of the Prior Agency's previously issued 2004 Bonds, currently outstanding in the principal amount of \$ _____. See "SOURCES AND USES OF FUNDS."

Concurrently with the issuance of the Bonds, the Agency will enter into a 2003B Bonds Escrow Agreement and a 2004 Bonds Escrow Agreement, each dated as of January 1, 2015 (collectively, the "Escrow Agreements"), and each with U.S. Bank National Association, Los Angeles, California, as escrow bank (the "Escrow Bank"). Under each Escrow Agreement, the Escrow Bank will create and establish an escrow fund, to be known as, respectively, the 2003B Bonds Escrow Fund and the 2004 Bonds Escrow Fund (collectively, the "Escrow Funds").

Amounts in the 2003B Bonds Escrow Fund will be held uninvested and will be used to pay the redemption price on the Refunded Bonds consisting of 2003B Bonds, including any accrued and unpaid interest with respect thereto, on _____, 2015. Amounts in the 2004 Bonds Escrow Fund will be held uninvested and will be used to pay the redemption price on the Refunded Bonds consisting of 2004 Bonds, including any accrued and unpaid interest with respect thereto, on _____, 2015.

The monies deposited in the Escrow Funds will be held solely for the benefit of the holders of the respective Refunded Bonds and will not serve as a security or be available for payment of principal of, or interest on, or premium, if any, on the Bonds.

Sufficiency of the deposits to pay and redeem the 2003B Bonds and the 2004 Bonds will be verified upon delivery of the Bonds by [name of verification agent], [city], [state]. See "CONCLUDING INFORMATION – Verification" herein. As a result of the deposit and application of funds pursuant to the Escrow Agreements, the lien upon the Pledged Tax Revenues of the Refunded Bonds will be discharged, and the Refunded Bonds will no longer have any claim against the Pledged Tax Revenues.

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SOURCES AND USES OF FUNDS

The estimated sources and uses of funds for the 2015A Bonds are summarized as follows:

2015A BONDS

Sources

Principal Amount of Bonds	\$
Original Issue [Premium/Discount].....	
2003B Bonds Funds and Accounts.....	_____
Total Sources	<u>\$ _____</u>

Uses

Underwriter's Discount.....	\$
Reserve Account ⁽¹⁾	
2003B Bonds Escrow Fund ⁽²⁾	
Costs of Issuance Fund ⁽³⁾	_____
Total Uses	<u>\$ _____</u>

-
- (1) An amount equal to the Reserve Requirement for the 2015A Bonds.
 - (2) An amount of moneys sufficient to provide for the payment of the principal and interest on the 2003B Bonds through _____, 2015.
 - (3) Costs of Issuance include fees and expenses for Bond Counsel, Disclosure Counsel, Financial Advisor, trustee, printing expenses, rating fee, Verification Agent fees and expenses, bond insurance premium, and other costs.

The estimated sources and uses of funds for the 2015B Bonds are summarized as follows:

2015B BONDS

Sources

Principal Amount of Bonds	\$
Original Issue [Premium/Discount].....	
2004 Bonds Funds and Accounts	_____
Total Sources	<u>\$ _____</u>

Uses

Underwriter's Discount.....	\$
Reserve Account ⁽¹⁾	
2004 Bonds Escrow Fund ⁽²⁾	
Costs of Issuance Fund ⁽³⁾	_____
Total Uses	<u>\$ _____</u>

-
- (1) An amount equal to the Reserve Requirement for the 2015B Bonds.
 - (2) An amount of moneys sufficient to provide for the payment of the principal and interest, and redemption premium on the 2004 Bonds through _____, 2015.
 - (3) Costs of Issuance include fees and expenses for Bond Counsel, Disclosure Counsel, Financial Advisor, trustee, printing expenses, rating fee, Verification Agent fees and expenses, bond insurance premium, and other costs.

THE BONDS

Authority for Issuance

The Bonds were authorized for issuance pursuant to the Indenture, the Bond Law, and the Dissolution Act.

Description of the Bonds

The Bonds will be executed and delivered as one fully-registered Bond in the denomination of \$5,000 or any integral multiple thereof for each maturity, initially in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), as registered owner of all Bonds. See “Book-Entry System” below. The initially executed and delivered Bonds will be dated the Delivery Date and mature on August 1 in the years and in the amounts shown on the inside cover page of this Official Statement. Interest on the Bonds will be calculated at the rates shown on the inside cover page of this Official Statement, payable semiannually on February 1 and August 1 in each year, commencing on August 1, 2015, by check mailed to the registered owners thereof or upon the request of the Owners of \$1,000,000 or more in principal amount of Bonds, by wire transfer to an account in the United States which shall be designated in written instructions by such Owner to the Trustee on or before the Record Date preceding the Interest Payment Date.

Book-Entry System

DTC, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See “APPENDIX C – Book-Entry Only System.”

Redemption and Purchase of Bonds

Optional Redemption.

The Bonds are subject to redemption prior to maturity in whole, or in part in the manner determined by the Agency, on any date on or after August 1, 2024, from any available source of funds, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed) equal to 100% of the principal amount to be redeemed, together with accrued interest thereon to the redemption date, without premium.

Sinking Account Redemption.

The 2015A Bonds maturing on August 1, 2034 (the “2015A Term Bonds”) and the 2015B Bonds maturing on August 1, 2035 (the “2015B Term Bonds”) are subject to redemption in part by lot on August 1, 2027 and on September 1 in each year shown below until maturity, from sinking account payments made by the Successor 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, in the aggregate respective principal amounts and on the respective dates as set forth in the following tables; provided, however, that if some but not all of the Bonds have been redeemed the total amount of all future sinking account payments will 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 Successor Agency (notice of which determination will be given by the Successor Agency to the Trustee).

2015A Term Bonds Maturing in 2034	
Year	Amount
(August 1)	
2027	\$
2028	
2029	
2030	
2031	
2032	
2033	
2034 (maturity)	

2015B Term Bonds Maturing in 2035	
Year	Amount
(August 1)	
2027	\$
2028	
2029	
2030	
2031	
2032	
2033	
2034	
2035 (maturity)	

Purchase in Lieu of Redemption. In lieu of sinking account redemption of the Bonds, amounts on deposit in the Redevelopment Obligation Retirement 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 July 15 in any year will be credited towards and will reduce the principal amount of the Bonds otherwise required to be redeemed on the following August 1 pursuant to the Indenture.

Purchase in Open Market. Amounts on deposit in the Redevelopment Obligation Retirement Fund (to the extent not required to be transferred to the Trustee during the current Bond Year and to the extent permitted by the Dissolution Act) 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 Bonds so purchased by the Agency shall be surrendered to the Trustee for cancellation and shall no longer be Outstanding.

Notice of Redemption. The Trustee on behalf of and at the expense of the Agency will mail (by first class mail, postage prepaid) notice of any redemption at least thirty (30) but not more than sixty (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 at the time the Agency notifies the Trustee of its intention to redeem Bonds; but such mailing will not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice will state the redemption date and the redemption price, will 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 will 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 shall have the right to rescind any optional redemption by written notice to the Trustee at least fifteen (15) days prior to the date fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not be 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 shall not constitute an Event of Default under the Indenture. The Agency and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

SECURITY FOR THE BONDS

Redevelopment Property Tax Trust Fund; Pledged Tax Revenues

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Prior Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the Prior Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act. The Dissolution Act provides that any bonds authorized thereunder to be issued by the Agency will be considered indebtedness incurred by the dissolved Prior Agency, with the same legal effect as if the bonds had been issued prior to effective date of AB X1 26, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date, and will be included in the Agency's Recognized Obligation Payment Schedule (see "Appendix A – Definitions" and "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule").

The Dissolution Act further provides that bonds authorized thereunder to be issued by the Agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized to be issued by the Agency under the Dissolution Act, including the Bonds, are taxes allocated to the Agency pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution.

Pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State and as provided in the Redevelopment Plan, taxes levied upon taxable property in the Project Areas each year by or for the benefit of the State, any city, county, city and county, district, or other public corporation (herein sometimes collectively called "taxing agencies") after the effective date of the ordinance approving the Redevelopment Plan, or the respective effective dates of

ordinances approving amendments to the Redevelopment Plan that added territory to a Project Area, as applicable, are to be divided as follows:

(a) *To Taxing Agencies:* That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the 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 effective date of the ordinance adopting the Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the Redevelopment Plan that added territory to the Project Area, as applicable (each, a “base year valuation”), will be allocated to, and when collected will be paid into, the funds of the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid; and

(b) *To the Prior Agency/Agency:* Except for that portion of the taxes in excess of the amount identified in (a) above which are 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 the 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, that portion of the levied taxes each year in excess of such amount, annually allocated within the Plan Limit following the Delivery Date, when collected will be paid into a special fund of the Prior Agency. Section 34172 of the Dissolution Act provides that, for purposes of Section 16 of Article XVI of the State Constitution, the Redevelopment Property Tax Trust Fund shall be deemed to be a special fund of the Agency to pay the debt service on indebtedness incurred by the Prior Agency or the Agency to finance or refinance the redevelopment projects of the Prior Agency.

That portion of the levied taxes described in paragraph (b) above, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the County Auditor-Controller, constitute the amounts required under the Dissolution Act to be deposited by the County Auditor-Controller into the Redevelopment Property Tax Trust Fund. In addition, Section 34183 of the Dissolution Act effectively eliminates the January 1, 1989 date from paragraph (b) above.

Elimination of 20% Housing Set-Aside Requirement. Prior to enactment of the Dissolution Act, Section 33334.2 of the Redevelopment Law required that not less than twenty percent (20%) of the gross tax increment revenues be deposited in the Low and Moderate Income Housing Fund (the “Housing Set-Aside Amount”). The Housing Set-Aside Amount was pledged for repayment of the Refunded Bonds. The Dissolution Act states that commencing on its effective date, all provisions of the Redevelopment Law that depend on the allocation of tax increment to redevelopment agencies shall be inoperative; therefore, the State Department of Finance has previously provided guidance to the effect that the Housing Set-Aside Amount is not a continuing obligation, except for funds which would have been deposited into the Low and Moderate Income Housing Fund to pay for enforceable housing obligations, such as payments for housing bond debt service (e.g., the Refunded Bonds), which should be placed on the Recognized Obligation Payment Schedule. The periodic deposits by the County Auditor-Controller to the Redevelopment Property Tax Trust Fund are equivalent in amount to the tax increment revenues formerly allocated under the Redevelopment Law to the Prior Agency (including former Housing Set-Aside Amount), less permitted administrative costs of the County Auditor-Controller. See “SECURITY FOR THE BONDS – Tax Increment Financing.”

Pledged Tax Revenues. “Pledged Tax Revenues” are defined under the Indenture as the monies deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to

subdivision (c) of Section 34172 of the Dissolution Act, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act, provided in the event of a shortfall in moneys on deposit in the Redevelopment Property Tax Trust Fund to pay scheduled debt service on all outstanding bonds issued by the Agency or the Former Agency (excluding bonds secured by pass-through payments to taxing entities), the Pledged Tax Revenues shall be calculated as twenty percent (20%) of gross tax revenues as determined pursuant to Section 33334.2 of the Redevelopment Law prior to the enactment of AB X1 26. If, and to the extent, that the provisions of Section 34172 or paragraph (2) of subdivision (a) of Section 34183 are invalidated by a final judicial decision, then Pledged Tax Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution. In effect, and in accordance with Section 34177.5(a)(1) of the Dissolution Act, the Indenture pledges the same revenues to the repayment of the Bonds that were previously pledged toward repayment of the Refunded Bonds, which specifically are the portion of monies deposited from time to time in the Redevelopment Property Tax Trust Fund that would have comprised the Housing Set-Aside Amount, and such pledge has the same lien priority on the Pledged Tax Revenues as the pledge of the Refunded Bonds. The Bonds and the Existing Parity Bonds are payable from and secured by the Pledged Tax Revenues to be derived from the Project Areas.

The Bonds and the Existing Parity Bonds are payable from and secured by (i) an irrevocable pledge of the Pledged Tax Revenues to be derived from the Project Areas, (ii) an irrevocable pledge of all of the monies in the Redevelopment Obligation Retirement Fund established and held by the Agency pursuant to the Dissolution Act, and (iii) an irrevocable first pledge and lien on all of the monies in the Debt Service Fund (including the Interest Account, the Principal Account, the Reserve Account, and the Redemption Account therein) established and held by the Trustee in trust for the Bondowners under the Indenture.

Taxes levied on the property within the Project Areas on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various territories within the Project Areas, to the extent they constitute Pledged Tax Revenues, as described herein, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Agency's Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year to the extent required for payments listed in the Agency's Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act (see "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule"). Monies deposited by the County Auditor-Controller into the Agency's Redevelopment Obligation Retirement Fund will be transferred by the Agency to the Trustee for deposit in the Debt Service Fund established under the Indenture and administered by the Trustee in accordance with the Indenture.

The Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Pledged Tax Revenues available in any six-month period to pay the principal of and interest on the Bonds and the Existing Parity Bonds (see "SECURITY FOR THE BONDS – Tax Increment Financing" and "– Recognized Obligation Payment Schedule" and "RISK FACTORS").

The Bonds 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 or any of its political subdivisions (except the Agency) is liable therefor. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Tax Increment Financing

Prior to the enactment of AB X1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations.

The Dissolution Act authorizes refunding bonds, including the Bonds, to be secured by a pledge of monies deposited from time to time in a Redevelopment Property Tax Trust Fund held by a county auditor-controller with respect to a successor agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the county auditor-controller. Under the Indenture, Pledged Tax Revenues consist of the amounts deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to and as provided in the Dissolution Act, provided in the event of a shortfall in moneys on deposit in the Redevelopment Property Tax Trust Fund to pay scheduled debt service on all outstanding bonds issued by the Agency or the Former Agency (excluding bonds secured by pass-through payments to taxing entities), the Pledged Tax Revenues shall be calculated as twenty percent (20%) of gross tax revenues as determined pursuant to Section 33334.2 of the Redevelopment Law prior to the enactment of AB X1 26. Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described above. See "RISK FACTORS."

Prior to the dissolution of redevelopment agencies, tax increment revenues from one project area could not be used to repay indebtedness incurred for another project area. However, the Dissolution Act has only required that county auditor-controllers establish a single Redevelopment Property Tax Trust Fund with respect to each former redevelopment agency within the respective county. Additionally, the Dissolution Act now requires that all revenues equivalent to the amount that would have been allocated as tax increment to the former redevelopment agency will be allocated to the Redevelopment Property Tax Trust Fund of the applicable successor agency, and this requirement does not require funds derived from separate project areas of a former redevelopment agency to be separated. In effect, in situations where a former redevelopment agency had established more than one redevelopment project area, the Dissolution Act combines the property tax revenues derived from all project areas into a single trust fund, the Redevelopment Property Tax Trust Fund, to repay indebtedness of the former redevelopment agency or the successor agency. To the extent the documents governing outstanding bonds of a redevelopment agency have pledged revenues derived from a specific project area, the Dissolution Act states, "It is the intent . . . that pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored. It is intended that the cessation of any redevelopment agency shall not affect either the pledge, the legal existence of that pledge, or the stream of revenues available to meet the requirements of the pledge." The implications of these provisions of the Dissolution Act are not entirely clear when a former redevelopment agency has established more than one redevelopment project area, as is the case with the Prior Agency, which has established seven redevelopment project areas: the Residential Project, the CBD Project, the Fox Field Project, the Amargosa Project, Project No. 5, Project No. 6, and Project No. 7. At any rate, in accordance with the Dissolution Act, the Bonds are secured by Pledged Tax Revenues, which consist of monies deposited from time to time in the Redevelopment Property Tax Trust Fund equivalent to the former Housing Set-Aside Amount, without regard to the

Project Area from which such monies derive. To the extent there are outstanding bonds of the Prior Agency that are not the Existing Parity Bonds, such bonds are secured only by either (i) the portion of monies deposited into the Redevelopment Property Tax Trust Fund that would not be attributable to the Housing Set-Aside Amount (calculated as though the Housing Set-Aside Amount were still in effect) or (ii) pass-through or tax-sharing amounts payable to certain taxing entities in the Project Areas.

The Redevelopment Law authorized redevelopment agencies to make payments to school districts and other taxing agencies to alleviate any financial burden or detriments to such taxing agencies caused by a redevelopment project. The Prior Agency entered into several agreements for this purpose (the "Pass-Through Agreements"). Additionally, Sections 33607.5 and 33607.7 of the Redevelopment Law required mandatory tax sharing applicable to redevelopment projects adopted after January 1, 1994, or amended thereafter in certain manners specified in such statutes (the "Statutory Pass-Through Amounts"). The Dissolution Act requires the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed under the Pass-Through Agreements and for Statutory Pass-Through Amounts to the taxing entities for each six-month period before amounts are distributed by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund to the Agency's Redevelopment Obligation Retirement Fund each January 2 and June 1, unless (i) passthrough payment obligations have previously been made subordinate to debt service payments for the bonded indebtedness of the Prior Agency, as succeeded by the Agency, (ii) the Agency has reported, no later than the December 1 and May 1 preceding the January 2 or June 1 distribution date, that the total amount available to the Agency from the Redevelopment Property Tax Trust Fund allocation to the Agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the Prior Agency, and from funds that have or will become available through asset sales and all redevelopment operations is insufficient to fund the Agency's enforceable obligations, pass-through payments, and the Agency's administrative cost allowance for the applicable six-month period, and (iii) the State Controller has concurred with the Agency that there are insufficient funds for such purposes for the applicable six-month period.

If the requirements stated in clauses (i) through (iii) of the foregoing paragraph have been met, the Dissolution Act provides for certain modifications in the distributions otherwise calculated to be distributed for such six-month period. To provide for calculated shortages to be paid to the Agency for enforceable obligations, the amount of the deficiency will first be deducted from the residual amount otherwise calculated to be distributed to the taxing entities under the Dissolution Act after payment of the Agency's enforceable obligations, pass-through payments, and the Agency's administrative cost allowance. If such residual amount is exhausted, the amount of the remaining deficiency will be deducted from amounts available for distribution to the Agency for administrative costs for the applicable six-month period in order to fund the enforceable obligations. Finally, funds required for servicing bond debt may be deducted from the amounts to be distributed under Pass-Through Agreements and for Statutory Tax Sharing Amounts, in order to be paid to the Agency for enforceable obligations, but only after the amounts described in the previous two sentences have been exhausted.

To the extent that the Housing Set-Aside Amount was pledged for repayment of the Existing Parity Bonds and the Refunded Bonds, under the Prior Law the Prior Agency's Pass-Through Agreements and the Statutory Pass-Through Amounts were not payable from the Housing Set-Aside Amount, but rather from other tax increment revenues allocated to the Prior Agency. Section 34177.5(a)(1) of the Dissolution Act provides that the Agency may pledge to the Bonds the revenues pledged to the Refunded Bonds, and that pledge, when made in connection with the issuance of the Bonds, shall have the same lien priority as the pledge of the Refunded Bonds, and shall be valid, binding, and enforceable in accordance with its terms. The Indenture provides that, in the event of a shortfall of monies on deposit in the Redevelopment Property Tax Trust Fund to pay scheduled debt service on all outstanding bonds issued by the Agency or the Former Agency (excluding bonds secured by pass-through payments to taxing entities),

the Pledged Tax Revenues shall be calculated as 20% of gross tax revenues as determined pursuant to Section 33334.2 of the Prior Law. Therefore, the payment by the County Auditor-Controller, pursuant to the Dissolution Act, of Statutory Pass-Through Amounts or amounts payable to taxing agencies under the Pass-Through Agreements does not affect the amount of the available Pledged Tax Revenues (i.e., the Housing Set-Aside Amount).

Recognized Obligation Payment Schedule

ROPS Process Under the Dissolution Act

Before each six-month period, the Dissolution Act requires successor agencies to prepare and submit to the successor agency's oversight board and the State Department of Finance for approval a Recognized Obligation Payment Schedule (the "Recognized Obligation Payment Schedule") pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. As defined in the Dissolution Act, "enforceable obligation" includes bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and amounts borrowed from the Low and Moderate Income Housing Fund. A reserve may be included on the Recognized Obligation Payment Schedule and held by the successor agency when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following six-month period (see "THE INDENTURE – Covenants of the Agency").

Under the Dissolution Act, the categories of sources of payments for enforceable obligations listed on a Recognized Obligation Payment Schedule are the following: (i) the Low and Moderate Income Housing Fund, (ii) bond proceeds, (iii) reserve balances, (iv) administrative cost allowance, (v) the Redevelopment Property Tax Trust Fund (but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or otherwise required under the Dissolution Act), or (vi) other revenue sources (including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the former redevelopment agency, as approved by the oversight board).

The Dissolution Act provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, only those payments listed in the Recognized Obligation Payment Schedule may be made by the Agency from the funds specified in the Recognized Obligation Payment Schedule.

The Recognized Obligation Payment Schedule with respect to the six-month period of January 1, 2013 through June 30, 2013 was required to be submitted by the Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller no later than September 1, 2012. For each subsequent six-month period, the Recognized Obligation Payment Schedule must be submitted by the Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller by 90 days before the date of the next January 2 or June 1 property tax distribution. If the Agency does not submit a Recognized Obligation Payment Schedule by such deadlines, the City will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the State Department of Finance. Additionally, the Agency's administrative

cost allowance is reduced by 25% if the Agency did not submit a Recognized Obligation Payment Schedule by September 11, 2012, with respect to the Recognized Obligation Payment Schedule for the six-month period of January 1, 2013 through June 30, 2013, or by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the Recognized Obligation Payment Schedule for subsequent six-month periods commencing with the period of July 1, 2013 through December 1, 2013.

The Dissolution Act requires the State Department of Finance to make a determination of the enforceable obligations and the amounts and funding sources of the enforceable obligations no later than 45 days after the Recognized Obligation Payment Schedule is submitted. Within five business days of the determination by the State Department of Finance, the Agency may request additional review by the department and an opportunity to meet and confer on disputed items, if any. The State Department of Finance will notify the Agency and the County Auditor-Controller as to the outcome of its review at least 15 days before the January 2 or June 1 date of property tax distribution, as applicable. Additionally, the County Auditor-Controller may review a submitted Recognized Obligation Payment Schedule and object to the inclusion of any items that are not demonstrated to be enforceable obligations and may object to the funding source proposed for any items, provided that the County Auditor-Controller must provide notice of any such objections to the Agency, the Oversight Board, and the State Department of Finance at least 60 days prior to the January 2 or June 1 date of property tax distribution, as applicable.

In connection with the allocation and distribution by the County Auditor-Controller of property tax revenues deposited in the Redevelopment Property Tax Trust Fund, under the Dissolution Act the County Auditor-Controller must prepare estimates of the amounts of (i) property tax to be allocated and distributed and (ii) the amounts of passthrough payments to be made in the upcoming six-month period, and provide those estimates to the entities receiving the distributions and the State Department of Finance no later than October 1 and April 1 of each year, as applicable. With respect to the Recognized Obligation Payment Schedule for January 1, 2015 through June 30, 2015, the County Auditor-Controller was required to provide such estimate to the Agency by October 1, 2014. If, after receiving such estimate from the County Auditor-Controller, the Agency determines and reports, no later than December 1 or May 1, as applicable (i.e., by December 1, 2014 with respect to the Recognized Obligation Payment Schedule for January 1, 2015 through June 30, 2015), that the total amount available to the Agency from the Redevelopment Property Tax Trust Fund allocation to the Agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the Prior Agency, and from funds that have or will become available through asset sales and all redevelopment operations, is insufficient to fund the payment of passthrough obligations, for Agency enforceable obligations listed on the Recognized Obligation Payment Schedule, and for the Agency's administrative cost allowance, the County Auditor-Controller must notify the State Controller and the State Department of Finance no later than 10 days from the date of the Agency's notification. If the State Controller concurs that there are insufficient funds to pay required debt service, the Dissolution Act provides for certain adjustments to be made to the estimated distributions, as described in more detail under "SECURITY FOR THE BONDS – Tax Increment Financing" above.

Amounts Received for Prior ROPS Periods

The Agency timely submitted to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller its Oversight Board-approved Recognized Obligation Payment Schedules for the six-month periods of January 1, 2013 through June 30, 2013; July 1, 2013 through December 31, 2013; January 1, 2014 through June 30, 2014; July 1, 2014 through December 1, 2014; and January 1, 2015 through June 30, 2015.

Pursuant to this process, the Agency received the following amounts for its enforceable obligations for corresponding six-month periods, which include the principal and interest payments on the Existing Parity Bonds, the Refunded Bonds, and other bonds issued by the Prior Agency secured by revenues other than the Pledged Tax Revenues, as well as reserves to facilitate scheduled debt service payments on such bonds for the next six-month period, to the extent necessary to avert an insufficiency in such debt service payments:

<u>Six-Month ROPS Period</u>	<u>Distribution to Agency from Redevelopment Property Tax Trust Fund</u>
July 1, 2012 – December 31, 2012	\$ 9,185,581.85
January 1, 2013 – June 30, 2013	7,446,245.81
July 1, 2013 – December 31, 2013	10,729,972.65
January 1, 2014 – June 30, 2014	7,198,198.45
July 1, 2014 – December 31, 2014	11,364,668.00

The estimate provided by the County Auditor-Controller on October 1, 2014 for the amount of the property tax distribution expected to be paid to the Agency on January 2, 2015 is \$7,491,773.55, which does not provide sufficient monies for all of the Agency’s enforceable obligations shown on its Recognized Obligation Payment Schedule for the six-month period commencing January 1, 2015 through June 30, 2015 (\$8,724,935). **[Agency to provide additional information re: handling]**

For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications thereof on the Bonds, see “RISK FACTORS – Recognized Obligation Payment Schedule.”

Statutory Limitations on Review of Bonds on ROPS by DOF

The Dissolution Act provides that any bonds or other indebtedness authorized thereunder to be issued by the Agency will be considered indebtedness incurred by the dissolved Prior Agency, with the same legal effect as if the bonds or other indebtedness had been issued prior to effective date of AB XI 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Agency’s Recognized Obligation Payment Schedule. Section 34177.5(f) of the Dissolution Act additionally provides that if the State Department of Finance has requested review of the Oversight Board Resolution and, after review, has approved the resolution, the scheduled payments on the Bonds shall be listed in the Recognized Obligation Payment Schedule and will not be subject to further review and approval by the State Department of Finance or the State Controller.

Further, the Agency has covenanted in the Indenture to take all actions required under the Dissolution Act to include scheduled debt service on the Existing Parity Bonds and the Bonds, as well as any amount required under the Indenture to replenish the Reserve Account of the Special Fund, in Recognized Obligation Payment Schedules for each six-month period so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Agency’s Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Agency to pay principal of, and interest on, the Existing Parity Bonds and the Bonds coming due in the respective six-month period, including listing a reserve on the Recognized Obligation Payment Schedule to the extent required by the Indenture or when the next property tax allocation is projected to be insufficient to pay all obligations due under the provisions of the Indenture for the next payment due on the Existing Parity Bonds and the Bonds in the following six-month period (see “THE INDENTURE – Covenants of the Agency”).

Outstanding Bonds

Existing Parity Bonds. The Bonds are being issued on a parity basis with the Existing Parity Bonds, which consist of the Agency's previously issued 2003 Bonds, outstanding in the principal amount of \$ _____, and the Agency's previously issued 2009 Bonds, outstanding in the principal amount of \$ _____.

Additional Parity Bonds

Under the Indenture, in addition to the Bonds and the Existing Parity Bonds and subject to the requirements of the Existing Parity Bonds Indentures, the Agency may issue or incur additional tax allocation bonds (including, without limitation, bonds, notes, interim certificates, debentures or other obligations) secured by a pledge and lien on Pledged Tax Revenues on a parity with the Bonds and the Existing Parity Bonds ("Additional 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 and for such purposes as are permitted under the Dissolution Act, including without limitation Section 34177.5 thereof.

Section 34177.5 of the Dissolution Act presently permits successor agencies to issue bonds or incurring other indebtedness secured by property tax revenues comprised of former tax increment and required to be deposited into the respective Redevelopment Property Tax Trust Fund for the applicable successor agency under limited circumstances:

- (i) to provide savings to the successor agency;
- (ii) for the purpose of financing debt service spikes, including balloon maturities; provided, (A) the existing indebtedness is not accelerated, except to the extent necessary to achieve substantially level debt service, and (B) the principal amount of the refunding bonds or the indebtedness will not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance;
- (iii) for the purpose of amending an existing enforceable obligation under which the successor agency is obligated to reimburse a political subdivision of the state for the payment of debt service on a bond or other obligation of the political subdivision or to pay all or a portion of the debt service on the bond or other obligation of the political subdivision to provide savings to the successor agency, when such amendment is in connection with a refunding of the bonds or other obligations of the separate political subdivision so that the enforceable obligation will apply to the refunding obligations of the political subdivision; or
- (iv) for the purpose of making payments under an existing enforceable obligation when the enforceable obligation includes the irrevocable pledge of property tax increment (i.e., formerly tax increment revenues prior to the effective date of the Dissolution Act) or other funds and the obligation to issue bonds secured by that pledge.

When bonds are issued pursuant to the situations contemplated in clauses (i) and (iii), the following two constraints apply to the size of the financing: (A) the total interest cost to maturity on the refunding bonds or indebtedness plus the principal amount of the refunding bonds or other indebtedness shall not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded, and (B) the principal amount of the refunding bonds or the indebtedness will not exceed the amount required to defease the refunded

bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance. If the foregoing conditions are satisfied, the initial principal amount of the refunding bonds or indebtedness may be greater than the outstanding principal amount of the bonds or other indebtedness to be refunded. The successor agency may pledge to the refunding bonds or other indebtedness the revenues pledged to the bonds or other indebtedness being refunded, having the same lien priority as the pledge of the bonds or other obligations to be refunded.

Subject to the foregoing, the Agency may issue or incur such Additional Parity Bonds subject to the following additional specific conditions precedent:

(a) The Agency will be in compliance with all covenants set forth in the Indenture, the 2003 Indenture, and the 2009 Indenture;

(b) The Oversight Board shall have approved the issuance of Additional Parity Bonds;

(c) The Additional Parity Bonds will be on such terms and conditions as may be set forth in a separate or Supplemental Indenture, which will provide for (i) bonds substantially in accordance with the Indenture, the 2003 Indenture, and the 2009 Indenture, and (ii) the deposit of moneys into the Reserve Account in an amount sufficient, together with the balance of the Reserve Account, to equal the Reserve Requirement on all Bonds expected to be outstanding including the Bonds, the Existing Parity Bonds, and the Additional Parity Bonds;

(d) Receipt of a certificate or opinion of an Independent Financial Consultant stating:

(i) For the current and each future Bond Year the debt service for each such Bond Year with respect to all Bonds, Existing Parity Bonds, and other Parity Bonds reasonably expected to be outstanding following the issuance of the Additional Parity Bonds;

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

(iii) For each future Fiscal Year, the Pledged Tax Revenues referred to in item (ii) together with (a) the amount determined in accordance with Section 51(a) of the California Revenue and Taxation Code and (b) the amount of Pledged Tax Revenues to be payable with respect to construction completed but not yet on the tax roll, and taking into account the expiration of the time to receive Pledged Tax Revenues with respect to any portion of the Project Areas; and

(iv) That for the then current Fiscal Year, the Pledged Tax Revenues referred to in item (ii) and for each future Fiscal Year the Pledged Tax Revenues referred to in item (iii) are at least equal to the sum of 125% of the Maximum Annual Debt Service with respect to the amounts referred to in item (i) above (excluding debt service with respect to any portion of the Additional 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, for the then current Fiscal Year, 100% of Annual Debt Service with respect to any subordinate debt and that the Agency is entitled under the Dissolution Act, 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, Existing Parity Bonds, and other Parity Bonds.

(e) The Additional Parity Bonds will mature on and interest will be payable on the same dates as the Bonds (except the first interest payment may be from the date of the Additional Parity Bonds until the next succeeding February 1 or August 1) provided, however, nothing herein shall preclude the Agency from issuing and selling Additional Parity Bonds which do not pay current interest.

Bonds Not a Debt of the City of Lancaster or the State of California

The Bonds are special obligations of the Agency and as such are not a debt of the City, the State or any of its political subdivisions other than the Agency. Neither the City, the State nor any of its political subdivisions other than the Agency is liable for the payment thereof. In no event shall the Bonds be payable out of any funds or properties other than those of the Agency 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.

[BOND INSURANCE]

[to be determined]

THE INDENTURE

The following is a summary of certain provisions of the Indenture and does not purport to be complete. Reference is hereby made to the Indenture and to APPENDIX A for the definition of certain terms used herein. Copies of the Indenture are available from the Agency upon request. All capitalized terms used herein and not otherwise defined will have the same meaning as used in the Indenture.

Allocation of Bond Proceeds

Under the Dissolution Act, the Agency has previously established a special trust fund called the Redevelopment Obligation Retirement Fund (the “Redevelopment Obligation Retirement Fund”), which is held by the Agency and into which the County Auditor-Controller distributes property tax revenues each January 2 and June 1 from the Redevelopment Property Tax Trust Fund for the payment by the Agency of enforceable obligations pursuant to the Recognized Obligation Payment Schedule.

The Indenture continues a special trust fund known as the “Debt Service Fund,” with accounts therein referred to below, which will be held by the Trustee. The Agency will deposit all of the Pledged Tax Revenues received in any Bond Year in the Redevelopment Obligation Retirement Fund promptly upon receipt thereof by the Agency, and promptly thereafter shall transfer amounts received therein first, to the Debt Service Fund established and held by the Trustee under the Indenture and the Existing Parity Bonds Indentures until such time during such Bond Year as the amounts so transferred to the Debt Service Fund under the Indenture and the Existing Parity Bonds Indentures 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 Debt Service Fund in such Bond Year pursuant to the Indenture and the Existing Parity Bonds Indentures and for deposit in such Bond Year in the funds and accounts established with respect to any Additional Parity Bonds, as provided in any Supplemental Indenture.

See “SOURCES AND USES OF FUNDS.”

Pledged Tax Revenues - Application

There are continued under the Indenture and the Existing Parity Bonds Indenture accounts within the Debt Service Fund as set forth below, to be known respectively as the Interest Account, the Principal Account, the Reserve Account and the Redemption Account. Moneys in the Redevelopment Obligation Retirement Fund will be transferred by the Agency to the Trustee in the following amounts at the following times, for deposit in the following respective accounts within the Debt Service Fund, which are established with the Trustee, in the following order of priority:

(a) *Interest Account.* On or before the 5th Business Day preceding each Interest Payment Date, to the extent there are moneys available, the Trustee will transfer funds from the Debt Service Fund 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 and the next following Interest Payment Date. No such transfer and deposit need to 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 and Parity 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).

(b) *Principal Account.* On or before the 5th Business Day preceding August 1 in each year beginning August 1, 2015, to the extent there are moneys available, the Trustee will transfer funds from the Debt Service Fund for deposit in the Principal Account an amount equal to the principal or sinking account payments becoming due and payable on the Outstanding Bonds on such August 1, to the extent monies on deposit in the Debt Service Fund are available therefor. 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 such 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.

(c) *Reserve Account.* In the event that moneys on deposit in the Debt Service Fund five (5) Business Days before any Interest Payment Date are less than the full amount of the interest, principal and sinking account payments required to be deposited by the Trustee pursuant to the Indenture, the Trustee will, five (5) Business Days before such Interest Payment Date, withdraw from the Reserve Account pro rata between any Reserve Account subaccounts 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 Redevelopment Obligation Retirement 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 and the subaccounts therein. If there is not sufficient moneys in the Redevelopment Obligation Retirement Fund to transfer an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account and the subaccounts therein, the Agency shall have an obligation to continue making transfers of Pledged Tax Revenues into the Debt Service Fund, as such revenues become available, and thereafter, as moneys become available in the Debt Service Fund, the Trustee will make transfers to the Reserve Account and the subaccounts therein 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 (or any subaccount therein) 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 (and subaccounts therein, as the case may be), 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, 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 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 has 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 transferred as directed by the Agency.

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. All amounts on deposit in the 2015A Reserve Subaccount and the 2015B Reserve Subaccount will be available, as needed, to pay principal of, and interest on, the 2015A Bonds and 2015B Bonds, respectively, from and after the final Interest Payment Date for the 2015A Bonds or 2015B Bonds, and will not be transferred to the Agency until after the final Interest Payment Date for the 2015A Bonds and 2015B Bonds, respectively. Notwithstanding the foregoing, the Agency may withdraw all amounts on deposit in the 2015A Reserve Subaccount or 2015B Reserve Subaccount on any date from and after the final Interest Payment Date for the 2015A Bonds or 2015B Bonds, as applicable, so long as, prior to such withdrawal, the Agency delivers to the Trustee, a certificate of an Independent Financial Consultant to the effect that for the then current Fiscal Year, the Pledged Tax Revenues to be received by the Agency based upon the most recently certified assessed valuation of taxable property in the Project Areas provided by the appropriate officer of the County, are at least equal to the sum of 125% of the Maximum Annual Debt Service on the Outstanding Bonds and any Outstanding Parity Bonds (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).

(d) Redemption Account. On or before the 5th Business Day preceding any date on which Bonds are to be redeemed, the Trustee will transfer from the Debt Service Fund for deposit in the Redemption Account an amount required to pay the principal of, interest and premium, if any, on the Bonds (other than Bonds redeemed from sinking account payments) to be redeemed on such 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, interest and premium, if any, on the Bonds to be redeemed on the date set for such redemption.

The Indenture also creates a Rebate Fund for the purpose of collecting the amounts required, if any, to be rebated to the United States with respect to the 2015A Bonds in accordance with the requirements of Section 148(f) of the Code. Section 148 of the Code requires, among other things and with certain exceptions, that any amounts earned on nonpurpose investments in excess of the amount which would have been earned if such investments were made at a rate equal to the yield on the Bonds be rebated to the United States. The Indenture requires the Agency to calculate such amount and deposit it into the Rebate Fund for eventual rebate to the United States Treasury.

Investment of Moneys in Funds and Accounts

Subject to the provisions of the Indenture, all moneys held by the Trustee in the Debt Service Fund, the Costs of Issuance Fund, or the Rebate Fund will be invested at the written direction of the Agency 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 shall request such written direction from the Agency and, pending receipt of instructions, will invest such moneys only in Permitted Investments described in subsection (5) of the definition thereof.

(a) Moneys in the Redevelopment Obligation Retirement Fund will be invested by the Agency only in obligations permitted by the Redevelopment 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 Redevelopment Obligation Retirement Fund.

(b) Moneys in the Interest Account, the Principal Account and the Redemption Account of the Debt Service Fund will be invested 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 equal to the principal and interest payable on such payment date.

(c) Moneys in the Reserve Account will be invested 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 in Defeasance 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 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 will be 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 moneys invested in the Interest Account, Principal Account, Redemption Account or Reserve Account, to the extent they exceed the amount required to be in such Account, will be transferred on each Interest Payment Date to the Debt Service Fund. All interest earnings on moneys invested in the Rebate Fund will be retained in such Fund and applied as set forth in the Indenture.

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 under the Indenture, including the following covenants and agreements for the benefit of the Bondowners which are necessary, convenient and desirable to secure the 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 Pledged Tax Revenues.

Covenant 1. *Use of Proceeds; Management and Operation of Properties.* The Agency covenants and agrees 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 Areas in a sound and businesslike manner.

Covenant 2. *No Priority.* The Agency covenants and agrees that it will not issue any obligations payable, either as to principal or interest, from the Pledged Tax Revenues which have any lien upon the Pledged Tax Revenues prior or superior to the lien of the Bonds. Except as permitted by the Indenture, it will not issue any obligations, payable as to principal or interest, from the Pledged Tax Revenues, which have any lien upon the Pledged Tax Revenues on a parity with the Bonds authorized in the Indenture. Notwithstanding the foregoing, nothing in the Indenture shall prevent the Agency (i) from issuing and selling pursuant to law, refunding obligations payable from and having any lawful lien upon the Pledged Tax Revenues, if such refunding obligations are issued for the purpose of, and are sufficient for the purpose of, refunding all of the Outstanding Bonds and Parity Bonds, (ii) from issuing and selling obligations which have, or purport to have, any lien upon the Pledged 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 Pledged Tax Revenues. As used in the Indenture “obligations” includes, without limitation, bonds, notes, interim certificates, debentures or other obligations.

Covenant 3. *Punctual Payment.* The Agency covenants and agrees 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, and that it will take all actions required under the Dissolution Act to include scheduled debt service on the Existing Parity Bonds and on the Bonds, as well as any amount required under the Indenture to replenish the Reserve Account of the Debt Service Fund, in Recognized Obligation Payment Schedules for each six-month period so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Agency’s Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Agency to pay principal of, and interest on, the Existing Parity Bonds and the Bonds coming due in the respective six-month period, including, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and State Department of Finance, to the extent necessary, the amounts to be held by the Agency as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to provide for the payment of principal and interest under the Existing Parity Bonds Indentures and under the Indenture when the next property tax allocation is projected to provide insufficient Pledged Tax Revenues to pay all obligations due under the Existing Parity Bonds Indentures and the Indenture and for the next payment due thereunder in the following six-month period.

Covenant 4. *Payment of Taxes and Other Charges.* The Agency covenants and agrees 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 Areas, 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 Pledged 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 shall be preserved; provided, however, that nothing in this covenant shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of the payment.

Covenant 5. *Books and Accounts; Financial Statements.* The Agency covenants and agrees 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 shall be made of all transactions

relating to the Redevelopment Project and the Pledged Tax Revenues and other funds relating to the Project Areas. The Agency will prepare within one hundred eighty (180) days after the close of each of its Fiscal Years a postaudit of the financial transactions and records of the Agency for the Fiscal Year to be made by an Independent Certified Public Accountant appointed by the Agency, and will furnish a copy of the postaudit to the Trustee and any rating agency which maintains a rating on the Bonds, and, upon written request, to any Bondowner. The Trustee shall have no duty to review such postaudits.

Covenant 6. Eminent Domain Proceeds. The Agency covenants and agrees that if all or any part of the Redevelopment Project Areas 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 shall take all steps necessary to adjust accordingly the base year property tax roll of the applicable Project Area.

Covenant 7. Disposition of Property. The Agency covenants and agrees that it will not dispose of more than ten percent (10%) of the land area in the Project Areas (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 Pledged Tax Revenues to be less than the amount required for the issuance of Additional Parity Bonds as provided in the Indenture, based upon the certificate or opinion of an Independent Financial Consultant appointed by the Agency. See “SECURITY FOR THE BONDS – Additional Parity Bonds.”

Covenant 8. Protection of Security and Rights of Bondowners. The Agency covenants and agrees 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 Redevelopment Law is unconstitutional or (ii) that the Pledged 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.

Covenant 9. Tax Covenants. In connection with the 2015A Bonds, the Agency covenants and agrees to contest by court action or otherwise any assertion by the United States of America or any department or agency thereof that the interest received by the Bondowners is includable in gross income of the recipient under federal income tax laws on the date of issuance of the 2015A Bonds. In order to preserve the exclusion from gross income of interest on the 2015A Bonds, and for no other reason, the Agency covenants to comply with all applicable requirements of the Internal Revenue Code of 1986, as amended (the “Code”), together with any amendments thereto or regulations promulgated thereunder necessary to preserve such tax exemption as more specifically provided in the Indenture.

Covenant 10. Compliance with Dissolution Act. The Agency covenants that it will comply with the requirements of the Dissolution Act. Without limiting the generality of the foregoing, the Agency covenants and agrees to file all required statements and hold all public hearings required under the Dissolution Act to assure compliance by the Agency with its covenants hereunder.

Covenant 11. Limitation on Indebtedness. The Agency covenants and agrees that it has not and will not incur any loans, obligations or indebtedness repayable from Pledged 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 outstanding bonds of the Prior Agency or the Agency (including, but not limited to the Existing Parity Bonds and the Bonds), will exceed the maximum amount of Pledged Tax Revenues to be divided and allocated to the Agency pursuant to the Redevelopment Plan. The Agency shall file annually with the Trustee on or prior

to August 1 of each year a Written Certificate of the Agency certifying that Pledged Tax Revenues received by the Agency through the date of the certificate combined with the amount remaining to be paid on all outstanding obligations of the Agency will not exceed the Plan Limit. To the extent it does, all Pledged Tax Revenues will be deposited in an escrow account and applied to the payment of such outstanding obligations.

Covenant 12. *Further Assurances*. The Agency covenants and agrees 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.

Covenant 13. *Continuing Disclosure*. The Agency covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement dated the Closing Date. Notwithstanding any other provision of the Indenture, failure of the Agency to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, any participating underwriter, owner 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.

Events of Default and Remedies

The following events will 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 when and as the same becomes 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 in the Indenture or in the Bonds contained, other than a default described in the preceding clause (a), and such default is continued for a period of thirty (30) days following receipt by the Agency of written notice from the Trustee or any Owner of the occurrence of such default; or
- (c) if the Agency commences a voluntary action under Title 11 of the United States Code or any substitute or successor statute.

If an Event of Default has occurred and is continuing, the Trustee may, or if requested in writing by the Owners of the majority in aggregate principal amount of the Bonds then Outstanding, the Trustee will by written notice to the Agency, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, and (b) upon receipt of indemnity to its satisfaction exercise any other remedies available to the Trustee and the Owners in law or at equity.

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 will have 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 clause (b) above the Trustee in its sole discretion may, also give such notice to the Agency and the Owners in the same manner as provided herein for notices of redemption of the Bonds, which will include the statement that interest on the Bonds will cease to accrue from and after the date, if any, on which the Trustee has declared the Bonds to become due and

payable pursuant to the preceding paragraph (but only to the extent that principal and any accrued, but unpaid interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the bonds has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the Agency deposits 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) has been made good or cured to the satisfaction of the Trustee or provisions deemed by the Trustee to be adequate has 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 the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment will extend to or will affect any subsequent default, or will impair or exhaust any right or power consequent thereon.

Notwithstanding the foregoing, the maturity of Bonds insured by the Insurer shall not be accelerated without the consent of the Insurer and in the event the maturity of the Bonds is accelerated, the Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Agency) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Insurer's obligations under the Policy with respect to such Bonds shall be fully discharged.

Application of Funds Upon Acceleration

All of the Pledged Tax Revenues and all sums in the funds and accounts established and held by the Trustee upon the date of the declaration of acceleration as provided in the Indenture, and all sums thereafter received by the Trustee thereunder, will be applied by the Trustee in the order following, upon presentation of the 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; 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 will be 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.

Amendments

Subject to the terms of the Indenture, 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 in the Indenture contained, other covenants and agreements thereafter to be observed or to limit or surrender any rights or powers therein 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 will not materially adversely affect the interests of the Owners; or

(c) to provide the issuance of Additional Parity Bonds pursuant to the Indenture, and to provide the terms and conditions under which such Additional 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 thereof relating to the requirements of or compliance with the Code 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 a nationally recognized bond counsel.

Except as set forth in the preceding paragraph and subject to the terms of the Indenture and the Existing Indentures, 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 will (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. Any amendment, supplement, modification to, or waiver of, the Indenture or any other transaction document, including any underlying security agreement (each a "Related Document"), that requires the consent of Bondowners or adversely affects the rights and interests of the Insurer shall be subject to the prior written consent of the Insurer.

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THE SUCCESSOR AGENCY TO THE LANCASTER REDEVELOPMENT AGENCY

The Prior Agency was established pursuant to the Redevelopment Law and was activated by the City Council on April 2, 1979 at which time the City Council declared itself to be the governing board of the Agency. On June 29, 2011, AB X1 26 was enacted as Chapter 5, Statutes of 2011, together with a companion bill, AB X1 27. A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al., v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. 2011), challenging the constitutionality of AB X1 26 and AB X1 27. In its December 29, 2011 decision, the California Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the California Supreme Court in the California Redevelopment Association case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Prior Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

On January 10, 2012, pursuant to Resolution No. 12-04 and Section 34173 of the Dissolution Act, the City Council of the City elected to serve as successor agency to the Prior Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Prior Agency will not be transferred to the City nor will the assets of the Prior Agency become assets of the City.

The Agency is governed by a five-member Agency Board (the “Board”) which consists of the members of the City Council of the City of Lancaster. The Mayor acts as the Chair of the Board, the City Manager as its Executive Director and the City Clerk as its Secretary.

Members and Officers

The members and officers of the Agency and the expiration dates of their terms are as follows:

<u>Name and Office</u>	<u>Expiration of Term</u>
R. Rex Parris, <i>Chair</i>	April, 2016
Marvin Crist, <i>Vice-Chair</i>	April, 2018
Sandra Johnson, <i>Agency Member</i>	April, 2016
Ken Mann, <i>Agency Member</i>	April, 2016
Ronald D. Smith, <i>Agency Member</i>	April, 2018

Agency Powers

All powers of the Agency are vested in its five members who are elected members of the City Council. Pursuant to the Dissolution Act, the Agency is a separate public body from the City and succeeds to the organizational status of the Prior Agency but without any legal authority to participate in redevelopment activities, except to complete any work related to an approved enforceable obligation. The Agency is tasked with expeditiously winding down the affairs of the Prior Agency, pursuant to the procedures and provisions of the Dissolution Act. Under the Dissolution Act, many Agency actions are subject to approval by the Oversight Board, as well as review by the State Department of Finance. California has strict laws regarding public meetings (known as the Ralph M. Brown Act) which generally make all Agency and Oversight Board meetings open to the public in a similar manner as City Council meetings.

Under a State initiative enacted in 1974, public officials are required to make extensive disclosures regarding their financial interests by filing such disclosures as public records. As of the date of this Official Statement, the members of the City Council and the Agency, and other City and Agency officials have made the required filings.

Previously, Section 33675 of the Redevelopment Law required the Prior Agency to file 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 Prior Agency for each redevelopment plan which provides for the allocation of taxes (i.e., the Redevelopment Plan). The statement of indebtedness was required to contain the date on which the bonds were delivered, the principal amount, term, purposes and interest rate of the bonds and the outstanding balance and amount due on the bonds. Similar information was required to be given for each loan, advance or indebtedness that the Prior Agency had incurred or entered into which is payable from tax increment. Section 33675 also provided that payments of tax increment revenues from the County Auditor to the Prior Agency could not exceed the amounts shown on the Prior Agency's statement of indebtedness. The Dissolution Act eliminates this requirement and provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, the Recognized Obligation Payment Schedule supersedes the statement of indebtedness previously required under the Redevelopment Law, and commencing from such date, the statement of indebtedness will no longer be prepared nor have any effect under the Redevelopment Law (see "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule").

RISK FACTORS

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

The various legal opinions to be delivered concurrently with the issuance of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors' rights, including equitable principles.

Reduction in Taxable Value

Pledged Tax Revenues allocated to the Redevelopment Property Tax Trust Fund are determined by the amount of incremental taxable value in the Project Areas and the current rate or rates at which property in the Project Areas is taxed. The reduction of taxable values of property in a Project Area caused by economic factors beyond the Agency's control, such as relocation out of the Project Area by one or more major property owners, sale of property to a non-profit corporation exempt from property taxation, or the complete or partial destruction of such property caused by, among other eventualities, earthquake or other natural disaster, could cause a reduction in the Pledged Tax Revenues that provide for the repayment of and secure the Bonds and the Existing Parity Bonds. Such reduction of Pledged Tax Revenues could have an adverse effect on the Agency's ability to make timely payments of principal of and interest on the Bonds and the Existing Parity Bonds.

As described in greater detail under the heading "PROPERTY TAXATION IN CALIFORNIA – Article XIII A of the State Constitution," Article XIII A 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 two percent 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 (as described above). Such measure is computed on a calendar year basis. Any resulting reduction in the full cash value base over the term of the Bonds could reduce Pledged Tax Revenues securing the Existing Parity Bonds and the Bonds.

In addition to the other limitations on, and required application under the Dissolution Act of Pledged Tax Revenues on deposit in the Redevelopment Property Tax Trust Fund, described herein under the heading "RISK FACTORS," the State electorate or Legislature could adopt a constitutional or legislative property tax reduction with the effect of reducing Pledged Tax Revenues allocated to the Redevelopment Property Tax Trust Fund and available to the Agency. Although the federal and State Constitutions include clauses generally prohibiting the Legislature's impairment of contracts, there are also recognized exceptions to these prohibitions. There is no assurance that the State electorate or Legislature will not at some future time approve additional limitations that could reduce the Pledged Tax Revenues and adversely affect the source of repayment and security of the Bonds and the Existing Parity Bonds.

Risks to Real Estate Market

The Agency's ability to make payments on the Bonds will be dependent upon the economic strength of the Project Areas. The general economy of the Project Areas will be subject to all of the risks generally associated with urban real estate markets. Real estate prices and 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 a Project Area could be adversely affected by limitations of infrastructure or future governmental policies, including governmental policies to restrict or control development. In addition, if there is a decline in the general economy of a Project Area, the owners of property within the Project Area may be less able or less willing to make timely payments of property taxes or may petition for reduced assessed valuation causing a delay or interruption in the receipt of Pledged Tax Revenues by the Agency from the affected Project Area.

Reduction in Inflationary Rate

As described in greater detail below, Article XIII A of the State Constitution provides that the full cash value 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 percent 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 percent, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2 percent. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2 percent limitation several times but in Fiscal Year 2010-11 the inflationary value adjustment was negative for the first time at -0.237%. In Fiscal Year 2011-12, the inflationary value adjustment was 0.753%, which also is below the 2 percent limitation, but for Fiscal Year 2012-13, the inflationary value adjustment was 2.00%, which is the maximum permissible increase under Article XIII A. For Fiscal Year 2013-14, the inflationary value adjustment is 2.00%, and for Fiscal Year 2014-15, the inflationary value adjustment will be 0.454%. The Agency is unable to predict if any adjustments to the full cash value of real property within the Project Areas, whether an increase or a reduction, will be realized in the future.

Development Risks

The general economy of the Project Areas will be subject to all the risks generally associated with real estate development. Projected development within the Project Areas may be subject to unexpected delays, disruptions and changes. Real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development operations within the Project Areas could be adversely affected by future governmental policies, including governmental policies to restrict or control development. If projected development in a Project Area is delayed or halted, the economy of the Project Area could be affected. If such events lead to a decline in assessed values they could cause a reduction in Pledged Tax Revenues. In addition, if there is a decline in the general economy of a Project Area, the owners of property within the Project Area may be less able or less willing to make timely payments of property taxes causing a delay or stoppage of the Pledged Tax Revenues received by the Agency from the affected Project Area. In addition, the insolvency or bankruptcy of one or more large owners of property within a Project Area could delay or impair the receipt of Pledged Tax Revenues by the Agency.

Levy and Collection of Taxes

The Agency has no independent power to levy or collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Pledged Tax Revenues, and accordingly, could have an adverse impact on the security for and the ability of the Agency to repay the Existing Parity Bonds and the Bonds.

Likewise, delinquencies in the payment of property taxes by the owners of land in the Project Areas, and the impact of bankruptcy proceedings on the ability of taxing agencies to collect property taxes, could have an adverse effect on the Agency's ability to make timely payments on the Existing Parity Bonds and the Bonds. Any reduction in Pledged Tax Revenues, whether for any of these reasons or any other reasons, could have an adverse effect on the Agency's ability to pay the principal of and interest on the Existing Parity Bonds and the Bonds.

Time Limits on Receiving Tax Increment Revenues

Under current limitations contained in the redevelopment plans for certain of the Project Areas, the right to receive tax increment revenue and to pay debt service with a portion of such tax increment revenue will terminate prior to the final maturity date of the Bonds. The final maturity date of the 2015A Bonds is August 1, 2034, and the final maturity date of the 2015B Bonds is August 1, 2035. However, the right to receive tax increment revenue terminates with respect to the Project Areas on different dates, several of which occur earlier than the respective final maturity dates of the Bonds. See Table 2 under the caption "THE PROJECT AREAS – Limitations and Requirements of the Redevelopment Plans". Upon the respective termination dates, debt service on the Bonds will become payable solely from tax increment revenues allocated to the remaining Project Areas. Applying information currently available, the Agency has structured debt service so that the expected remaining Pledged Tax Revenues will be sufficient to pay the remaining debt service on the Bonds. However, the respective termination dates will result in a smaller number of properties generating Pledged Tax Revenues as the termination dates are reached for various Project Areas. Because the Bonds are payable solely from Pledged Tax Revenues, the credit quality of the Bonds at any one time depends upon the credit quality of the remaining Project Areas that generates Pledged Tax Revenues. In addition, unanticipated adverse events affecting the remaining properties subject to taxation could impair the Agency's ability to pay, when due, the remaining debt service on the Bonds.

State Budget Issues

AB X1 26 and AB 1484 were enacted by the State Legislature and Governor as trailer bills necessary to implement provisions of the State's budget acts for its fiscal years 2011-12 and 2012-13, respectively. The 2011-12 State budget included projected State savings estimated to aggregate \$1.7 billion in 2011-12 associated with AB X1 27, which would have allowed redevelopment agencies to continue in operation provided their establishing cities or counties agreed to make an aggregate \$1.7 billion in payments to K-12 schools. However, AB X1 27 was found in December 2011 by the California Supreme Court to violate the State Constitution, which altered this budgetary plan of the State. According to the State's Summary of the 2012-13 State budget, AB 1484 implements a framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services, with assets transferred to schools offsetting State general fund costs (projected savings of \$1.5 billion).

For 2013-14, the State budget implemented a number of changes, unrelated to redevelopment dissolution, to help the State work toward (on a multiyear basis) a \$1 billion reserve, such as extending certain medical fees and taxes and continuing the use of miscellaneous State highway account revenues to pay transportation bond debt service. The 2013-14 budget summary additionally describes Proposition 98 (schools) General Fund savings estimated at \$2.1 billion in 2012-13 and \$1.1 billion in 2013-14 as a result of monies generated by redevelopment agency dissolution in those years, a portion of which are one-time savings generated from the distribution of unencumbered funds held by former redevelopment agencies. The budget summary for the State's enacted 2014-15 budget updates the estimated the Proposition 98 (schools) General Fund savings resulting from dissolution of redevelopment agencies, citing approximately \$2.2 billion in such State General Fund savings in 2011-12 and 2012-13 combined, and another estimated \$2.1 billion in such State General Fund savings in 2013-14 and 2014-15. As described in the 2014-15 budget summary, the State's budget is heavily dependent on the performance of the stock market and the resulting capital gains, which are estimated to provide 9.8 percent of General Fund revenues in 2014-15. According to the 2014-15 budget summary, in response to the volatility of these revenues and the resulting boom-and-bust budget cycles, the State Legislature placed a constitutional amendment on the November 2014 ballot that (if passed by the voters) would require, among other things, deposits in the State's "Rainy Day Fund," whenever capital gains revenues rise to more than 8 percent of General Fund tax revenues (up to a maximum Rainy Day Fund balance equal to 10 percent of State General Fund revenues), as well as requiring half of each year's deposit for the next 15 years to be used for supplemental payments to reduce the State's long-term debt or other long-term liabilities. According to the budget summary for the Governor's proposed 2014-15 budget, the State has not deposited any monies into its Rainy Day Fund since 2007.

Although the State's budgets for fiscal years 2013-14 and 2014-15 did not include any additional legislation dealing with dissolution of redevelopment agencies, there can be no assurance that additional legislation will not be enacted in the future to additionally implement provisions relating to the State budget or otherwise that may affect successor agencies or Pledged Tax Revenues.

The full text of each State Assembly bill cited above may be obtained from the "Official California Legislative Information" website maintained by the Legislative Counsel of the State of California pursuant to State law, at the following web link: <http://www.leginfo.ca.gov/bilinfo.html>.

Information about the State budget and State spending is available at various State maintained websites. Text of the 2014-15 Budget Summary, the current State budget, and other documents related to the State budget may be found at the website of the State Department of Finance, www.dof.ca.gov. A nonpartisan analysis of the budget is posted by the Legislative Analyst's Office at 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.

None of the websites or webpages referenced above is in any way incorporated into this Official Statement. They are cited for informational purposes only. The Agency makes no representation whatsoever as to the accuracy or completeness of any of the information on such websites.

Recognized Obligation Payment Schedule

The Dissolution Act provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, only those payments listed in the Recognized Obligation Payment Schedule may be made by the Agency from the funds specified in the Recognized Obligation Payment Schedule. Before each six-month period, the Dissolution Act requires successor agencies to prepare and approve, and submit to the successor agency's oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Pledged Tax Revenues will not be distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Agency's Redevelopment Obligation Retirement Fund without a duly approved and effective Recognized Obligation Payment Schedule obtained in sufficient time prior to the January 2 or June 1 distribution dates, as applicable. See "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule" and "PROPERTY TAXATION IN CALIFORNIA – Property Tax Collection Procedures – Recognized Obligation Payment Schedule." In the event the Agency were to fail to file a Recognized Obligation Payment Schedule with respect to a six-month period, the availability of Pledged Tax Revenues to the Agency could be adversely affected for such period.

In the event a successor agency fails to submit to the State Department of Finance an oversight board-approved Recognized Obligation Payment Schedule complying with the provisions of the Dissolution Act within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations, the State Department of Finance may determine if any amount should be withheld by the applicable county auditor-controller for payments for enforceable obligations from distribution to taxing entities pursuant to clause (iv) in the following paragraph, pending approval of a Recognized Obligation Payment Schedule. Upon notice provided by the State Department of Finance to the county auditor-controller of an amount to be withheld from allocations to taxing entities, the county auditor-controller must distribute to taxing entities any monies in the Redevelopment Property Tax Trust Fund in excess of the withholding amount set forth in the notice, and the county auditor-controller must distribute withheld funds to the successor agency only in accordance with a Recognized Obligation Payment Schedule when and as approved by the State Department of Finance.

Typically, under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, the County Auditor-Controller is to distribute funds for each six-month period in the following order specified in Section 34183 of the Dissolution Act: (i) first, subject to certain adjustments for subordinations to the extent permitted under the Dissolution Act (as described above under "SECURITY FOR THE BONDS – Tax Increment Financing") and no later than each January 2 and June 1, to each local agency and school entity, to the extent applicable, amounts required for passthrough payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including pursuant to the Pass-Through Agreements and Statutory Pass-Through Amounts; (ii) second, on each January 2 and June 1, to the Agency for payments listed in its Recognized Obligation Payment Schedule, with debt service payments scheduled to be made for tax allocation bonds having the highest priority over payments scheduled for other debts and obligations

listed on the Recognized Obligation Payment Schedule; (iii) third, on each January 2 and June 1, to the Agency for the administrative cost allowance, as defined in the Dissolution Act; and (iv) fourth, on each January 2 and June 1, to taxing entities any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii), in an amount proportionate to such taxing entity's share of property tax revenues in the tax rate area in that fiscal year (without giving effect to any passthrough obligations that were established under the Redevelopment Law).

If the Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations and the State Department of Finance does not provide a notice to the County Auditor-Controller to withhold funds from distribution to taxing entities, amounts in the Redevelopment Property Tax Trust Fund for such six-month period would be distributed to taxing entities pursuant to clause (iv) above. However, the Agency has covenanted to take all actions required under the Dissolution Act to include scheduled debt service on the Existing Parity Bonds and on the Bonds, as well as any amount required under the Indenture to replenish the Reserve Account of the Debt Service Fund, in Recognized Obligation Payment Schedules for each six-month period and to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Agency to pay principal of, and interest on, the Existing Parity Bonds and the Bonds coming due in the respective six-month period, including listing a reserve on the Recognized Obligation Payment Schedule to the extent required by the Existing Parity Bonds Indentures and the Indenture or when the next property tax allocation is projected to be insufficient to pay all obligations due under the provisions of the Existing Parity Bonds and the Bonds for the next payment due in the following six-month period (see "THE INDENTURE – Covenants of the Agency").

AB 1484 also adds new provisions to the Dissolution Act implementing certain penalties in the event the Agency does not timely submit a Recognized Obligation Payment Schedule for a six-month period. Specifically, a Recognized Obligation Payment Schedule must be submitted by the Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller no later than September 1, 2012 with respect to the six-month period of January 1, 2013 through June 30, 2013 and by 90 days before the date of the next January 2 or June 1 property tax distribution with respect to each subsequent six-month period. If the Agency does not submit a Recognized Obligation Payment Schedule by such deadlines, the City will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the State Department of Finance. Additionally, the Agency's administrative cost allowance is reduced by 25% if the Agency does not submit a Recognized Obligation Payment Schedule by September 11, 2012, with respect to the Recognized Obligation Payment Schedule for the first half of calendar year 2012, or by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the Recognized Obligation Payment Schedule for subsequent six-month periods.

AB 1484 Penalty for Failure to Remit Unencumbered Funds

AB1484 further implements certain provisions of ABX1 26, including establishing a process for determining the liquid assets that redevelopment agencies should have shifted to their successor agencies when they were dissolved, and the amount that should be available for remittance by the successor agencies to their respective county auditor-controllers for distribution to affected taxing entities within the project areas of the former redevelopment agencies. This determination process is commonly known as the "due diligence review process" and is required to be completed through the final step (review by the State Department of Finance) by November 9, 2012 with respect to affordable housing funds and by April 1, 2013 with respect to non-housing funds. Within five business days of receiving notification from the State Department of Finance, the Agency must remit to the county auditor-controller the amount of

unobligated balances determined by the State Department of Finance, or it may request a meet and confer with the State Department of Finance to resolve any disputes. If there is a meet and confer process, the Agency must remit the amount of unobligated balances within five working days of receiving a subsequent notification from the State Department of Finance of the amount of unobligated balances at the conclusion of that process.

If the Agency fails to remit the amounts determined by the State Department of Finance by the respective deadlines, certain penalties and remedies apply under AB 1484. Among such penalties and remedies, if the city that established the redevelopment agency is performing the duties of the successor agency, the State Department of Finance may order an offset to the city's sales and use tax revenues equal to the amount the successor agency fails to remit. If the State Department of Finance does not order an offset, the county auditor-controller may reduce the property tax allocation of the city. Alternatively or in addition to the remedies discussed in the foregoing sentences, the State Department of Finance may direct the county auditor-controller to deduct the unpaid amount from future allocations of property tax to the successor agency under Section 34183 of the Dissolution Act until the amounts required to be remitted are paid.

Pertinent to the Bonds, if the Agency were to fail to remit to the County Auditor-Controller the amounts of unobligated balances determined by the State Department Finance within the time frames required under AB 1484, the State Department of Finance may direct the County Auditor-Controller to deduct the unpaid amount from future allocations of Pledged Tax Revenues to the Agency under Section 34183 of the Dissolution Act until the amounts required to be remitted are paid.

As to affordable housing funds, the Agency has completed the due diligence review process, and on December 11, 2012, the State Department of Finance issued a letter to the Agency making no adjustments and concurring that the Agency has no unencumbered affordable housing fund balances available for distribution to taxing entities. As to non-housing funds, the Agency also has completed the due diligence review process, and on March 8, 2013, the State Department of Finance issued a letter to the Agency making an adjustment of \$118,244 to the amount that the Agency was to remit to the County Auditor-Controller as an unobligated balance (for a total remittance of \$118,244).

On August 7, 2013, the State Department of Finance issued to the agency a "finding of completion," which confirms that the Agency has, among other things, paid in full the amounts determined during the due diligence reviews and the county auditor-controller has reported those payments to the State Department of Finance. Accordingly, based on this finding of completion, neither the Agency nor the City are subject to any AB 1484 penalties for a failure to remit unencumbered funds.

Bankruptcy and Foreclosure

The payment of property taxes from which Pledged Tax Revenues are derived and the ability of the County to foreclose the lien of a delinquent unpaid tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinions) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the liens to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such delay would increase the possibility of delinquent tax installments not being paid in full and thereby

increase the likelihood of a delay or default in payment of the principal of and interest on the Existing Parity Bonds and the Bonds.

Estimated Revenues

In estimating that Pledged Tax Revenues will be sufficient to pay debt service on the Existing Parity Bonds and the Bonds, the Agency has made certain assumptions with regard to present and future assessed valuation in the Project Areas, future tax rates and percentage of taxes collected. The Agency believes these assumptions to be reasonable, but there is no assurance these assumptions will be realized and to the extent that the assessed valuation and the tax rates are less than expected, the Pledged Tax Revenues available to pay debt service on the Existing Parity Bonds and the Bonds will be less than those projected and such reduced Pledged Tax Revenues may be insufficient to provide for the payment of principal of, premium (if any) and interest on the Existing Parity Bonds and the Bonds.

Hazardous Substances

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

Seismic Factors

The City, like most regions in the State of California, is located in an area of seismic activity and, therefore, could be subject to potentially destructive earthquakes. According to the Safety Element contained in the City's General Plan, the City is prone to significant earthquake activity from nearby faults. The San Andreas fault is located approximately nine miles south of the City's central core, and other major subsidiary faults in the area include the Garlock, Punchbow, Nadeau, Cemetery, and Littlerock faults. For more information, see the Safety Element of the City's General Plan on file with the City Clerk.

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

Risk of Floods

According to information contained in the Safety Element of the City's General Plan, Much of the City is susceptible to flooding because of its relatively flat topography. Flooding is primarily caused by runoff from the San Gabriel and Sierra Pelona mountains to the south. The Antelope Valley drainage basin consists of a series of alluvial fans extending north from these mountains to the dry lake beds at Edwards Air Force Base. The basin has no natural outlet to the sea, which restricts the removal of runoff to percolation or evaporation. Major floods in the Antelope Valley generally coincide with winter storms that occur between November and April. The highest frequency and greatest intensity of winter flooding normally occurs between December and March. Infrequent thunderstorms during the summer and fall

may also produce major flash floods. For more information see “Lancaster General Plan - Safety Background” on file with the Lancaster City Clerk.

For more information, see the Safety Element of the City’s General Plan on file with the City Clerk. As with seismic hazards, the occurrence of flood damage to property located in the Project Areas could lead to successful appeals for reduction of assessed values of such property and any reduction of assessed valuations could result in a reduction of the Pledged Tax Revenues that secure the Existing Parity Bonds and the Bonds.

Changes in the Law

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 Dissolution Act, the Redevelopment Law or other laws or the Constitution of the State resulting in a reduction of Pledged Tax Revenues, which could have an adverse effect on the Agency's ability to pay debt service on the Existing Parity Bonds and the Bonds.

Investment Risk

Funds held under the Indenture are required to be invested in Permitted Investments as provided under the Indenture. See APPENDIX A attached hereto for a summary of the definition of Permitted Investments. The funds and accounts of the Agency, into which a portion of the proceeds of the Bonds will be deposited and into which Pledged Tax Revenues are 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 municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal.

Further, the Agency cannot predict the effects on the receipt of Pledged Tax Revenues if the County were to suffer significant losses in its portfolio of investments or if the County or the City were to become insolvent or declare bankruptcy. See “RISK FACTORS – Bankruptcy and Foreclosure.”

Additional Obligations

The potential for the issuance of Additional Parity Bonds secured by a pledge of Pledged Tax Revenues on a parity with the Existing Parity Bonds and the Bonds could, in certain circumstances, increase the risks associated with the Agency's payment of debt service on the Bonds in the event of a decrease in the Agency's collection of Pledged Tax Revenues. However, Section 34177.5 of the Dissolution Act provides limited authority for successor agencies to issue bonds, and the Agency’s ability to issue Additional Parity Bonds is subject to the requirements of the Dissolution Act as in effect from time to time. For additional information, see described “SECURITY FOR THE BONDS – Additional Parity Bonds.”

Secondary Market

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

No Validation Proceeding Undertaken

California Code of Civil Procedure Section 860 authorizes public agencies to institute a process, otherwise known as a “validation proceeding,” for purposes of determining the validity of a resolution or any action taken pursuant thereto. Section 860 authorizes a public agency to institute validation proceedings in cases where another statute authorizes its use. Relevant to the Bonds, California Government Code Section 53511 authorizes a local agency to “bring an action to determine the validity of its bonds, warrants, contracts, obligations or evidences of indebtedness.” Pursuant to Code of Civil Procedure Section 870, a final favorable judgment issued in a validation proceeding shall, notwithstanding any other provision of law, be forever binding and conclusive, as to all matters therein adjudicated or which could have been adjudicated, against all persons: “The judgment shall permanently enjoin the institution by any person of any action or proceeding raising any issue as to which the judgment is binding and conclusive.”

The Agency has not undertaken or endeavored to undertake any validation proceeding in connection with the issuance of the Bonds. The Agency and Bond Counsel have relied on the provisions of AB 1484 authorizing the issuance of the Bonds and specifying the related deadline for any challenge to the Bonds to be brought. Specifically, Section 34177.5(e) of the Dissolution Act provides that notwithstanding any other law, an action to challenge the issuance of bonds (such as the Bonds), the incurrence of indebtedness, the amendment of an enforceable obligation, or the execution of a financing agreement authorized under Section 34177.5, must be brought within thirty (30) days after the date on which the oversight board approves the resolution of the successor agency approving the financing. Such challenge period expired with respect to the Bonds and the Oversight Board Resolution on [November 29, 2014].

It is possible that a lawsuit challenging the Dissolution Act or specific provisions thereof could be successful and that the mechanisms currently provided for under the Dissolution Act to provide for distribution of Pledged Tax Revenues to the Agency for payment on the Bonds could be impeded and result in a delinquency or default in the timely payment of principal of, and interest on, the Existing Parity Bonds or the Bonds.

However, the Indenture additionally provides that if, and to the extent, that the provisions of Section 34172 or paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act (upon which the distribution of Pledged Tax Revenues to the Agency rely) are invalidated by a final judicial decision, then Pledged Tax Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution. Additionally, any action by a court to invalidate provisions of the Dissolution Act required for the timely payment of principal of, and interest on, the Bonds could raise issues regarding the unconstitutional impairment of contracts or an unconstitutional taking without just compensation. The Agency believes that the aforementioned considerations would provide some protections against the adverse consequences upon the Agency and the availability of Pledged Tax Revenues for the payment of debt service on the Bonds and the outstanding Existing Parity Bonds in the event of successful challenges to the Dissolution Act or portions thereof. However, the Agency does not guarantee that any lawsuit challenging the Dissolution Act or portions thereof will not result in an outcome that may have a detrimental effect on the Agency’s ability to timely pay debt service on the Bonds or the Existing Parity Bonds.

PROPERTY TAXATION IN CALIFORNIA

Property Tax Collection Procedures

Classification. In the State, property which is subject to ad valorem taxes is classified as “secured” or “unsecured.” Secured and unsecured property are entered on separate parts of the assessment roll maintained by the County assessor. The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens on the secured property arising pursuant to State law, regardless of the time of the creation of other liens.

Generally, *ad valorem* taxes are collected by a county (the “Taxing Authority”) for the benefit of the various entities (cities, schools and special districts) that share in the *ad valorem* tax (each a taxing entity) and successor agencies eligible to receive distributions from the respective Redevelopment Property Tax Trust Funds.

Collections. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured personal property taxes: (i) initiating a civil action against the taxpayer, (ii) 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, (iii) filing a certificate of delinquency for record in the county recorder's office to obtain a lien on certain property of the taxpayer, and (iv) seizing and selling 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 the property securing the taxes to the State for the amount of taxes which are delinquent.

Penalty. A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is declared in default by operation of law and declaration of the tax collector on or about June 30 of each fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. 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 delinquent taxes with respect to property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning on varying dates related to the tax bill mailing date.

Delinquencies. The valuation of property is determined as of the January 1 lien date as equalized in August of 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 August 31.

Supplemental Assessments. California Revenue and Taxation Code Section 75.70 provides for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Prior to the enactment of this law, the assessment of such changes was permitted only as of the next tax lien date following the change, and this delayed the realization of increased property taxes from the new assessments for up to 14 months. This statute provides increased revenue to the Redevelopment Property Tax Trust Fund to the extent that supplemental assessments of new construction or changes of ownership occur within the boundaries of redevelopment projects

subsequent to the January 1 lien date. To the extent such supplemental assessments occur within the Project Areas, Pledged Tax Revenues may increase.

Property Tax Administrative Costs. In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions in proportion to the tax-derived revenues allocated to each. SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions which are subject to such charges. In addition, Sections 34182(e) and 34183(a) of the Dissolution Act allow administrative costs of the County Auditor-Controller for the cost of administering the provisions of the Dissolution Act, as well as the foregoing SB 1559 amounts, to be deducted from property tax revenues before monies are deposited into the Redevelopment Property Tax Trust Fund. For Fiscal Year 2012-13, the County's administrative charge to the Prior Agency and Agency was \$ _____, and for Fiscal Year 2013-14 the County's administrative charge to the Agency for the Project Areas was \$ _____. The County's administrative charge to the Agency for the Project Areas for Fiscal Year 2014-15 is estimated to be \$ _____.

Negotiated Pass-Through Agreements. Prior to 1994, under the Redevelopment Law, a redevelopment agency could enter into an agreement to pay increment revenues to any taxing agency that has territory located within a redevelopment project in an amount which in the agency's determination is appropriate to alleviate any financial burden or detriment caused by the redevelopment project. These agreements normally provide for payment or pass-through of tax increment revenue directed to the affected taxing agency, and, therefore, are commonly referred to as pass-through agreements or tax sharing agreements. The Agency agreements with affected taxing agencies are referred to herein as "Pass-Through Agreements." See "SECURITY FOR THE BONDS – Tax Increment Financing" for additional discussion of the treatment of Pass-Through Agreements under the Dissolution Act.

Statutory Pass-Throughs. The payment of Statutory Pass-Through Amounts (defined in APPENDIX A) results from (i) plan amendments which add territory in existing project areas on or after January 1, 1994 and (ii) from plan amendments which eliminates one or more limitations within a redevelopment plan (such as the removal of the time limit on the establishment of loans, advances and indebtedness). The calculation of the amount due affected taxing entities is described in Sections 33607.5 and 33607.7 of the Redevelopment Law. See "SECURITY FOR THE BONDS – Tax Increment Financing" for further information regarding the applicability of the statutory pass-through provisions of the Redevelopment Law and the Dissolution Act to the various Project Areas.

Recognized Obligation Payment Schedule. The Dissolution Act provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, only those payments listed in the Recognized Obligation Payment Schedule may be made by the Agency from the funds specified in the Recognized Obligation Payment Schedule. Before each six-month period, the Dissolution Act requires successor agencies to prepare and approve, and submit to the successor agency's oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Pledged Tax Revenues will not be distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Agency's Redevelopment Obligation Retirement Fund without a duly approved and effective Recognized Obligation Payment Schedule obtained in sufficient time prior to the January 2 or June 1 distribution dates, as applicable. See "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule" and "RISK FACTORS – Recognized Obligation Payment Schedule."

Unitary Property

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

Article XIII A of the State Constitution

Article XIII A limits the amount of ad valorem taxes on real property to 1% of “full cash value” of such property, as determined by the county assessor. Article XIII A defines “full cash value” to mean “the County Assessor’s valuation of real property as shown on the 1975-76 tax bill under ‘full cash value,’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” Furthermore, the “full cash value” of all real property may be increased to reflect the rate of inflation, as shown by the consumer price index, not to exceed 2% per year, or may be reduced.

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 substantial damage, destruction or other factors, and 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 other special circumstances.

Article XIII A (i) exempts from the 1% tax limitation taxes to pay debt service on (a) indebtedness approved by the voters prior to July 1, 1978 or (b) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition; (ii) requires a vote of two-thirds of the qualified electorate to impose special taxes, or certain additional ad valorem taxes; and (iii) requires the approval of two-thirds of all members of the State Legislature to change any State tax laws resulting in increased tax revenues.

The validity of Article XIII A has been upheld by both the California Supreme Court and the United States Supreme Court.

In the general election held November 4, 1986, voters of the State approved two measures, Propositions 58 and 60, which further amended Article XIII A. Proposition 58 amended Article XIII A to provide that the terms “purchase” and “change of ownership,” for the 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. This amendment to Article XIII A may reduce the rate of growth of local property tax revenues.

Proposition 60 amended Article XIII A to permit the Legislature to allow persons over the age of 55 who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence assessed value to the new residence. As a result of the Legislature's action, the growth of property tax revenues may decline.

Legislation enacted by the Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value (except as noted). Tax rates for voter-approved bonded indebtedness and pension liabilities are also applied to 100% of assessed value.

Appropriations Limitation - Article XIII B

Article XIII B limits the annual appropriations of the State and its political subdivisions 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 "base year" for establishing such appropriations limit is the 1978/79 fiscal year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

Section 33678 of the Redevelopment Law provides that the allocation of taxes 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 an agency of proceeds of taxes levied by or on behalf of an agency within the meaning of Article XIII B, nor shall such portion of taxes be deemed receipt of proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State, including Section 33678 of the Redevelopment Law. The constitutionality of Section 33678 has been upheld in two California appellate court decisions. On the basis of these decisions, the Agency has not adopted an appropriations limit.

Articles XIII C and XIII D of the State Constitution

At the election held on November 5, 1996, Proposition 218 was passed by the voters of California. The initiative added Articles XIII C and XIII D to the State Constitution. Provisions in the two articles affect the ability of local government to raise revenues. The Bonds are secured by sources of revenues that are not subject to limitation by Proposition 218. See also "– Propositions 218 and 26" below.

Proposition 87

On November 8, 1988, the voters of the State approved Proposition 87, which amended Article XVI, Section 16 of the State Constitution to provide that property tax revenue attributable to the imposition of taxes on property within a redevelopment project area for the purpose of paying debt service on certain bonded indebtedness issued by a taxing entity (not the Prior Agency or the Agency) and approved by the voters of the taxing entity after January 1, 1989 will be allocated solely to the payment of such indebtedness and not to redevelopment agencies.

Redevelopment Time Limits

In 1993, the State legislature passed AB 1290, which, among other things, required redevelopment agencies to adopt time limits in each redevelopment plan specifying: 1) the last date to incur debt for a redevelopment project; 2) the last date to undertake redevelopment activity within a project area; and 3) the last date to collect tax increment revenue from a project area to repay debt.

Pursuant to AB 1290, which took effect January 1, 1994, the City Council adopted ordinances amending the Redevelopment Plans for the Project Areas to impose limits on plan activity in each area, as well as a date past which tax increment revenue could not be collected.

In 2001, the California Legislature enacted SB 211, Chapter 741, Statutes 2001, effective January 1, 2002 (“SB 211”), which authorized, among other things, the deletion by ordinance of the legislative body of the AB 1290 limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994. However, such elimination triggers statutory tax sharing with those taxing entities that do not have Pass-Through Agreements. The City Council adopted ordinances, pursuant to the authorization contained in SB 211, deleting the time limit on the Agency's authority to incur loans, advances and indebtedness with respect to the Project Areas, as described further under the caption “THE PROJECT AREAS – Limitations and Requirements of the Redevelopment Plans.”

SB 211 also prescribed additional requirements that a redevelopment agency would have to meet upon extending the time limit on the effectiveness of a redevelopment plan, including requiring an increased percentage of new and substantially rehabilitated dwelling units to be available at affordable housing cost to persons and families of low or moderate income prior to the termination of the effectiveness of the plan.

Legislation passed in 2003 (SB 1045) and 2004 (SB 1096) required redevelopment agencies to remit monies to the applicable county Educational Revenue Augmentation Fund (“ERAF”) and also permitted redevelopment agencies to extend their ability to collect tax increment by one year for each payment required by such legislation to be made in 2003-04, 2004-05 and 2005-06. The extensions for 2004-05 and 2005-06 apply only to plans with existing limits on the effectiveness of the plan that are less than 20 years from the last day of the fiscal year in which the ERAF payment is made. The City adopted ordinances, pursuant to the authorization granted in SB 1045, extending the time limits on the effectiveness of the Redevelopment Plans and the receipt of tax increment. The City did not take any actions to further extend the effectiveness of the Redevelopment Plans under SB 1096.

The actions taken by the City Council pursuant to these statutes have resulted in the time limitations for the Redevelopment Plans described under the caption “THE PROJECT AREAS – Limitations and Requirements of the Redevelopment Plans.”

Appeals of Assessed Values

Pursuant to California law, a property owner may apply for a reduction of the property tax assessment for such owner's property by filing a written application, in a form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

In the County, a property owner desiring to reduce the assessed value of such owner's property in any one year must submit an application to the County Assessment Appeals Board (the “Appeals Board”). Applications for any tax year must be submitted by September 15 of such tax year. Following a review of each application by the staff of the County Assessor's Office, the staff makes a recommendation to the Appeals Board on each application which has not been rejected for incompleteness or untimeliness or withdrawn. The Appeals Board holds a hearing and either reduces the assessment or confirms the assessment. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as “ongoing hardship”), the Assessor has the power to grant a

reduction not only for the year for which application was originally made, but also for the then current year as well. Appeals for reduction in the “base year” value of an assessment, which generally must be made within three years of the date of change in ownership or completion of new construction that determined the base year, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. Moreover, in the case of any reduction in any one year of assessed value granted for “ongoing hardship” in the then current year, and also in any cases involving stipulated appeals for prior years relating to base year and personal property assessments, the property tax revenues from which Pledged Tax Revenues are derived attributable to such properties will be reduced in the then current year. In practice, such a reduced assessment may remain in effect beyond the year in which it is granted. See “THE PROJECT AREAS – Largest Taxpayers” for information regarding the assessed valuations of the top ten property owners within each Project Area.

Proposition 8

Proposition 8, approved in 1978 (California Revenue and Taxation Code Section 51(b)), provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions under this code section may be initiated by the County Assessor or requested by the property owner.

After a roll reduction is granted under this code section, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

During the recent recession, the County in 2008 and 2009 made significant blanket assessed value reductions throughout the County pursuant to Proposition 8 from the maximum amount that could be assessed on property, based on a proactive review conducted by the County of single-family homes and condominiums within the County that were purchased or sold between July 1, 2003 and June 30, 2008. The Agency cannot guarantee that reductions undertaken by the County Assessor or requested by a property owner pursuant to Proposition 8 will not in the future reduce the assessed valuation of property in the Project Areas and, therefore, Pledged Tax Revenues that secure the Bonds and any Parity Bonds.

Propositions 218 and 26

On November 5, 1996, California voters approved Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIII C and XIII D to the State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. On November 2, 2010, California voters approved Proposition 26, the “Supermajority Vote to Pass New Taxes and Fees Act.” Proposition 26 amended Article XIII C of the California Constitution by adding an expansive definition for the term “tax,” which previously was not defined under the California Constitution. Pledged Tax Revenues securing the Bonds are derived from property taxes which are outside the scope of taxes, assessments and property-related fees and charges which are limited by Proposition 218 and outside of the scope of taxes which are limited by Proposition 26.

Future Initiatives

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

THE PROJECT AREAS

General Information

The City Council, on behalf of the Agency, established the following redevelopment projects within the City which are referred to herein, collectively, as the "Project Areas":

(i) "Lancaster Residential Redevelopment Project" approved by Ordinance No. 158 of the City of Lancaster adopted on November 13, 1979 (the "Residential Project");

(ii) "Central Business District Redevelopment Project" approved by Ordinance No. 226 of the City of Lancaster adopted on June 1, 1981 (the "CBD Project");

(iii) "Fox Field Redevelopment Project" approved by Ordinance No. 289 of the City of Lancaster adopted on December 20, 1982 (the "Fox Field Project");

(iv) "Amargosa Redevelopment Project" approved by Ordinance No. 321 of the City of Lancaster adopted on October 17, 1983 (the "Amargosa Project");

(v) "Lancaster Redevelopment Project No. 5" approved by Ordinance No. 360 of the City of Lancaster adopted on November 26, 1984 ("Project No. 5");

(vi) "Lancaster Redevelopment Project No. 6" approved by Ordinance No. 505 of the City of Lancaster adopted on July 3, 1989 ("Project No. 6"); and

(vii) "Lancaster Redevelopment Project Area No. 7" approved by Ordinance No. 624 of the City of Lancaster adopted on November 28, 1992 ("Project No. 7").

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Summary of Assessed Valuation of Project Areas

The following table summarizes the Project Areas.

TABLE 1
SUMMARY OF LANCASTER REDEVELOPMENT AGENCY
REDEVELOPMENT PROJECT AREAS

Project Area	Adoption Date	Size of Area (acres)	Base Year Value	2014-15 Assessed Value (millions)	2014-15 Incremental Value (millions)	2014-15 Estimated Gross Revenues (millions)	Incremental Value as % of Total AV
Residential	11/13/1979	600	\$ 7,049,501	\$ 388.9	\$ 381.9	\$ 3.838	98.19%
CBD	06/01/1981	438	48,332,693	156.2	107.9	1.087	69.06
Fox Field	12/20/1982	3,290	14,970,009	198.3	183.4	1.837	92.45
Amargosa	10/17/1983	4,599	92,091,937	1,482.9	1,390.9	13.943	93.79
Project No. 5	11/26/1984	4,523	366,873,983	1,674.3	1,307.4	13.184	78.09
Project No. 6	07/03/1989	12,748	605,741,455	2,869.0	2,263.3	22.622	78.89
Project No. 7*	11/28/1992	1,504	226,784,287	407.7	180.9	1.811	44.37

*Non-housing Incremental Revenues from Project No. 7 do not go to the Agency. However, housing revenues from Project No. 7 do flow to the Agency's housing fund.

Source: *Urban Futures, Inc.*

Limitations and Requirements of the Redevelopment Plans

The respective Redevelopment Plans limit taxes, as defined in Section 33670 of the Redevelopment Law, that may be divided and allocated to the Agency with respect to each of the Project Areas. In addition, the respective Redevelopment Plans limit the amount of bonded indebtedness that may be outstanding at any one time. See Table 2 below.

In 1993, the California Legislature enacted AB 1290, Chapter 942, Statutes of 1993, effective January 1, 1994 ("AB 1290"). AB 1290 included (i) provisions enacting a statutory maximum limit on the time period for establishing loans, advances, and indebtedness which are payable from tax increment revenues; (ii) provisions requiring a time limit not to exceed a statutory maximum limit on the effectiveness of a redevelopment plan; and (iii) provisions requiring a time limit not to exceed a statutory maximum limit on redevelopment agency's receipt of tax increment and payment of indebtedness with tax increment.

In order to comply with AB 1290, the City adopted ordinances on December 5, 1994 with respect to the respective Project Areas. In 1998, AB 1342 was enacted by the State Legislature and became effective January 1, 1999. This bill permits agencies having limits shorter than those permitted by AB 1290 to amend their plans to incorporate the maximum permitted limits allowed under AB 1290 without

complying with the statutory plan amendment process. In November 1999, the City Council adopted ordinances to enact other Redevelopment Plan amendments permitted by AB 1290 and AB 1342.

In 2001, the California Legislature enacted SB 211, Chapter 741, Statutes of 2001, effective January 1, 2002 (“SB 211”). Among other things, SB 211 provides that at any time after January 1, 2002, the limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994, may be eliminated by ordinance of the legislative body. However, such elimination will trigger statutory tax sharing with those taxing entities that do not have “pass-through” or “tax-sharing” agreements, pursuant to former Section 33401 of the Redevelopment Law, which authorized redevelopment agencies to enter into such agreements to provide for the payment of tax increment revenues to taxing entities in order to alleviate any detriment to the taxing entity resulting from the establishment of a redevelopment project. Statutory tax sharing will be calculated based on the increase in assessed valuation after the year in which the limitation would otherwise have become effective. Amounts payable to taxing agencies under the AB 1290 formula are to be computed after deducting the Housing Set-Aside Amount attributable to the increase in assessed valuation. On December 9, 2003, the City Council adopted Ordinances Nos. 823 and 824 with respect to the Amargosa Project and the Residential Project, respectively, which eliminated the limitation on incurring indebtedness contained in the respective Redevelopment Plan pursuant to SB 211. On June 22, 2004, the City Council adopted Ordinances Nos. 829, 830, 831 with respect to the CBD Project, the Fox Field Project, and Project No. 5, respectively, which eliminated the limitation on incurring indebtedness contained in the respective Redevelopment Plan pursuant to SB 211. On July 13, 2004, the City Council adopted Ordinances Nos. 833 and 834 with respect to Project No. 6 and Project No. 7, respectively, which eliminated the limitation on incurring indebtedness contained in the respective Redevelopment Plan pursuant to SB 211.

In 2003, the California Legislature enacted Senate Bill 1045, Chapter 260, Statutes of 2003, effective September 1, 2003 (“SB 1045”). SB 1045 required each redevelopment agency to make an allocation of revenue to the applicable county auditor in the 2003-04 fiscal year for deposit in the Educational Revenue Augmentation Fund (“ERAF”) in the applicable county for allocation to school entities, based on a statewide aggregate allocation of \$135,000,000. Section 33683 of the Redevelopment Law provides, for the purpose of determining whether the limit on the tax increment revenue that may be allocated to the Agency has been reached, the aggregate amount of ERAF payments made by the Agency from tax increment revenue in 2003-04 and in a number of prior Fiscal Years, as required by legislation, may be deducted from the amount of tax increment revenue deemed to have been received by the Agency. SB 1045 also permits a redevelopment plan to be amended to add one year to the duration of the redevelopment plan and to the period for collection of tax increment revenues and the repayment of debt. On December 9, 2003, the City Council adopted Ordinances Nos. 823 and 824 with respect to the Amargosa Project and the Residential Project, respectively, which added one year to the duration of the Redevelopment Plans for such Project Areas pursuant to SB 1045. On June 22, 2004, the City Council adopted Ordinances Nos. 829, 830, 831 with respect to the CBD Project, the Fox Field Project, and Project No. 5, respectively, which added one year to the duration of the Redevelopment Plans for such Project Areas pursuant to SB 1045. On July 13, 2004, the City Council adopted Ordinances Nos. 833 and 834 with respect to Project No. 6 and Project No. 7, respectively, which added one year to the duration of the Redevelopment Plans for such Project Areas pursuant to SB 1045.

On July 28, 2004, the California Legislature enacted Senate Bill 1096, Chapter 211, Statutes of 2004, effective August 5, 2004 (“SB 1096”). SB 1096 again required a transfer to the ERAF by redevelopment agencies for each of fiscal years 2004-05 and 2005-06, in the aggregate amount of \$250 million per year. The Agency’s required deposit to ERAF for Fiscal Year 2004-05 was approximately \$2,042,635.27. SB 1096 permits an agency having to make an ERAF payment thereunder to extend the time limit on the effectiveness of redevelopment plans by ordinance as follows: redevelopment plans with ten years or less of effectiveness remaining from the last day of the fiscal year in which a payment is

made can be extended one year for each year an ERAF payment is made; plans with 10 to 20 years remaining from the last day of the fiscal year in which a payment is made can be extended one year for each year an ERAF payment is made if the legislative body finds the agency is in compliance with major housing requirements under the Redevelopment Law; and plans with more than 20 years remaining from the last day of the fiscal year in which a payment is made cannot be extended. The Agency does not plan to extend the effectiveness of the Redevelopment Plans under SB 1096. For additional discussion about the ERAF and related risk factors, see “RISK FACTORS—State Budget; ERAF & SERAF Shifts” herein.

The actions taken by the City Council to date have resulted in the time limitations set forth in Table 2:

**TABLE 2
LANCASTER REDEVELOPMENT PROJECT AREAS
REDEVELOPMENT PLAN LIMITATIONS**

Project Area	Maximum Tax Increment	Maximum Bonded Debt	Last Date to Incur Debt	Plan Termination Date	Last Date to Receive Prop. Taxes/Pay Debt
Residential ⁽¹⁾⁽²⁾	\$ 80,000,000	\$33,000,000	Eliminated	11/13/2020	11/13/2030
CBD ⁽¹⁾⁽²⁾	80,000,000	25,000,000	Eliminated	06/01/2022	06/01/2032
Fox Field ⁽¹⁾⁽²⁾	250,000,000	125,000,000	Eliminated	12/20/2023	12/20/2033
Amargosa ⁽²⁾	225,000,000	92,000,000	Eliminated	10/17/2024	10/17/2034
Project No. 5	400,000,000	100,000,000	Eliminated	11/26/2025	11/26/2035
Project No. 6	750,000,000	250,000,000	Eliminated	07/03/2030	07/03/2040
Project No. 7	750,000,000	250,000,000	Eliminated	11/29/2033	11/29/2043

(1) The right to receive property taxes with respect to the Residential Project, the CBD Project, and the Fox Field Project terminates prior to the final maturity of the 2015B Bonds. See “RISK FACTORS – Time Limits on Receiving Tax Increment Revenues.”

(2) The right to receive property taxes with respect to the Residential Project, the CBD Project, the Fox Field Project, and the Amargosa Project terminates prior to the final maturity of the 2015B Bonds. See “RISK FACTORS – Time Limits on Receiving Tax Increment Revenues.”

Source: *Urban Futures, Inc.*

Lancaster Residential Redevelopment Project

The Residential Project was formed in 1979. The Residential Project was formed to eliminate blighting conditions in the area and encourage new residential development to satisfy the need for housing for the City’s growing population. The Residential Project consists of approximately 610 acres in 36 non-contiguous segments ranging in size from less than an acre to nearly 100 acres. Nearly half the segment areas are five acres or smaller. Existing land uses are residential, commercial and vacant.

Public improvements necessary for the Residential Project include the construction of streets, sidewalks, lights, landscaping, undergrounding of utilities, storm drain facilities, traffic signals, sewer and water lines. The major link between Lancaster and the Los Angeles area is the Antelope Valley Freeway

(State Route 14) which runs through the City in a north-south direction. More than half the segments are located on the eastside of this freeway. Since the Residential Project consists of many scattered parcels throughout the community, access is provided by all major north-south and east-west streets. The streets, in general, which are adjacent to the majority of the Project Area handle very low traffic volumes. Two sections of the Project Area are near the railroad and are used for limited industrial uses.

The implementation of the Residential Redevelopment Plan provided needed housing units in the Project Area, to accommodate the growing population of the City which has nearly doubled in population since its incorporation in 1977. **[description of recent projects/developments to come]**

Land use for fiscal year 2013-14 in the Residential Project is shown in the following table.

TABLE 3
LANCASTER RESIDENTIAL REDEVELOPMENT PROJECT
Secured Assessed Valuation and Parcels by Land Use
Fiscal Year 2013-14

Land Use	Number of Parcels	Percent of Total # of Parcels	2013-14 Secured Assessed Valuation	Percent of Total Secured Assessed Valuation ⁽¹⁾
Single Family Residential	2,139	96.88%	\$275,257,424	80.56%
Industrial	23	1.04	6,968,790	9.86
Multifamily Residential	13	0.59	50,168,242	8.37
Commercial	11	0.50	8,236,191	6.52
Vacant	18	0.82	935,970	0.86
Recreational	1	0.05	101,984	0.05
Institutional	2	0.09	28,915	0.00
Miscellaneous	1	0.05	0	0.00
Total:	<u>2,208</u>	<u>100.00%</u>	<u>\$341,697,516</u>	<u>100.00%</u>

(1) Based on fiscal year 2013-14 secured assessed valuation: \$341,697,516.

Source: *Urban Futures, Inc.*

The 2014-15 assessed value of property within the Residential Project, as well as incremental revenues, are shown in the following table.

TABLE 4
LANCASTER RESIDENTIAL REDEVELOPMENT PROJECT
Assessed Valuation and Tax Increment Revenues
Fiscal Year 2014-15

	Values
2014-15 Assessed Value	\$388,901,307
Base Year Value	\$7,049,501
Base Year as % of Current Assessed Value	1.81%
Incremental Value	\$381,851,806
Increment Revenues	\$3,818,518
Unitary Revenues	\$20,043
Housing Set-Aside	\$767,712

Source: *Urban Futures, Inc.*

The top ten taxpayers in the Residential Project are as follows:

TABLE 5
LANCASTER RESIDENTIAL REDEVELOPMENT PROJECT
Largest Property Tax Payers
Fiscal Year 2013-14

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2013-14 Taxable Secured Assessed Value</u>	<u>% of Total Secured A.V.⁽¹⁾</u>
1.	Riva Park Development	Multifamily Residential	\$17,027,144	4.98%
2.	Provident Housing Resources Inc	Multifamily Residential	11,696,871	3.42
3.	Mg Woodlands West Apartments LP	Multifamily Residential	11,550,000	3.38
4.	Forbush Mark S Co Tr	Multifamily Residential	9,902,426	2.90
5.	Cambridge Ln LLC	Commercial	3,178,969	0.93
6.	Lane Yvonne Tr	Commercial	3,051,334	0.89
7.	Byd Energy LLC	Industrial	2,830,230	0.83
8.	Agate Consortium Inc	Commercial	2,160,531	0.63
9.	Joshua Lane LLC	Industrial	1,150,000	0.34
10.	Antelope Vly Residl Hldgs De	Residential	1,028,106	0.30
	Totals		\$63,575,611	18.61%

(1) Based on fiscal year 2013-14 secured assessed valuation: \$341,697,516.

Source: Urban Futures, Inc., with information from the Los Angeles County 2013-14 Secured Property Tax Roll.

Central Business District Redevelopment Project

The CBD Project contains approximately 440 acres of the City's historic business center in four non-contiguous areas. Lancaster Boulevard, the "spine" of the commercial office area, and Sierra Highway form the principal streets in the Project Area. The character of the Project Area is of mixed land uses with commercial development retaining a clearly dominant position.

Industrial land is largely located on the east side of Sierra Highway and scattered residential property, approximately 15 acres, account for a substantial portion of the remaining useable Project Area land. Less than 100 acres of the Project Area is vacant land. Streets, along with the railroad, make up about 35% or 160 acres of the Project Area.

The Project Area was the focal point of the City's Civic Center and cultural development efforts. A new City Hall has been located in the Project Area as an initial effort to establish a civic center. The Prior Agency determined to eliminate and prevent the spread of blight and deterioration in the Project Area by making traffic improvements and fostering a more pedestrian oriented shopping atmosphere. Utilities and the infrastructure network are to be ungraded and aesthetically improved. The Prior Agency facilitated the development of additional off-street parking, convenient to stores and major streets. **[description of recent projects/developments to come]**

Land use for fiscal year 2013-14 in the CBD Project is shown in the following table.

TABLE 6
CENTRAL BUSINESS DISTRICT REDEVELOPMENT PROJECT
Secured Assessed Valuation and Parcels by Land Use
Fiscal Year 2013-14

Land Use	Number of Parcels	Percent of Total # of Parcels	2013-14 Secured Assessed Valuation	Percent of Total Secured Assessed Valuation ⁽¹⁾
Commercial	279	25.83%	\$ 95,614,115	68.31%
Multifamily Residential	34	3.15	10,654,316	7.61
Vacant	555	51.39	9,961,311	7.12
Industrial	55	5.09	10,663,033	7.62
Single Family Residential	38	3.52	1,614,710	1.15
Institutional	83	7.69	6,755,026	4.83
Recreational	5	0.46	4,319,917	3.09
Miscellaneous	31	2.87	382,049	0.27
Total:	<u>1,080</u>	<u>100.00%</u>	<u>\$139,964,477</u>	<u>100.00%</u>

(1) Based on fiscal year 2013-14 secured assessed valuation: \$139,964,477.

Source: *Urban Futures, Inc.*

The 2014-15 assessed value of property within the CBD Project, as well as incremental revenues, are shown in the following table.

TABLE 7
CENTRAL BUSINESS DISTRICT REDEVELOPMENT PROJECT
Assessed Valuation and Tax Increment Revenues
Fiscal Year 2014-15

	Values
2014-15 Assessed Value	\$156,216,721
Base Year Value	\$48,332,693
Base Year as % of Current Assessed Value	30.94%
Incremental Value	\$107,884,028
Increment Revenues	\$1,078,840
Unitary Revenues	\$8,527
Housing Set-Aside	\$217,473

Source: *Urban Futures, Inc.*

The top ten taxpayers in the CBD Project are as follows:

**TABLE 8
CENTRAL BUSINESS DISTRICT REDEVELOPMENT PROJECT
Largest Property Tax Payers
Fiscal Year 2013-14**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2013-14 Taxable Secured Assessed Value</u>	<u>% of Total Secured A.V.⁽¹⁾</u>
1.	Lancaster Promenade LLC	Commercial	\$12,586,676	8.99%
2.	Lean Mean Fighting Machine	Commercial	6,553,386	4.68
3.	University Of Antelope	Institutional	4,926,694	3.52
4.	Holmberg Hilding A & Jean Y	Commercial	4,282,346	3.06
5.	H K Realty Inc	Multifamily Residential	3,954,862	2.83
6.	Larson Max W Tr	Industrial	3,631,608	2.59
7.	Mental Health America Of	Commercial	3,027,443	2.16
8.	Hsms Hospitality Services LLC	Commercial	2,557,415	1.83
9.	Jpacific International Tr	Commercial	2,186,607	1.56
10.	Klajac LLC	Commercial	1,834,405	1.31
	Totals		\$45,541,442	32.54%

(1) Based on fiscal year 2013-14 secured assessed valuation: \$139,964,477.

Source: Urban Futures, Inc., with information from the Los Angeles County 2013-14 Secured Property Tax Roll.

Fox Field Redevelopment Project

The Fox Field Project Area encompasses a total of approximately 7,200 acres in two (2) non-contiguous areas. The character of the Project Area is mixed land use including airport and related uses, commercial, light industrial, public and low density residential uses. Approximately sixty-five percent (65%) of the Project Area is currently vacant, excluding the Fox Field Airport.

The Fox Field Airport, which is owned and operated by the County, accounts for approximately 250 acres of the Project Area. Included within the Airport area is a 5,000 foot long and 150 foot wide runway, a U.S. Forest Service Air Tanker Base, and a proposed museum site. Existing Airport services are provided by the County, and water is provided by an on-site well.

The Prior Agency established a business retention and attraction program for the Project Area, utilizing Prior Agency, County of Los Angeles, State and federal funding sources. The Prior Agency acquired properties for the eventual development of industrial facilities and the creation of employment opportunities for low- and moderate income workers. The Prior Agency also provided economic development and technical assistance to commercial, industrial and public development projects in the Project Area. **[description of recent projects/developments to come]**

Land use for fiscal year 2013-14 in the Fox Field Project is shown in the following table.

TABLE 9
FOX FIELD REDEVELOPMENT PROJECT
Secured Assessed Valuation and Parcels by Land Use
Fiscal Year 2013-14

Land Use	Number of Parcels	Percent of Total # of Parcels	2013-14 Secured Assessed Valuation	Percent of Total Secured Assessed Valuation ⁽¹⁾
Industrial	55	8.66%	\$117,583,798	66.57%
Vacant	549	86.46	34,288,648	19.41
Commercial	21	3.31	23,273,985	13.18
Recreational	1	0.16	1,053,762	0.60
Single Family Residential	1	0.16	116,456	0.07
Institutional	8	1.26	303,133	0.17
Total:	<u>635</u>	<u>100.00%</u>	<u>\$176,619,782</u>	<u>100.00%</u>

(1) Based on fiscal year 2013-14 secured assessed valuation: \$176,619,782.

Source: *Urban Futures, Inc.*

The 2014-15 assessed value of property within the Fox Field Project, as well as incremental revenues, are shown in the following table.

TABLE 10
FOX FIELD REDEVELOPMENT PROJECT
Assessed Valuation and Tax Increment Revenues
Fiscal Year 2014-15

	Values
2014-15 Assessed Value	\$198,339,744
Base Year Value	\$14,970,009
Base Year as % of Current Assessed Value	7.55%
Incremental Value	\$183,369,735
Increment Revenues	\$1,833,697
Unitary Revenues	\$5,125
Housing Set-Aside	\$367,764

Source: *Urban Futures, Inc*

The top ten taxpayers in the Fox Field Project are as follows:

TABLE 11
FOX FIELD REDEVELOPMENT PROJECT
Largest Property Tax Payers
Fiscal Year 2013-14

	<u>Property Owner</u>	<u>Primary Land Use</u>	2013-14 Taxable Secured <u>Assessed Value</u>	% of Total Secured <u>A.V.⁽¹⁾</u>
1.	Thrifty Payless Inc	Industrial	\$ 35,830,534	20.29%
2.	Sygma Network Inc	Industrial	21,919,108	12.41
3.	Visco Frank A	Commercial	14,702,877	8.32
4.	Campus Business Park I LLC	Industrial	6,447,573	3.65
5.	Extra Space Properties Forty	Industrial	5,241,169	2.97
6.	Hanes & Associates Inc	Industrial	4,741,837	2.68
7.	Vintners Cucamonga	Industrial	3,061,474	1.73
8.	Oberman Edith Tr	Industrial	3,001,042	1.70
9.	R Brown K 8 LLC	Industrial	2,700,000	1.53
10.	Francisco Terry C & Rosa E	Industrial	2,386,800	1.35
	Totals		\$100,032,414	56.64%

(1) Based on fiscal year 2013-14 secured assessed valuation: \$176,619,782.

Source: *Urban Futures, Inc., with information from the Los Angeles County 2013-14 Secured Property Tax Roll.*

Amargosa Redevelopment Project

The Amargosa Project encompasses a total of approximately 4,600 acres in four non-contiguous areas. The character of the Amargosa Project is mixed land use including commercial, light industrial, health care, educational and residential, with vacant and unimproved land making up the dominant portion.

The Prior Agency determined that the basic objective of the Project Area was to assist in the redevelopment of areas which are presently stagnate and unproductive, as well as to eliminate and prevent the spread of blight. At the time of the adoption of the Redevelopment Plan, many of the parcels throughout the Amargosa Project remained undeveloped or exhibited complete or growing lack of productive utilization. The Amargosa Redevelopment Plan intended to assist in the replanning or redesign of these areas which are presently, or in the future become, stagnant or improperly utilized because of defective or inadequate street layout, faulty lot layout in relation to size, shape, accessibility or usefulness. Improvements to the Amargosa Project include the construction and redesign of streets, sidewalks, lights, landscaping, undergrounding of utilities, storm drain facilities, traffic signals, sewer and water lines. Other improvements are the construction of vehicle parking facilities and the signalization of various intersections within the Project Area. Another objective of the Amargosa Redevelopment Plan was to implement various flood control and drainage facilities. Flooding has been identified as an infrequent but potentially significant problem in the Project Area, which is located among the two main branches of the Amargosa and Ana Verde Creeks, which is a major collector of surface runoff in the Antelope Valley drainage basin. **[description of recent projects/developments to come]**

Land use for fiscal year 2013-14 in the Amargosa Project is shown in the following table.

TABLE 12
AMARGOSA REDEVELOPMENT PROJECT
Secured Assessed Valuation and Parcels by Land Use
Fiscal Year 2013-14

Land Use	Number of Parcels	Percent of Total # of Parcels	2013-14 Secured Assessed Valuation	Percent of Total Secured Assessed Valuation ⁽¹⁾
Commercial	227	7.60%	\$ 538,321,831	41.44%
Single Family Residential	1,767	59.18	248,651,959	19.14
Multifamily Residential	75	2.51	194,118,813	14.94
Vacant	707	23.68	133,414,661	10.27
Industrial	127	4.25	149,959,372	11.54
Recreational	9	0.30	20,621,879	1.59
Institutional	47	1.57	9,495,332	0.73
Miscellaneous	27	0.90	4,361,741	0.34
Total:	2,986	100.00%	\$1,298,945,588	100.00%

(1) Based on fiscal year 2013-14 secured assessed valuation: \$1,298,945,588.

Source: *Urban Futures, Inc.*

The 2014-15 assessed value of property within the Amargosa Project, as well as incremental revenues, are shown in the following table.

TABLE 13
AMARGOSA REDEVELOPMENT PROJECT
Assessed Valuation and Tax Increment Revenues
Fiscal Year 2014-15

	Values
2014-15 Assessed Value	\$1,482,953,538
Base Year Value	\$92,091,937
Base Year as % of Current Assessed Value	6.21%
Incremental Value	\$1,390,861,601
Increment Revenues	\$13,908,616
Unitary Revenues	\$34,531
Housing Set-Aside	\$2,788,629

Source: *Urban Futures, Inc.*

The top ten taxpayers in the Amargosa Project are as follows:

TABLE 14
AMARGOSA REDEVELOPMENT PROJECT
Largest Property Tax Payers
Fiscal Year 2013-14

	<u>Property Owner</u>	<u>Primary Land Use</u>	2013-14 Taxable Secured <u>Assessed Value</u>	% of Total Secured <u>A.V.⁽¹⁾</u>
1.	Cp Antelope Shops LLC	Commercial	\$ 44,193,803	3.40%
2.	Mgf Cordova Park LP	Multifamily Residential	33,950,000	2.61
3.	Mk Rrp	Commercial	32,198,623	2.48
4.	Kaiser Foundation	Commercial	29,252,262	2.25
5.	Mgp Ix Properties LLC	Commercial	28,246,860	2.17
6.	K Partners Lancaster II LP	Commercial	24,372,583	1.88
7.	Wal Mart Real Estate	Commercial	23,697,104	1.82
8.	Mg Sienna Heights Apt I LP	Multifamily Residential	23,501,100	1.81
9.	Mg Granada Villas Apt I LP	Multifamily Residential	22,750,000	1.75
10.	Valley Central L P	Commercial	18,976,835	1.46
	Totals		\$281,139,170	21.64%

(1) Based on fiscal year 2013-14 secured assessed valuation: \$1,298,945,588.

Source: Urban Futures, Inc., with information from the Los Angeles County 2013-14 Secured Property Tax Roll.

Lancaster Redevelopment Project No. 5

Project No. 5 consists of seven non-contiguous areas which total approximately 4,523 acres. The primary land use in the project area is residential, with approximately 87 percent being used for either single family, multifamily or mobile home living. Approximately 9 percent of the Project Area is used for commercial uses and less than 3% is vacant, and industrial uses comprise less than 2%.

Project No. 5 was formed in 1984. The Prior Agency established that the goal of the Project No. 5 Redevelopment Plan was to increase the development potential of Project No. 5 by eliminating the existing blighted conditions and environmental deficiencies. This goal was implemented through the removal or rehabilitation of physically obsolete or substandard structures and other blighting influences, as well as the construction, installation and redesign of streets, utilities, curbs, gutters, sidewalks, and other associated public improvements. The Prior Agency planned various water system projects including the replacement, construction and improvement of water lines, fire hydrants and water meters in order to provide adequate fire flows and domestic water supplies.

The North Downtown Transit Village Project, which kicked off in 2001, represented an intensive, multi-year effort by the Prior Agency to reduce blight and revitalize one of the oldest and poorest sections of the community. The North Downtown Transit Village Plan includes a mix of housing, retail and commercial uses in the Project Area. **[description of recent projects/developments to come]**

Land use for fiscal year 2013-14 in Project No. 5 is shown in the following table.

TABLE 15
LANCASTER REDEVELOPMENT PROJECT NO. 5
Secured Assessed Valuation and Parcels by Land Use
Fiscal Year 2013-14

Land Use	Number of Parcels	Percent of Total # of Parcels	2013-14 Secured Assessed Valuation	Percent of Total Secured Assessed Valuation ⁽¹⁾
Single Family Residential	10,297	86.54%	\$ 990,444,537	68.42%
Multifamily Residential	613	5.15	154,617,915	10.68
Commercial	315	2.65	209,492,436	14.47
Vacant	358	3.01	30,624,541	2.12
Industrial	65	0.55	38,964,707	2.69
Institutional	84	0.71	4,334,586	0.30
Miscellaneous	163	1.37	18,869,230	1.30
Recreational	4	0.03	178,390	0.01
Total:	11,899	100.00%	\$1,447,526,342	100.00%

(1) Based on fiscal year 2013-14 secured assessed valuation: \$1,447,526,342.

Source: *Urban Futures, Inc.*

The 2014-15 assessed value of property within Project No. 5, as well as incremental revenues, are shown in the following table.

TABLE 16
LANCASTER REDEVELOPMENT PROJECT NO. 5
Assessed Valuation and Tax Increment Revenues
Fiscal Year 2014-15

	Values
2014-15 Assessed Value	\$1,674,287,292
Base Year Value	\$366,873,983
Base Year as % of Current Assessed Value	21.91%
Incremental Value	\$1,307,413,309
Increment Revenues	\$13,074,133
Unitary Revenues	\$110,242
Housing Set-Aside	\$2,636,875

Source: *Urban Futures, Inc.*

The top ten taxpayers in Project No. 5 are as follows:

TABLE 17
LANCASTER REDEVELOPMENT PROJECT NO. 5
Largest Property Tax Payers
Fiscal Year 2013-14

	<u>Property Owner</u>	<u>Primary Land Use</u>	2013-14 Taxable Secured <u>Assessed Value</u>	% of Total Secured <u>A.V.⁽¹⁾</u>
1.	Wal Mart Real Estate	Commercial	\$ 20,099,742	1.39%
2.	Front Gate Plaza LLC	Commercial	17,240,439	1.19
3.	Security Title Tr	Multifamily Residential	12,732,773	0.88
4.	30th Street West Apt Associates	Multifamily Residential	12,444,717	0.86
5.	Lancaster Avenue Lllc	Commercial	8,189,776	0.57
6.	I Yam What I Yam LP	Multifamily Residential	8,024,521	0.55
7.	Mgp Xvii LLC	Multifamily Residential	7,311,300	0.51
8.	U Lock It Up II LLC	Industrial	7,220,376	0.50
9.	Ring Trading Corp	Residential	7,097,249	0.49
10.	Brnk Lancaster LLC	Commercial	6,230,000	0.43
	Totals		\$106,590,893	7.36%

(1) Based on fiscal year 2013-14 secured assessed valuation: \$1,447,526,342.

Source: *Urban Futures, Inc., with information from the Los Angeles County 2013-14 Secured Property Tax Roll.*

Lancaster Redevelopment Project No. 6

Project No. 6 consists of approximately 12,748 acres in eight non-contiguous sub-areas generally located around main arterial routes throughout the City. Project No. 6 was formed in 1989 to revitalize and upgrade the area through the provision of housing programs and the rehabilitation of obsolete and substandard structures.

The primary land use in Project No. 6 is residential, with approximately 82 acres being used for either single family, multifamily or mobile home living. Approximately 18 acres of the Project Area is used for commercial, light industrial and agricultural.

[description of recent projects/developments to come]

Land use for fiscal year 2013-14 in Project No. 6 is shown in the following table.

TABLE 18
LANCASTER REDEVELOPMENT PROJECT NO. 6
Secured Assessed Valuation and Parcels by Land Use
Fiscal Year 2013-14

Land Use	Number of Parcels	Percent of Total # of Parcels	2013-14 Secured Assessed Valuation	Percent of Total Secured Assessed Valuation ⁽¹⁾
Single Family Residential	13,520	80.07%	\$1,984,345,874	78.94%
Vacant	2,935	17.38	192,109,057	7.64
Commercial	146	0.86	174,587,805	6.95
Industrial	58	0.34	92,753,799	3.69
Multifamily Residential	96	0.57	37,182,109	1.48
Institutional	125	0.74	31,826,442	1.27
Recreational	4	0.02	617,851	0.02
Agricultural	1	0.01	182,484	0.01
Total:	<u>16,885</u>	<u>100.00%</u>	<u>\$2,513,605,421</u>	<u>100.00%</u>

(1) Based on fiscal year 2013-14 secured assessed valuation: \$2,513,605,421.

Source: *Urban Futures, Inc.*

The 2014-15 assessed value of property within Project No. 6, as well as incremental revenues, are shown in the following table.

TABLE 19
LANCASTER REDEVELOPMENT PROJECT NO. 6
Assessed Valuation and Tax Increment Revenues
Fiscal Year 2014-15

	Values
2014-15 Assessed Value	\$2,868,995,149
Base Year Value	\$605,741,455
Base Year as % of Current Assessed Value	21.11%
Incremental Value	\$2,263,253,694
Increment Revenues	\$22,632,537
Unitary Revenues	\$29,400
Housing Set-Aside	\$4,532,387

Source: *Urban Futures, Inc.*

The top ten taxpayers in Project No. 6 are as follows:

TABLE 20
LANCASTER REDEVELOPMENT PROJECT NO. 6
Largest Property Tax Payers
Fiscal Year 2013-14

	<u>Property Owner</u>	<u>Primary Land Use</u>	2013-14 Taxable Secured <u>Assessed Value</u>	% of Total Secured <u>A.V.⁽¹⁾</u>
1.	Us Industrial Reit II	Industrial	\$ 45,284,000	1.80%
2.	Avp Lancaster LLC	Commercial	22,339,627	0.89
3.	Unified Investments V LLC	Institutional	16,625,671	0.66
4.	Vallarta Supermarkets Shopping	Commercial	13,921,816	0.55
5.	Caritas Affordable Housing Inc	Residential	12,296,534	0.49
6.	Caesars Plaza LLC	Commercial	9,845,225	0.39
7.	Antelope Vly Medical Plaza LLC	Commercial	9,488,355	0.38
8.	Ap Lancaster LLC	Commercial	8,369,343	0.33
9.	Antelope Vly Residl Hldgs De	Residential	7,071,508	0.28
10.	Hdf Plaza LLC	Commercial	6,490,913	0.26
	Totals		\$151,732,992	6.04%

(1) Based on fiscal year 2013-14 secured assessed valuation: \$2,513,605,421.

Source: Urban Futures, Inc., with information from the Los Angeles County 2013-14 Secured Property Tax Roll.

Lancaster Redevelopment Project No. 7

Project No. 7 was formed in 1992. Project No. 7 was formed to revitalize and upgrade the area through the provision of housing programs and the rehabilitation of obsolete and sub-standard structures.

[description of recent projects/developments to come]

Land use for fiscal year 2013-14 in Project No. 7 is shown in the following table.

TABLE 21
LANCASTER REDEVELOPMENT PROJECT NO. 7
Secured Assessed Valuation and Parcels by Land Use
Fiscal Year 2013-14

Land Use	Number of Parcels	Percent of Total # of Parcels	2013-14 Secured Assessed Valuation	Percent of Total Secured Assessed Valuation ⁽¹⁾
Single Family Residential	2,018	87.93%	\$220,912,902	64.81%
Commercial	53	2.31	98,980,853	29.04
Vacant	184	8.02	11,011,329	3.23
Multifamily Residential	18	0.78	8,170,176	2.40
Institutional	16	0.70	1,708,815	0.50
Industrial	1	0.04	74,378	0.02
Miscellaneous	5	0.22	626	0.00
Total:	<u>2,295</u>	<u>100.00%</u>	<u>\$340,859,079</u>	<u>100.00%</u>

(1) Based on fiscal year 2013-14 secured assessed valuation: \$340,859,079.

Source: *Urban Futures, Inc.*

The 2014-15 assessed value of property within Project No. 7, as well as incremental revenues, are shown in the following table.

TABLE 22
LANCASTER REDEVELOPMENT PROJECT NO. 7
Assessed Valuation and Tax Increment Revenues
Fiscal Year 2014-15

	Values
2014-15 Assessed Value	\$407,668,301
Base Year Value	\$226,784,287
Base Year as % of Current Assessed Value	55.63%
Incremental Value	\$180,884,014
Increment Revenues	\$1,808,840
Unitary Revenues	\$2,750
Housing Set-Aside	\$362,318

Source: *Urban Futures, Inc.*

The top ten taxpayers in Project No. 7 are as follows:

TABLE 23
LANCASTER REDEVELOPMENT PROJECT NO. 7
Largest Property Tax Payers
Fiscal Year 2013-14

	<u>Property Owner</u>	<u>Primary Land Use</u>	2013-14 Taxable Secured <u>Assessed Value</u>	% of Total Secured <u>A.V.⁽¹⁾</u>
1.	Quartz Hill Station LLC	Commercial	\$21,000,000	6.16%
2.	Tru 2005 Re I LLC	Commercial	12,900,000	3.78
3.	2429 Danalda LLC & Kab Plaza LLC	Commercial	10,597,800	3.11
4.	United Insurance Company	Commercial	9,749,220	2.86
5.	Arroyo Plaza LLC	Commercial	5,261,700	1.54
6.	G6 Hospitality Property LLC	Commercial	4,781,569	1.40
7.	Lancaster Avenue J LLC	Commercial	4,140,520	1.21
8.	Lancaster Triangle Co	Commercial	4,047,807	1.19
9.	Miner Kurt J & Lord Miner Michelle	Commercial	3,400,000	1.00
10.	Bm Properties	Multifamily Residential	3,240,000	0.95
	Totals		\$79,118,616	23.21%

(1) Based on fiscal year 2013-14 secured assessed valuation: \$340,859,079.

Source: Urban Futures, Inc., with information from the Los Angeles County 2013-14 Secured Property Tax Roll.

Appeals

As previously discussed under “PROPERTY TAXATION IN CALIFORNIA—Appeals of Assessed Values,” property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. After the applicant and the assessor have presented their arguments, the Appeals Board makes a final decision on the proper assessed value. The Appeals Board may rule in the assessor’s favor, in the applicant’s favor, or the Board may set their own opinion of the proper assessed value, which may be more or less than either the assessor’s opinion or the applicant’s opinion.

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

Appeals for reduction in the “base year” value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Appeals may also be filed under Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property shall be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Significant reductions have taken place in some counties due

to declining real estate values. Reductions made under this code section may be initiated by the County Assessor or requested by the property owner. After a roll reduction is granted under this section, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and it may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

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

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The following table sets forth information regarding pending appeals, average appeal value, and projected loss of Project Areas assessed value as a result of such appeals over the past five lien years, as of December 31, 2013.

**TABLE 24
LANCASTER REDEVELOPMENT PROJECT AREAS
Recent Appeals – as of December 31, 2013**

HISTORICAL APPEALS – Closed Appeals Reviewed from January 2009 through December 2013							
<u>Project Area</u>	<u>Number of Appeals Filed</u>	<u>Number of Successful Appeals</u>	<u>Assessed Value of Property</u>	<u>Owner’s Opinion of Value</u>	<u>Total Requested Reduction</u>	<u>Reduction Allowed by Board</u>	<u>Allowed Reduction as % of Requested</u>
Residential	68	17	\$ 61,253,050	\$ 34,713,031	\$ 26,540,019	\$ 5,025,718	18.94%
CBD Project	55	9	56,715,014	29,101,019	27,613,995	2,060,800	7.46
Fox Field Project	88	21	105,858,177	58,582,141	47,276,036	4,565,324	9.66
Amargosa Project	498	136	1,244,027,256	687,145,592	556,881,664	58,495,998	10.50
Project No. 5	691	191	470,688,708	206,246,678	264,442,030	38,223,049	14.45
Project No. 6	2,082	737	787,609,930	376,425,165	411,184,765	108,512,103	26.39
Project No. 7	157	43	177,992,541	89,799,910	88,192,631	18,633,404	21.13

PENDING/OUTSTANDING APPEALS – as of December 31, 2013						
<u>Project Area</u>	<u>Number of Appeals Outstanding</u>	<u>Assessed Value of Property</u>	<u>Owner’s Opinion of Value</u>	<u>Potential Loss of Assessed Value</u>	<u>Historical Success Rate</u>	<u>Estimated Reduction (based on Historical Success)</u>
Residential	33	\$ 54,874,265	\$ 10,815,000	\$ 44,059,265	18.94%	\$ 8,343,228
CBD Project	12	24,351,175	4,319,114	20,032,061	7.46	1,494,969
Fox Field Project	32	146,488,802	87,521,196	58,967,606	9.66	5,694,349
Amargosa Project	176	563,937,595	306,473,919	257,463,676	10.50	27,044,515
Project No. 5	178	378,127,742	119,064,487	259,063,255	14.45	37,445,589
Project No. 6	357	209,526,181	107,862,130	101,664,051	26.39	26,829,253
Project No. 7	42	118,542,946	47,360,579	71,182,367	21.13	15,039,463

Source: Urban Futures, Inc., with data obtained from the County of Los Angeles.

The Agency has no way of knowing the outcome of these appeals or their effect on the valuation in the Project Areas.

PLEGGED TAX REVENUES

Pledged Tax Revenues (as described in the section “SECURITY FOR THE BONDS” herein) are to be deposited in the Redevelopment Obligation Retirement Fund, and thereafter transferred by the Agency to the Debt Service Fund, administered by the Trustee and applied to the payment of the principal of and interest on the Bonds and the Existing Parity Bonds.

Schedule of Historical Incremental Revenues

Set forth in the following table is a summary of Project Area historical assessed values, gross tax increment revenues, and the Pledged Tax Revenues (i.e., the Housing Set-Aside Amount) that have been available to pay debt service for fiscal years 2005-06 through 2014-15.

<u>Fiscal Year</u>	<u>Assessed Value</u>	<u>Tax Increment Revenues*</u>	<u>Pledged Tax Revenues (Housing Set-Aside Amount (20%))</u>
2005-06	\$6,018,684,402	\$64,584,183	\$12,916,837
2006-07	7,427,561,936	79,659,173	15,931,835
2007-08	8,401,684,545	90,082,285	18,016,457
2008-09	8,812,256,087	94,475,400	18,895,080
2009-10	7,576,463,943	66,204,939	13,240,988
2010-11	6,409,536,314	55,395,291	11,079,058
2011-12	6,392,661,204	53,209,699	10,641,940
2012-13	6,338,285,012	53,335,938	10,667,188
2013-14	6,539,684,775	54,555,224	10,911,045
2014-15 ⁽¹⁾	7,177,362,052	58,365,800	11,673,160

* Revenues include 1% increment, override (through Fiscal Year 2011-12), and unitary revenues.

(1) Fiscal Year 2014-15 Tax Increment Revenues and Pledged Tax Revenues (Housing Set-Aside Amount) are estimated.

Source: Urban Futures, Inc.

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Projected Taxable Valuation and Pledged Tax Revenues

The Agency has retained Urban Futures, Inc. of Orange, California to provide projections of taxable valuation and Pledged Tax Revenues from developments in the Project Areas. The Agency believes the assumptions (set forth in the footnotes below and “APPENDIX F- Financial Advisor’s Report”) 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 Pledged Tax Revenues received during the forecast period may vary from the projections and the variations may be material. A summary of the projected taxable valuation and Pledged Tax Revenues is as follows:

Fiscal Year Ended	Assessed Valuation ⁽¹⁾	Gross Tax Increment ⁽²⁾	Pledged Tax Revenues ⁽³⁾
2015	\$7,177,362,052	\$58,365,800	\$11,673,160
2016	7,320,909,293	59,801,272	11,960,254
2017	7,467,327,479	61,265,454	12,253,091
2018	7,616,674,028	62,758,920	12,551,784
2019	7,769,007,509	64,282,254	12,856,451
2020	7,924,387,659	65,836,056	13,167,211
2021	8,082,875,412	67,420,933	13,484,187
2022	8,244,532,921	69,037,509	13,807,502
2023	8,409,423,579	70,686,415	14,137,283
2024	8,577,612,051	72,368,300	14,473,660
2025	8,749,164,292	74,083,822	14,816,764
2026	8,924,147,578	75,833,655	15,166,731
2027	9,102,630,529	77,618,485	15,523,697
2028	9,284,683,140	79,439,011	15,887,802
2029	9,470,376,802	81,295,947	16,259,189
2030	9,659,784,338	83,190,023	16,638,005
2031	9,319,101,870	79,833,650	15,966,730
2032	9,505,483,908	81,697,470	16,339,494
2033	9,189,199,645	79,154,003	15,830,801
2034	9,372,983,638	80,991,843	16,198,369
2035	7,356,852,363	61,716,918	12,343,384
2036	4,966,328,511	41,370,178	8,274,036
2037	5,065,655,082	42,363,443	8,472,689
2038	5,166,968,183	43,376,574	8,675,315
2039	5,270,307,547	44,409,968	8,881,994

(1) Fiscal Year 2014-15 Assessed Valuation provided by Los Angeles County Auditor-Controller, with projected 2% annual growth thereafter.

(2) Gross Tax Revenues based on 1% tax rate, and includes \$210,618 of Unitary Revenues with no growth.

(3) Based on 20% of Gross Tax Increment.

Bonds and Existing Parity Bonds Annual Debt Service

Set forth below is the annual debt service (assuming minimum sinking account payments) on the Bonds and the Existing Parity Bonds.

Combined Redevelopment Project Areas (Housing Programs) Annual Debt Service (Existing Parity Bonds and Bonds Annual Debt Service)

Bond Year Ending (August 1 of)	2003 Bonds Debt Service	2009 Bonds Debt Service	2015A Bonds Debt Service*	2015B Bonds Debt Service*	Total Housing Bonds Debt Service*
2015	\$ 4,144,737.50	\$ 2,251,862.50	\$ 837,321.98	\$ 815,384.46	\$ 8,049,306.44
2016	4,147,325.00	2,254,075.00	836,112.50	810,565.00	8,048,077.50
2017	4,144,575.00	2,253,325.00	837,112.50	816,545.00	8,051,557.50
2018	4,145,275.00	2,251,075.00	839,712.50	815,680.00	8,051,742.50
2019	4,143,687.50	2,255,637.50	836,712.50	812,980.00	8,049,017.50
2020	3,941,850.00	2,141,312.50	1,179,962.50	788,572.50	8,051,697.50
2021	3,940,000.00	2,141,112.50	1,185,212.50	788,202.50	8,054,527.50
2022	3,943,100.00	2,137,300.00	1,178,462.50	791,302.50	8,050,165.00
2023	3,966,450.00	2,124,700.00	1,180,212.50	782,797.50	8,054,160.00
2024	4,088,862.50	2,400,300.00	709,962.50	853,182.50	8,052,307.50
2025	4,485,350.00	2,081,700.00	711,212.50	769,300.00	8,047,562.50
2026	4,487,375.00	2,079,375.00	709,362.50	773,700.00	8,049,812.50
2027	4,482,512.50	2,083,800.00	711,200.00	771,275.00	8,048,787.50
2028	4,485,762.50	2,079,325.00	709,400.00	776,087.50	8,050,575.00
2029	4,591,412.50	2,081,275.00	602,000.00	774,712.50	8,049,400.00
2030	4,114,237.50	2,084,000.00	1,083,200.00	772,387.50	8,053,825.00
2031	4,116,312.50	2,343,031.26	534,600.00	704,112.50	7,698,056.26
2032	4,020,550.00	2,459,031.26	531,600.00	682,975.00	7,694,156.26
2033	3,886,225.00	2,475,250.00	523,200.00	666,837.50	7,551,512.50
2034	--	2,252,531.26	4,409,600.00	670,462.50	7,332,593.76
2035	--	1,041,687.50	--	3,812,900.00	4,854,587.50
2036	--	1,761,125.00	--	--	1,761,125.00
2037	--	1,763,312.50	--	--	1,763,312.50
2038	--	1,758,968.76	--	--	1,758,968.76
2039	--	1,758,093.76	--	--	1,758,093.76
Total:	\$79,275,600.00	\$52,313,206.30	\$20,146,159.48	\$19,249,961.96	\$170,984,927.74

* Preliminary; subject to change.

Debt Service Coverage

Set forth below is the estimated debt service coverage of the Existing Parity Bonds and the Bonds using no growth Fiscal Year 2014-15 Pledged Tax Revenues through maturity.

Estimated Debt Service Coverage (No Growth Scenario)

Bond Year Ending (August 1)	No Growth Pledged Tax Revenues	Combined Debt Service (Existing Parity Bonds and Bonds)*	Debt Service Coverage ^{*(3)}
2014-15	\$11,673,160	\$8,049,306	1.45x
2015-16	11,673,160	8,048,078	1.45x
2016-17	11,673,160	8,051,558	1.45x
2017-18	11,673,160	8,051,743	1.45x
2018-19	11,673,160	8,049,018	1.45x
2019-20	11,673,160	8,051,698	1.45x
2020-21	11,673,160	8,054,528	1.45x
2021-22	11,673,160	8,050,165	1.45x
2022-23	11,673,160	8,054,160	1.45x
2023-24	11,673,160	8,052,308	1.45x
2024-25	11,673,160	8,047,563	1.45x
2025-26	11,673,160	8,049,813	1.45x
2026-27	11,673,160	8,048,788	1.45x
2027-28	11,673,160	8,050,575	1.45x
2028-29	11,673,160	8,049,400	1.45x
2029-30	11,673,160	8,053,825	1.45x
2030-31	10,905,448	7,698,056	1.42x
2031-32	10,905,448	7,694,156	1.42x
2032-33	10,320,210	7,551,513	1.37x
2033-34 ⁽¹⁾	10,320,210	7,332,594	1.41x
2034-35 ⁽²⁾	7,531,580	4,854,588	1.55x
2035-36	4,894,705	1,761,125	2.78x
2036-37	4,894,705	1,763,313	2.78x
2037-38	4,894,705	1,758,969	2.78x
2038-39	4,894,705	1,758,094	2.78x

* Preliminary; subject to change.

(1) Final maturity of the 2015A Bonds.

(2) Final maturity of the 2015B Bonds.

(3) Excess coverage amounts are not available to the Agency unless for approved administrative amounts or other approved enforceable obligations. See "RISK FACTORS – Recognized Obligation Payment Schedule."

Set forth below is the estimated debt service coverage of the Existing Parity Bonds and the Bonds using a 2% annual growth scenario for Fiscal Year 2014-15 Pledged Tax Revenues through maturity.

**Estimated Debt Service Coverage
(2% Growth Scenario)**

Bond Year Ending (August 1)	Pledged Tax Revenues ⁽¹⁾	Combined Debt Service (Existing Parity Bonds and Bonds) *	Debt Service Coverage * ⁽⁴⁾
2014-15	\$11,673,160	\$8,049,306	1.45x
2015-16	11,960,254	8,048,078	1.49x
2016-17	12,253,091	8,051,558	1.52x
2017-18	12,551,784	8,051,743	1.56x
2018-19	12,856,451	8,049,018	1.60x
2019-20	13,167,211	8,051,698	1.64x
2020-21	13,484,187	8,054,528	1.67x
2021-22	13,807,502	8,050,165	1.72x
2022-23	14,137,283	8,054,160	1.76x
2023-24	14,473,660	8,052,308	1.80x
2024-25	14,816,764	8,047,563	1.84x
2025-26	15,166,731	8,049,813	1.88x
2026-27	15,523,697	8,048,788	1.93x
2027-28	15,887,802	8,050,575	1.97x
2028-29	16,259,189	8,049,400	2.02x
2029-30	16,638,005	8,053,825	2.07x
2030-31	15,966,730	7,698,056	2.07x
2031-32	16,339,494	7,694,156	2.12x
2032-33	15,830,801	7,551,513	2.10x
2033-34 ⁽²⁾	16,198,369	7,332,594	2.21x
2034-35 ⁽³⁾	12,343,384	4,854,588	2.54x
2035-36	8,274,036	1,761,125	4.70x
2036-37	8,472,689	1,763,313	4.80x
2037-38	8,675,315	1,758,969	4.93x
2038-39	8,881,994	1,758,094	5.05x

* Preliminary; subject to change.

- (1) Commencing Fiscal Year 2015-16, assumes 2% projected annual assessed valuation growth over Fiscal Year 2014-15 actual assessed valuation and projected 2% assessed valuation growth annually thereafter. See "PLEDGED TAX REVENUES – Projected Taxable Valuation and Pledged Tax Revenues."
- (2) Final maturity of the 2015A Bonds.
- (3) Final maturity of the 2015B Bonds.
- (4) Excess coverage amounts are not available to the Agency unless for approved administrative amounts or other approved enforceable obligations. See "RISK FACTORS – Recognized Obligation Payment Schedule."

CONCLUDING INFORMATION

Underwriting

The 2015A Bonds have been sold at a net interest rate of _____%. The original purchase price ([including/less] the net reoffering [premium/discount] in the amount of \$ _____ and less an underwriter's discount of \$ _____) to be paid for the 2015A Bonds is \$ _____. The 2015B Bonds have been sold at a net interest rate of _____%. The original purchase price ([including/less] the net reoffering [premium/discount] in the amount of \$ _____ and less an underwriter's discount of \$ _____) to be paid for the 2015B Bonds is \$ _____. The Underwriter intends to offer the Bonds to the public initially at the respective yields set forth on the cover page of this Official Statement, which yields may subsequently change without any requirement of prior notice.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallocate any such discounts on sales to other dealers.

Legal Opinions

The opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel ("Bond Counsel"), approving the validity of the 2015A Bonds and stating that interest on the 2015A Bonds is excluded from gross income for federal income tax purposes and such interest is also exempt from personal income taxes of the State of California under present State income tax laws, will be furnished to the purchaser at the time of delivery of the 2015A Bonds at the expense of the Agency. The opinion of Bond Counsel approving the validity of the 2015B Bonds and stating that interest on the 2015B Bonds is exempt from personal income taxes of the State of California under present State income tax laws, will be furnished to the purchaser at the time of delivery of the Bonds at the expense of the Agency. Compensation for Bond Counsel's services is entirely contingent upon the sale and delivery of the Bonds.

A copy of the proposed forms of Bond Counsel's final approving opinions with respect to the Bonds is attached hereto as APPENDIX B.

The legal opinions are only as to legality and is not intended to be nor is it to be interpreted or relied upon as a disclosure document or an express or implied recommendation as to the investment quality of the Bonds.

In addition, certain legal matters will be passed on by Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, as Disclosure Counsel, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Agency Counsel.

Tax Exemption

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the 2015A Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the 2015A Bonds and the 2015B Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the 2015A Bonds may be included as an adjustment in the calculation of

alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations.

In addition, the difference between the issue price of a 2015A Bond (the first price at which a substantial amount of the 2015A Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity of such 2015A Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a 2015A Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount that accrues to the Owner of the 2015A Bonds is excluded from the gross income of such Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the 2015A Bonds is based upon certain representations of fact and certifications made by the City, the Agency and others and is subject to the condition that the City and the Agency comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the delivery of the 2015A Bonds to assure that interest (and original issue discount) on the 2015A Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements might cause interest (and original issue discount) on the 2015A Bonds to be included in gross income for federal income tax purposes retroactive to the date of delivery of the 2015A Bonds. The Agency has covenanted to comply with all such requirements. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring after the date of delivery of the 2015A Bonds may affect the tax status of the interest on the 2015A Bonds.

Bond Counsel's opinion may be affected by action taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions taken or events are taken or do occur. Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the 2015A Bonds is excluded from gross income for income tax purposes provided that the Agency continues to comply with certain requirements of the Code, the ownership of and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of the recipient. Bond Counsel expresses no opinion regarding any such consequences. Accordingly, all potential purchasers should consult their tax advisors before purchasing any of the Bonds.

Verification

[name of verification agent], [city], [state], independent public accountants, upon delivery of the Bonds, will deliver a report verifying the mathematical accuracy of certain computations contained in schedules provided to them relating to the sufficiency of monies deposited into the Escrow Funds to pay, when due, respectively, (i) the principal and interest on the 2003B Bonds to be refunded, and (ii) the principal and interest on the 2004 Bonds to be refunded.

The report of [name of verification agent] will include the statement that the scope of its engagement is limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it, and that it has no obligation to update its report because of events occurring, or data or information coming to its attention, subsequent to the date of its report.

No Litigation

There is no action, suit or proceeding known to the Agency to be pending and notice of which has been served upon and received by the Agency, or threatened, restraining or enjoining the execution or delivery of the Bonds or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Agency taken with respect to any of the foregoing.

Legality for Investment in California

The Redevelopment Law provides that obligations authorized and issued under the Redevelopment Law will be legal investments for all banks, trust companies and savings banks, insurance companies, and various other financial institutions, as well as for trust funds. The Bonds are also authorized security for public deposits under the Redevelopment Law.

The Superintendent of Banks of the State of California has previously ruled that obligations of a redevelopment agency are eligible for savings bank investment in California.

Ratings

In connection with the issuance and delivery of the Bonds, Standard & Poor's Ratings Group ("Standard & Poor's") is expected to assign their municipal bond rating of "____" (Stable Outlook) to the 2015A Bonds and the 2015B Bonds with the understanding that, upon delivery of such Bonds, a policy insuring the payment when due of the principal of and interest on the Bonds will be issued by [Bond Insurer]. Standard & Poor's has assigned their underlying municipal rating of "____" the 2015A Bonds and the 2015B Bonds.

These ratings reflect the view of Standard & Poor's as to the credit quality of the Bonds. The ratings reflect only the view of Standard & Poor's, and explanation of the significance of the ratings may be obtained from Standard & Poor's Ratings Group, 55 Water Street, New York, New York 10041 (212) 512-3108. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by Standard & Poor's, if in the judgment of Standard & Poor's, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the marketability or market price of the Bonds.

Continuing Disclosure

Pursuant to a Continuing Disclosure Agreement with U.S. Bank National Association, as Dissemination Agent (the "Disclosure Agreement"), the Agency has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board ("MSRB") certain annual financial information and operating data, including its postaudit of the financial transactions and records of the Agency for the applicable fiscal year pursuant to Section 34177(n) of the Dissolution Act and information of the type set forth in this Official Statement under the heading "PLEDGED TAX REVENUES – Schedule of Historical Incremental Revenues." In addition, the Agency has agreed to provide, or cause to be provided, to the MSRB in a timely manner, not in excess of ten business days after the occurrence of any such event, notice of the following "Listed Events": (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 security; (7) modifications to

rights of security holders, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the securities, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Obligated Person (as defined in “APPENDIX D – Form of Continuing Disclosure Agreement”); (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; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission. **[description of five-year continuing disclosure compliance history to be included]**

As previously described herein, the Prior Agency was statutorily dissolved on February 1, 2012, and the Agency commenced operations as of the same date. Therefore, the Prior Agency operated for only seven months in fiscal year ended June 30, 2012, and the Agency operated for the last five months of fiscal year ended June 30, 2012. Commencing with the Comprehensive Annual Financial Report (i.e., audited financial statements) of the City for the fiscal year ended June 30, 2012, the activities of the Agency arereported as a fiduciary trust fund as part of the City’s Comprehensive Annual Financial Report, which is in accordance with guidance issued by the State Department of Finance on September 19, 2012 and available on its website as of [October 15, 2014], interpreting Section 34177(n) of the California Health and Safety Code concerning certain successor agency postaudit obligations.

The final seven months of activity of the Prior Agency prior to its February 1, 2012 dissolution will be reported in the governmental funds of the City in the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. Pursuant to the Dissolution Act, the housing assets, housing obligations, and housing activities of the Prior Agency have been transferred to the Lancaster Housing Authority after the dissolution date and have been reported in a special fund in the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012.

See “APPENDIX E – Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2013 (Excepts),” and in particular Note 20 therein regarding “Successor Agency Trust for Assets of Former Redevelopment Agency.” A complete copy of the City’s Comprehensive Annual Financial Report for fiscal year ended June 30, 2013 can be obtained from the City’s Finance Department.

In accordance with accounting principles generally accepted in the United States of America which provide guidance for determining which governmental activities, organizations and functions should be included in the reporting entity, the Comprehensive Annual Financial Report presents information on the activities of the reporting entity, which includes the City (the primary government) and related but separate legal entities such as the Lancaster Financing Authority, the Prior Agency, the Agency, and the Lancaster Housing Authority. Such accounting presentation, however, does not change the separate legal status of the entities. With regard to the Agency in particular, as set forth in Section 34173(g) of the Dissolution Act, “A successor agency is a separate public entity from the public agency that provides for its governance and the two entities shall not merge.”

A failure by the Agency to comply with the provisions of the Disclosure Agreement is not an event of default under the Indenture (although the holders and beneficial owners of the Bonds do have remedies at law and in equity). However, a failure to comply with the provisions of the Disclosure Agreement must be reported in accordance with the SEC Rule 15c2-12(b)(5) and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds. Therefore, a failure by the Agency to comply with the provisions of the Disclosure Agreement may adversely affect the marketability of the Bonds on the secondary market.

The Agency may amend the Disclosure Agreement, and waive any provision thereof, by written agreement of the parties, without the consent of the Owners, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Agency or the type of business conducted thereby; (2) the Disclosure Agreement as so amended would have complied with the requirements of Rule 15c2-12 as of the date of the Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) the Agency shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Agency and the Dissemination Agent, to the same effect as set forth in clause (2) above; (4) the Agency shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Agency, to the effect that the amendment does not materially impair the interests of the Owners; and (5) the Agency shall have delivered copies of such opinion and amendment to the MSRB.

In addition, the Agency's obligations under the Disclosure Agreement shall terminate upon the defeasance or payment in full of all of the Bonds. The provisions of the Disclosure Agreement are intended to be for the benefit of the Owners and shall be enforceable by the Trustee on behalf of such Owners, provided that any enforcement action by any such person shall be limited to a right to obtain specific enforcement of the Agency's obligations under the Disclosure Agreement and any failure by the Agency to comply with the provisions thereof shall not be an event of default under the Indenture. See "APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT."

The State Department of Finance's website is not in any way incorporated into this Official Statement, and the Agency cannot take any responsibility for, nor make any representation whatsoever as to, the continued accuracy of the Internet address or the accuracy, completeness, or timeliness of information posted there. In addition, from time to time, the State Department of Finance changes its guidance without notice.

Miscellaneous

All of the preceding summaries of the Indenture, the Bond Law, the Dissolution Act, the Redevelopment Law, other applicable legislation, the Redevelopment Plans for the Project Areas, agreements and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Agency for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

SUCCESSOR AGENCY TO THE LANCASTER
REDEVELOPMENT AGENCY

By: _____
Executive Director

**SUPPLEMENTAL INFORMATION
THE CITY OF LANCASTER AND THE COUNTY OF LOS ANGELES**

The following information concerning the City and surrounding areas are included only for the purpose of supplying general information regarding the community. The Bonds are not a debt of the City, the State, or any of its political subdivisions and neither said City, said State, nor any of its political subdivisions is liable therefor. See the section in the forepart of this Official Statement entitled "SECURITY FOR THE BONDS."

General

The City of Lancaster (the "City") is located in the County of Los Angeles (the "County") approximately 60 miles northeast of the City of Los Angeles in the southwest portion of the Antelope Valley between the City of Palmdale and Edwards Air Force Base. The City was incorporated on November 22, 1977 and has a general law form of government. The mayor and city council are elected at large.

The City is at an elevation of 2,356 feet and experiences a dry climate. The average annual rainfall is 1.29 inches per year and the average temperature is 62 degrees.

The City provides a broad range of services, including highway, street, drainage, sewer, and infrastructure construction and maintenance; planning and zoning; and parks, recreation and cultural activities. Sheriff's and animal control services are provided under contract with the County, whereas fire protection, water, sanitation, school, and library are funded by special districts not under City control.

Population

The population of the City as of January 1, 2014 was estimated to be 159,878. The following table lists population figures for the City, the County and the State as of January 1 for the last ten years.

**CITY OF LANCASTER AND COUNTY OF LOS ANGELES
Population Estimates
Calendar Years 2005 through 2014⁽¹⁾**

<u>Calendar Year</u>	<u>City of Lancaster</u>	<u>County of Los Angeles</u>	<u>State of California</u>
2005	132,865	10,158,409	36,676,931
2006	137,083	10,209,201	37,086,191
2007	141,737	10,243,764	37,472,074
2008	143,512	10,301,658	37,883,992
2009	145,074	10,393,185	38,292,687
2010	156,633	9,818,605	37,253,956
2011	157,632	9,847,712	37,427,946
2012	157,904	9,889,467	37,668,804
2013	158,722	9,963,811	37,984,138
2014	159,878	10,041,797	38,340,074

(1) Estimated by the California Department of Finance, Demographic Research Unit, as of January 1 of each year, except 2010, which is Census Benchmark as of April 1, 2010.

Employment

According to the State of California Employment Development Department, the 2013 annual estimated unemployment rate for the City was 13.9 percent, and that for the County was 9.9 percent. The following table shows certain employment statistics for the City and the County for calendar years 2003 through 2013.

CITY OF LANCASTER
City and County Employment Statistics
Calendar Years 2003 through 2013⁽¹⁾

Year	City			County	State
	Labor Force	Employed	Unemployment Rate	Unemployment Rate	Unemployment Rate
2003	53,800	48,400	10.0%	7.0%	6.8%
2004	53,700	48,700	9.3	6.5	6.2
2005	54,000	49,800	7.7	5.3	5.4
2006	54,200	50,500	6.9	4.8	4.9
2007	55,000	51,000	7.3	5.1	5.4
2008	56,300	50,300	10.7	7.5	7.2
2009	56,600	47,500	16.2	11.6	11.3
2010	57,000	47,000	17.5	12.6	12.4
2011	57,200	47,400	17.1	12.3	11.8
2012	56,400	47,800	15.3	10.9	10.4
2013	56,800	48,900	13.9	9.9	8.9

(1) Not seasonally adjusted. Figures represent the 12-month average for each such.

(2) Preliminary, as of July, 2013.

Source: State of California, Employment Development Department.

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The City serves as a primary commercial center of the Antelope Valley. The table below lists the 20 largest employers in the Antelope Valley area as of 2011, the most recent year for which information is available. Major private employers in the area include those in the military, health care, education, and retail industries. Major public sector employers include the County.

**ANTELOPE VALLEY AREA
MAJOR EMPLOYERS**

<u>Name of Company</u>	<u>Employees</u>
Edwards Air Force Base	10,808
China Lake Navel Weapons	9,172
County of Los Angeles	3,953
Lockheed Martin	3,000
Palmdale School District	2,682
Antelope Valley Hospital	2,619
Northrop Grumman	2,573
Wal-Mart (5)	1,922
Antelope Valley Union High School District	2,037
California Correctional Institute Tehachapi	1,915
Bank of America	1,863
Antelope Valley Mall	1,800
California State Prison – Los Angeles County	1,622
Lancaster School District	1,420
Antelope Valley College	1,304
Kaiser Permanente	929
Jacobs Technology	920
Rio Tinto	817
Westside School District	800
Palmdale Regional Hospital	782

Source: Greater Antelope Valley Economic Alliance (2011); most recent information available.

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The following table summarizes the civilian labor force in the County for the calendar years 2009 through 2013. These figures are countywide statistics and may not necessarily accurately reflect employment trends in the City.

LOS ANGELES COUNTY
Annual Average Industrial Employment⁽¹⁾
Calendar Years 2009-2013

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013⁽³⁾</u>
Total Farm	6,200	6,200	5,600	5,400	5,500
Mining and Logging	4,100	4,100	4,000	4,300	4,600
Construction	117,300	104,500	105,000	109,100	116,500
Manufacturing	389,200	373,200	366,800	367,200	366,500
Trade, Transportation and Utilities	742,600	739,900	749,900	766,600	780,700
Information	191,200	191,500	191,900	191,400	197,300
Financial Activities	216,000	209,500	208,400	210,700	211,800
Professional and Business Services	529,800	527,500	542,900	570,000	590,300
Educational and Health Services	639,900	637,200	643,100	674,100	713,400
Leisure and Hospitality	385,500	384,800	394,600	415,300	436,700
Other Services	137,900	136,700	136,900	141,600	145,500
Government	<u>595,900</u>	<u>579,600</u>	<u>565,500</u>	<u>556,800</u>	<u>549,200</u>
Total All Industries ⁽¹⁾	<u>3,955,600</u>	<u>3,894,600</u>	<u>3,914,600</u>	<u>4,012,300</u>	<u>4,118,000</u>
Total Civilian Labor Force ⁽²⁾	4,907,600	4,916,300	4,936,400	4,901,300	4,960,300
Total Unemployment	568,300	617,900	604,900	535,500	489,600
Unemployment Rate	11.6%	12.6%	12.3	10.9%	9.9%

(1) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers and workers on strike.

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

(3) Most recent year for which annual information is available.

Source: California Employment Development Department, Labor Market Information Division.

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Construction Activity

The table below summarizes residential construction activity in Lancaster for both single-family and attached living units during the last five calendar years.

CITY OF LANCASTER Residential Building Permits and Valuation, 2008-2013

	2008	2009	2010	2011	2012	2013
Residential						
New Single-Dwelling	\$42,822,515	\$36,510,555	\$58,272,395	\$42,076,014	\$47,741,219	\$47,326,884
New Multi-Dwelling	<u>8,789,177</u>	<u>10,440,777</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Residential	<u>\$51,611,692</u>	<u>\$46,951,332</u>	<u>\$58,272,395</u>	<u>\$42,079,014</u>	<u>\$47,741,219</u>	<u>\$47,326,884</u>
No. of New Dwelling Units						
Single-Dwelling	296	187	277	175	192	177
Multi-Dwelling	<u>144</u>	<u>80</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Units	<u>440</u>	<u>267</u>	<u>277</u>	<u>175</u>	<u>192</u>	<u>177</u>

Source: U.S. Census Bureau.

Commercial Activity

The following table summarizes the annual volume of taxable transactions within the City for calendar years 2009 through 2012.

CITY OF LANCASTER Taxable Transactions Calendar Years 2009 through 2012 (in Thousands of Dollars)

	2009 ⁽¹⁾	2010	2011	2012 ⁽²⁾
Retail and Food Services				
Motor Vehicle and Parts Dealers	\$ 168,793	\$ 166,140	\$ 226,895	\$ 266,905
Home Furnishings and Appliance Stores	20,184	17,116	16,110	16,442
Bldg. Matrl. and Garden Equip. and Supplies	74,856	71,768	76,981	79,791
Food and Beverage Stores	66,131	63,096	64,123	67,154
Gasoline Stations	118,640	140,330	197,750	214,647
Clothing and Clothing Accessories Stores	32,872	33,579	35,643	36,747
General Merchandise Stores	265,693	275,453	280,122	287,678
Food Services and Drinking Places	139,544	144,335	149,233	156,248
Other Retail Group	<u>89,376</u>	<u>86,729</u>	<u>89,160</u>	<u>88,161</u>
Subtotal (Retail and Food Services)	<u>\$ 976,089</u>	<u>\$ 998,547</u>	<u>\$1,136,017</u>	<u>\$1,213,772</u>
All Other Outlets	314,925	315,548	336,774	350,112
All Outlets	<u>\$1,291,013</u>	<u>\$1,314,095</u>	<u>\$1,472,791</u>	<u>\$1,563,884</u>

(1) Earliest year for which present business codes used by the California State Board of Equalization ("BOE") are available. The BOE changed its reporting to convert business codes of sales and use tax permit holders to North American Industry Classification System (NAICS) codes. As a result of the coding change, industry-level data for 2009 and later are not comparable to industry-level data for 2008 and prior years.

(2) Most recent annual information available.

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

Statement of Direct and Overlapping Bonded Indebtedness

The City's direct and overlapping bonded indebtedness is summarized as follows:

**CITY OF LANCASTER
Statement of Direct and Overlapping Bonded Indebtedness**

[TO COME]

Source: California Municipal Statistics.

APPENDIX A

Definitions

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APPENDIX A

Definitions

The following are definitions of certain terms used in this Official Statement or the Indenture.

Additional Parity Bonds means any additional tax allocation bonds (including, without limitation, bonds, notes, interim certificates, debentures or other obligations) issued by the Agency on a parity with the Bonds and the Existing Parity Bonds, as permitted by the Indenture.

Agency means the Successor Agency to the Lancaster Redevelopment Agency.

Annual Debt Service means, for any Bond Year, the principal and interest, including scheduled sinking fund payments, payable on the Outstanding Bonds in such Bond Year.

Bond Counsel means Stradling Yocca Carlson & Rauth, a Professional Corporation, an attorney or firm of attorneys acceptable to the Agency of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions.

Bond Law or Act means Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code.

Bond Year means the twelve (12) month period commencing on August 1 of each year, provided that the first Bond Year shall extend from the Delivery Date to July 31, 2015.

Bondowner or Owner or any similar term, means any person who shall be the registered owner or his duly authorized attorney, trustee or representative of any Outstanding Bond.

Bonds means, collectively, the 2015A Bonds and the 2015B Bonds, authorized by and at any time Outstanding pursuant to the Indenture.

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 Trust Office of the Trustee is located are authorized to close, or (ii) a day on which the New York Stock Exchange is closed.

Cede & Co. means the nominee of DTC, and any successor nominee of DTC with respect to the Bonds.

Certificate or Certificate of the Agency means a certificate signed by the Executive Director, Secretary, or Finance Officer of the Agency or by any other officer of the Agency duly authorized by the Agency for that purpose.

Chairman or Chair means chairman of the Agency or other duly appointed officer of the Agency authorized by the Agency by resolution or bylaw to perform the functions of the chairman in the event of the chairman's absence or disqualification.

City means the City of Lancaster, California.

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.

Continuing Disclosure Agreement means that certain Continuing Disclosure Agreement by and among the Agency, U.S. Bank National Association, as trustee, and Urban Futures, Inc., as dissemination agent, dated the Delivery Date as originally executed and as it may be amended from time to time in accordance with the terms thereof.

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, 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.

Defeasance Securities means (1) cash, (2) non-callable direct obligations of the United States of America (“Treasures”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasures held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasures are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Insurer, pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, or (5) subject to the prior written consent of the Insurer, securities eligible for “AAA” defeasance under then existing criteria of S & P or any combination, unless the Insurer otherwise approves.

Delivery Date means the date on which the Bonds are delivered to the initial purchaser thereof.

Dissolution Act means Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State of California.

Depository means (a) initially, DTC, and (b) any other Securities Depository acting as Depository under the Indenture.

Depository System Participant means any participant in the Depository's book-entry system.

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

Existing Parity Bonds means, collectively, the 2003 Bonds, the 2009 Bonds, and any refunding bonds or obligations issued therefor.

Existing Parity Bonds Indentures means, collectively, the 2003 Indenture and the 2009 Indenture.

Escrow Agreements means, collectively, (i) that certain 2003B Bonds Escrow Agreement, dated as of January 1, 2015, by and between the Agency and U.S. Bank National Association, as escrow bank, and (ii) that certain 2004 Bonds Escrow Agreement, dated as of January 1, 2015, by and between the Agency and U.S. Bank National Association, as escrow bank.

Escrow Bank means U.S. Bank National Association, Los Angeles, California, as escrow bank under the Escrow Agreements.

Escrow Funds means, collectively, the 2003B Bonds Escrow Fund and the 2004 Bonds Escrow Fund established under the Escrow Agreements.

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

Fund or Account means any of the funds or accounts referred to in the Indenture.

Housing Set-Aside Amount means that portion of the tax increment revenues required to be set aside and deposited in the Housing Fund by Section 33334.2 of the Prior Law.

Indenture means that certain Indenture of Trust dated as of January 1, 2015, between the Agency and U.S. Bank National Association, approved by Resolution No. _____, adopted by the Agency on October 28, 2014, and Resolution No. _____, adopted by the Oversight Board on October 29, 2014, authorizing the issuance of the Bonds.

Independent Financial Consultant, Independent Engineer, Independent Certified Public Accountant or Independent Redevelopment Consultant means 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:

- (1) is in fact independent and not under domination of the Agency;
- (2) does not have any substantial interest, direct or indirect, with the Agency other than as Original Purchaser of the Bonds; and
- (3) 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 means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board, at www.emma.msrb.org; provided, however, in accordance with then current guidelines of the Securities and Exchange Commission, Information Services shall mean such other organizations providing information with respect to ongoing disclosures by municipal issuers as the Agency may designate in writing to the Trustee.

Insurer means _____, a _____, or any successor thereto or assignee thereof.

Interest Payment Date means February 1 and August 1, commencing August 1, 2015 so long as any of the Bonds remain Outstanding under the Indenture.

Low and Moderate Income Housing Fund means the Low and Moderate Income Housing Fund established pursuant to Section 33334.2 and 33334.3 of the Redevelopment Law.

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 shall be deducted pro rata from the remaining amounts thereon.

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 means Southwest Securities Inc., as original purchaser of the Bonds.

Outstanding, when used as of any particular time with reference to Bonds, means, subject to the provisions of the Indenture, all Bonds except:

- (a) Bonds canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds paid or deemed to have been paid pursuant to the Indenture; and
- (c) Bonds in lieu of or in substitution for which other Bonds have been authorized, executed, issued and delivered by the Agency pursuant to the Indenture or any Supplemental Indenture.

Oversight Board means the oversight board duly constituted from time to time pursuant to Section 34179 of the Dissolution Act.

Owner means, when used with reference to a Bond, the person in whose name the ownership of such Bond shall be registered on the Registration Books.

Parity Bonds means the Existing Parity Bonds and any Additional Parity Bonds.

Participants means those broker-dealers, banks and other financial institutions from time to time for which DTC holds the Bonds as securities depository.

Participating Underwriter shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

Pass-Through Agreements means those certain agreements entered into by the Prior Agency pursuant to former Section 33401 of the Redevelopment Law to make payments to school districts and other taxing agencies to alleviate any financial burden or detriments to such taxing agencies caused by a Redevelopment Project.

Permitted Investments means, with respect to the Bonds, any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

- (a) For all purposes, including defeasance investments in refunding escrow accounts.

- (1) Defeasance Securities
- (b) 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
 - 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 issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).
 - Obligations of the Resolution Funding Corporation (REFCORP)
 - Senior debt obligations of the Federal Home Loan Bank System
 - Senior debt obligations of other Government Sponsored Agencies
 - (3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks, which may include the Trustee, its parent holding company, if any, and their 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 not 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 of an affiliate of the Trustee, 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;

- (A) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Moody's or S&P 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 (2) of the definition of Defeasance Securities, 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 this paragraph 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 “A2/A” or higher by both Moody's and S&P.
 - (8) Investment Agreements with an entity rated “A” or higher by S&P; and
 - (9) The Local Agency Investment Fund of the State or any state administered pooled investment fund in which the Agency is statutorily permitted or required to invest will be deemed a permitted investment.
- (c) The value of the above investments shall be determined as follows:
- (1) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, and Bank of America Merrill Lynch.
 - (2) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest thereon; and
 - (3) As to any investment not specified above: the value thereof established by prior agreement among the Agency and the Trustee.

Plan Limits means the limitations contained in the Redevelopment Plan on the number of dollars of taxes which may be divided and allocated to the Agency, the time limit on plan effectiveness, and the time to receive such taxes pursuant to the Redevelopment Plan, as such limitations are prescribed by Sections 33333.4 and 33333.6 of the Redevelopment Law.

Pledged Tax Revenues means the monies deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to subdivision (c) of Section 34172 of the Dissolution Act, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act. If, and to the extent, that the provisions of Section 34172 or paragraph (2) of subdivision (a) of Section 34183 are invalidated by a final judicial decision, then Pledged Tax Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution. In the event of a shortfall in moneys on deposit in the Redevelopment Property Tax Trust Fund to pay scheduled debt service on all Outstanding Bonds, 2003 Bonds and 2009 Bonds, Pledged Tax Revenues to pay the Bonds shall be calculated as twenty percent (20%) of gross tax revenues as determined pursuant to Section 33334.2 of the Prior Law.

Policy or Insurance Policy means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Bonds when due.

Prior Agency or Lancaster Redevelopment Agency means the Lancaster Redevelopment Agency.

Prior Law means the Redevelopment Law, as in effect prior to enactment on June 29, 2011 of Assembly Bill No. 26 as Chapter 5, Statutes of 2011.

Project Area, Redevelopment Project Area, or Redevelopment Project means the project area defined and described in the Redevelopment Plan as amended from time to time.

Recognized Obligation Payment Schedule means a Recognized Obligation Payment Schedule, each prepared and approved from time to time pursuant to subdivision (l) of Section 34177 of the Dissolution Act.

Redevelopment Law or Law means the Community Redevelopment Law of the State of California (commencing with Health and Safety Code Section 33000).

“Redevelopment Plans” means (i) the Redevelopment Plan for the Lancaster Residential Redevelopment Project adopted by the City by Ordinance No. 158 on November 13, 1979, (ii) the Redevelopment Plan for the Central Business District Redevelopment Project adopted by the City by Ordinance No. 226 on June 1, 1981, (iii) the Redevelopment Plan for the Fox Field Redevelopment Project adopted by the City by Ordinance No. 289 on December 20, 1982, (iv) the Redevelopment Plan for the Amargosa Redevelopment Project, adopted by the City by Ordinance No. 321 adopted on October 17, 1983, (v) the Redevelopment Plan for the Lancaster Redevelopment Project No. 5 adopted by the City by Ordinance No. 360 on November 26, 1984, (vi) the Redevelopment Plan for the Lancaster Redevelopment Project No. 6 adopted by the City by Ordinance No. 505 on July 3, 1989 and (vii) the Redevelopment Plan for the Lancaster Redevelopment Project No. 7 adopted by the City by Ordinance No. 624 adopted on November 28, 1982 and includes any amendment thereof hereafter or heretofore made pursuant to the Law.

“Redevelopment Project Area,” “Redevelopment Project” or “Project Area” means, individually or collectively, as the context may require, the areas described in the Redevelopment Plans.

Refunded Bonds means, collectively, the 2003B Bonds, and the 2004 Bonds.

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

Representation Letter shall mean the representation letter from the Agency to DTC.

Reserve Requirement means, as of the date of computation, an amount equal to the lesser of (i) Maximum Annual Debt Service on the Bonds, and any Parity Bonds, (ii) 10% of the net proceeds of the Bonds and any Parity Bonds, or (iii) 125% of the Annual Debt Service on the Bonds and any Parity Bonds Outstanding.

Standard & Poor's or S&P means Standard & Poor's Ratings Group, New York, New York, and its successors and assigns.

State means the State of California, United States of America.

State Department of Finance or DOF means the California Department of Finance.

Statutory Pass-Through Amounts means amounts paid to affected taxing agencies pursuant to Sections 33607.5 and/or 33607.7 of the Redevelopment Law and Section 34183 of the Dissolution Act.

Supplemental Indenture means any indenture then in full force and effect which has been duly adopted by the Agency under the Dissolution Act, 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 Additional Parity Bonds; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

Tax Certificate means the Tax Certificate of the Agency executed and delivered on the Closing Date to establish certain facts and expectations with respect to the 2015A Bonds.

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

Trustee means U.S. Bank National Association, a national banking association, Los Angeles, California, its successor 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 means the corporate trust office of the Trustee, currently at U.S. Bank National Association, Los Angeles, California except for exchange, surrender and payment of the Bonds, in which case "Trust Office" shall refer to the corporate trust office of U.S. Bank National Association in St. Paul, Minnesota, or such other or additional offices as may be specified to the Agency by the Trustee in writing.

2003 Bonds means the Prior Agency's \$60,980,000 aggregate initial principal amount of Combined Redevelopment Project Areas (Housing Programs), Subordinate Tax Allocation Refunding Bonds, Issue of 2003 authorized by the 2003 Indenture, of which \$_____ is currently outstanding.

2003 Indenture means the Indenture of Trust dated as of June 1, 2003 providing for the issuance of the 2003 Bonds.

2003B Bonds means the Prior Agency's \$18,080,000 aggregate initial principal amount of Combined Redevelopment Project Areas (Housing Programs), Subordinate Tax Allocation Refunding Bonds, Issue of 2003B, of which \$ _____ is currently outstanding.

2003B Bonds Escrow Agreement means that certain 2003B Bonds Escrow Agreement dated January 1, 2015 by and between the Successor Agency and U.S. Bank National Association.

2003B Bonds Escrow Bank means U.S. Bank National Association, as escrow bank under the 2003B Bonds Escrow Agreement.

2003B Bonds Escrow Fund means the trust fund established in Section 3.2(c) of this Indenture.

2003B Indenture means the Indenture of Trust dated as of June 1, 2003 providing for the issuance of the 2003B Bonds.

2004 Bonds means the Prior Agency's \$13,575,000 aggregate principal amount of Combined Redevelopment Project Areas (Housing Programs), Subordinate Tax Allocation Refunding Bonds, Issue of 2004 (Taxable), of which \$ _____ is currently outstanding.

2004 Bonds Escrow Agreement means that certain 2004 Bonds Escrow Agreement dated January 1, 2015 by and between the Successor Agency and U.S. Bank National Association.

2004 Bonds Escrow Bank means U.S. Bank National Association, as escrow bank under the 2004 Bonds Escrow Agreement.

2004 Bonds Escrow Fund means the trust fund established in Section 3.2(c) of this Indenture.

2004 Indenture means the Indenture of Trust dated as of November 1, 2004 providing for the issuance of the 2004 Bonds.

2009 Bonds means the Prior Agency's \$37,500,000 aggregate initial principal amount of Lancaster Redevelopment Agency Combined Redevelopment Project Areas (Housing Programs) Tax Allocation Bonds, Issue of 2009, of which \$ _____ is currently outstanding.

2009 Indenture means that certain Indenture of Trust dated as of August 1, 2009 between the Lancaster Redevelopment Agency and the Trustee authorizing the issuance of the 2009 Bonds.

2015A Bonds means the \$ _____ aggregate initial principal amount of Successor Agency to the Lancaster Redevelopment Agency Combined Redevelopment Project Areas (Housing Programs), Tax Allocation Refunding Bonds, Issue of 2015A.

2015A Term Bonds means the 2015A Bonds maturing on August 1, 2034.

2015B Bonds means the \$ _____ aggregate initial principal amount of Successor Agency to the Redevelopment Agency Combined Redevelopment Project Areas (Housing Programs), Taxable Tax Allocation Refunding Bonds, Issue of 2015B.

2015B Term Bonds means the 2015B Bonds maturing on August 1, 2035.

Written Request of the Agency or Written Certificate of the Agency means a request or certificate, in writing signed by the Executive Director, Secretary or Finance Officer of the Agency or by any other officer of the Agency duly authorized by the Agency for that purpose.

APPENDIX B
Forms of Bond Counsel Opinions

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APPENDIX C

Book-Entry Only System

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APPENDIX C

Book-Entry Only System

The information in this Appendix C concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book-entry system has been obtained from DTC and the Agency takes no responsibility for the completeness or accuracy thereof. The Agency cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. 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.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the

Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium (if any), and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Agency or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium (if any), and interest payments with respect to the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a

successor depository is not obtained, certificates representing the Bonds are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, representing the Bonds will be printed and delivered to DTC in accordance with the provisions of the Indenture.

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

APPENDIX D

Form of Continuing Disclosure Agreement

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APPENDIX E

**Comprehensive Annual Financial Report for
Fiscal Year Ended June 30, 2013 (Excerpts)**

APPENDIX F
Financial Advisor's Report

APPENDIX G
DOF Determination Letter

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APPENDIX H

Specimen Municipal Bond Insurance Policy

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