

RESOLUTION NO. SA 06-16

RESOLUTION OF THE LANCASTER SUCCESSOR AGENCY APPROVING THE FORM OF PRELIMINARY OFFICIAL STATEMENTS, BOND PURCHASE CONTRACTS, ESCROW AGREEMENTS AND CONTINUING DISCLOSURE AGREEMENTS IN CONNECTION WITH ITS COMBINED REDEVELOPMENT PROJECT AREAS (NON-HOUSING PROGRAMS) TAX ALLOCATION REFUNDING BONDS, ISSUE OF 2016, AND ITS LANCASTER REDEVELOPMENT PROJECT AREA NO. 5 AND PROJECT AREA NO. 6 (SCHOOL DISTRICT PASS-THROUGHS) TAX ALLOCATION REFUNDING BONDS, SERIES 2016, AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Successor Agency to the Lancaster Redevelopment Agency (the “Successor Agency”) has previously approved the issuance of its Combined Redevelopment Project Areas (Non-Housing Programs) Tax Allocation Refunding Bonds, Issue of 2016 (the “2016A Bonds”), and an Indenture of Trust relating thereto (the “2016A Bonds Indenture”) at its meeting on February 9, 2016 for the purpose of refunding certain indebtedness incurred by the Lancaster Redevelopment Agency (the “2016A Prior Obligations”), and wishes at this time to approve a Preliminary Official Statement in connection with the marketing of the 2016A Bonds and for the purpose of deeming it final within the meaning of Rule 15c2-12;

WHEREAS, the Successor Agency desires to approve a Bond Purchase Contract, a form of Escrow Agreement and a Continuing Disclosure Agreement in connection with the sale and delivery of the 2016A Bonds;

WHEREAS, the Successor Agency has previously approved the issuance of its Lancaster Redevelopment Project Area No. 5 and Project Area No. 6 (School District Pass-Throughs) Tax Allocation Refunding Bonds, Series 2016 (the “2016B Bonds,” and with the 2016A Bonds, the “Bonds”), and an Indenture of Trust relating thereto (the “2016B Bonds Indenture”) at its meeting on February 9, 2016 for the purpose of refunding certain indebtedness incurred by the Lancaster Redevelopment Agency (the “2016B Prior Obligations,” and with the 2016A Prior Obligations, the “Prior Obligations”), and wishes at this time to approve a Preliminary Official Statement in connection with the marketing of the 2016B Bonds and for the purpose of deeming it final within the meaning of Rule 15c2-12;

WHEREAS, the Successor Agency desires to approve a Bond Purchase Contract, a form of Escrow Agreement and a Continuing Disclosure Agreement in connection with the sale and delivery of the 2016B Bonds;

WHEREAS, the Lancaster Successor Agency Oversight Board has approved of the issuance of the Bonds by a resolution adopted at its meeting on February 16, 2016 (the “Oversight Board Resolution”);

WHEREAS, a copy of the Oversight Board Resolution was provided to the Department of Finance on or around February 17, 2016; and

WHEREAS, the Department of Finance approved the issuance of the Bonds on or around March 2, 2016;

NOW, THEREFORE, THE LANCASTER SUCCESSOR AGENCY DOES HEREBY RESOLVE, ORDER AND DETERMINE AS FOLLOWS:

Section 1. The Preliminary Official Statement relating to the 2016A Bonds (the “2016A Preliminary Official Statement”), in the form presented at this meeting and on file with the Secretary, is hereby approved and deemed final for the purposes of Rule 15c2-12 of the Securities and Exchange Act of 1934, as amended (“Rule 15c2-12”). The Underwriter of the 2016A Bonds is hereby authorized to distribute the 2016A Preliminary Official Statement to prospective purchasers of the 2016A Bonds in substantially the form hereby approved, together with such additions thereto and changes therein as are determined necessary by the Chair of this Board, the Vice-Chair of this Board, the Executive Director of the Successor Agency, the Finance Director of the Successor Agency or any designee of such officers (collectively, the “Authorized Officers”) to make the 2016A 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 2. The form of the Bond Purchase Contract (the “2016A Bond Purchase Contract”) relating to the 2016A Bonds, in the form presented at this meeting and on file with the Secretary, is hereby approved. Each of the Authorized Officers, acting alone, is hereby authorized to execute the 2016A Bond Purchase Contract with such additions thereto and deletions therefrom as such Authorized Officer shall deem necessary; provided, however, that the 2016A Bond Purchase Contract shall be signed only if the Underwriter’s discount (exclusive of original issue discount) does not exceed 0.75% of the principal amount of the 2016A Bonds and the maximum interest rate on the 2016A Bonds does not exceed 5.00% per annum.

Section 3. The form of the Continuing Disclosure Agreement (the “2016A Continuing Disclosure Agreement”) relating to the 2016A Bonds, in the form presented at this meeting and on file with the Secretary, is hereby approved. Each of the Authorized Officers, acting alone, is hereby authorized to execute the 2016A Continuing Disclosure Agreement with such additions thereto and deletions therefrom as such Authorized Officer shall deem necessary.

Section 4. The Preliminary Official Statement relating to the 2016B Bonds (the “2016B Preliminary Official Statement”), in the form presented at this meeting and on file with the Secretary, is hereby approved and deemed final for the purposes of Rule 15c2-12. The Underwriter of the 2016B Bonds is hereby authorized to distribute the 2016B Preliminary Official Statement to prospective purchasers of the 2016B Bonds in substantially the form hereby approved, together with such additions thereto and changes therein as are determined necessary by Authorized Officers to make the 2016B 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 form of the Bond Purchase Contract (the “2016B Bond Purchase Contract”) relating to the 2016B Bonds, in the form presented at this meeting and on file with the Secretary, is hereby approved. Each of the Authorized Officers, acting alone, is hereby authorized to execute the 2016B Bond Purchase Contract with such additions thereto and deletions therefrom as such Authorized Officer shall deem necessary; provided, however, that the 2016B Bond Purchase Contract shall be signed only if the Underwriter’s discount (exclusive of original issue discount) does not exceed 0.75% of the principal amount of the 2016B Bonds and the maximum interest rate on the 2016B Bonds does not exceed 5.00% per annum.

Section 6. The form of the Continuing Disclosure Agreement (the “2016B Continuing Disclosure Agreement”) relating to the 2016B Bonds, in the form presented at this meeting and on file with the Secretary, is hereby approved. Each of the Authorized Officers, acting alone, is hereby authorized to execute the 2016B Continuing Disclosure Agreement with such additions thereto and deletions therefrom as such Authorized Officer shall deem necessary.

Section 7. The form of the Escrow Agreement (the “Escrow Agreement”), in the form presented at this meeting and on file with the Secretary, is hereby approved for each of the Prior Obligations and the bonds of the Lancaster Financing Authority relating thereto. Each of the Authorized Officers, acting alone is hereby authorized to execute an Escrow Agreement in substantially similar form for each of the Prior Obligations as needed, with such additions thereto and deletions therefrom as such Authorized Officer shall deem necessary.

Section 8. The members of this Board, the Authorized Officers and all other officers of the Successor Agency are hereby authorized, jointly and severally, to execute and deliver any and all necessary documents and instruments and to take all actions which they deem necessary or proper to effectuate the purposes of this Resolution, the issuance of the Bonds and the refunding of the Prior Obligations.

PASSED, APPROVED and ADOPTED this 22nd day of March, 2016 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

APPROVED:

BRITT AVRIT, CMC
City Clerk
City of Lancaster

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, _____, _____ City of Lancaster, California, do hereby certify that this is a true and correct copy of the original Resolution No. SA 06-16, 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)

RESOLUTION NO. FA 01-16

RESOLUTION OF THE LANCASTER FINANCING AUTHORITY APPROVING THE EXECUTION OF ESCROW AGREEMENTS IN CONNECTION WITH THE ISSUANCE BY THE LANCASTER SUCCESSOR AGENCY OF ITS COMBINED REDEVELOPMENT PROJECT AREAS (NON-HOUSING PROGRAMS) TAX ALLOCATION REFUNDING BONDS, ISSUE OF 2016, AND ITS LANCASTER REDEVELOPMENT PROJECT AREA NO. 5 AND PROJECT AREA NO. 6 (SCHOOL DISTRICT PASS-THROUGHS) TAX ALLOCATION REFUNDING BONDS, SERIES 2016, AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Lancaster Financing Authority (the "Authority") has previously issued its Lancaster Financing Authority Subordinate Tax Allocation Revenue Bonds (Lancaster Residential, Amargosa, Project No. 5 and Project No. 6 Redevelopment Projects) Issue of 2003 (the "2003A Bonds"); and

WHEREAS, the Authority has previously issued its Lancaster Financing Authority Subordinate Tax Allocation Revenue Bonds (Lancaster Residential, Amargosa, Project No. 5 and Project No. 6 Redevelopment Projects) Issue of 2003B (the "2003B Bonds"); and

WHEREAS, the Authority has previously issued its Lancaster Financing Authority Subordinate Tax Allocation Revenue Bonds (Lancaster Residential, Amargosa, Project No. 5 and Project No. 6 Redevelopment Projects) Issue of 2004B (the "2004 Bonds"); and

WHEREAS, the Authority has previously issued its Lancaster Financing Authority Subordinate Tax Allocation Revenue Bonds (Lancaster Residential, Fox Field, Amargosa, Project No. 5 and Project No. 6 Redevelopment Projects) Issue of 2006 (the "2006 Bonds"); and

WHEREAS, the Authority has previously issued its Lancaster Financing Authority Tax Allocation Refunding Bonds (Lancaster Redevelopment Project No. 5 and Project No. 6 (School Districts)) Issue of 2004 (the "2004 School District Bonds"); and

WHEREAS, the Authority has previously issued its Lancaster Financing Authority Tax Allocation Bonds (School District Projects) Series 2006 (the "2006 School District Bonds," and with the 2003A Bonds, the 2003B Bonds, the 2004 Bonds, the 2006 Bonds and the 2004 School District Bonds, the "Prior Bonds"); and

WHEREAS, the Lancaster Successor Agency (the “Successor Agency”) has approved the issuance of its Combined Redevelopment Project Areas (Non-Housing Programs) Tax Allocation Refunding Bonds, Issue of 2016, and its Lancaster Redevelopment Project Area No. 5 and Project Area No. 6 (School District Pass-Throughs) Tax Allocation Refunding Bonds, Series 2016, for the purpose of refunding certain outstanding obligations of the Successor Agency, the refunding of which will result in the redemption of all or a portion of the Prior Bonds; and

WHEREAS, the Board of Directors of the Authority (the “Board”) now desires to approve the form of an escrow agreement (the “Escrow Agreement”) to be used in connection with the refunding of each series of Prior Bonds;

NOW, THEREFORE, THE LANCASTER FINANCING AUTHORITY DOES HEREBY RESOLVE, ORDER AND DETERMINE AS FOLLOWS:

Section 1. Each of the above recitals is true and correct and is adopted by the Board.

Section 2. The form of the Escrow Agreement presented at this meeting is hereby approved and each of the Chairman, the Executive Director, the Treasurer and the Secretary of the Authority, or their respective designees, acting alone, is authorized to execute an Escrow Agreement for each series of Prior Bonds in the form hereby approved, with such additions thereto and changes therein as the officers executing the same deem necessary. Approval of such changes shall be conclusively evidenced by the execution and delivery of the Escrow Agreements by one or more of such officers.

Section 3. Each of the Chairman, Secretary and Executive Director of the Authority and the other officers and staff of the Authority responsible for the fiscal affairs of the Authority are hereby authorized and directed to take any and all actions and execute and deliver any and all documents as are necessary to accomplish the defeasance and redemption of the Prior Bonds in accordance with the provisions of this Resolution. In the event that the Chairman of the Authority is unavailable to sign any document authorized for execution herein, any other member of the Board or the Executive Director, or his written designee, may sign such document. Any document authorized herein to be signed by the Secretary of the Board of the Authority may be signed by a duly appointed deputy secretary. By way of this Resolution, the Board of Directors hereby further approves the use of any and all funds held in connection with the Prior Bonds for the purpose of redeeming and defeasing the Prior Bonds.

PASSED, APPROVED and ADOPTED this 22nd day of March, 2016 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

APPROVED:

BRITT AVRIT, CMC
City Clerk
City of Lancaster

R. REX PARRIS
Chairman
Lancaster Financing Authority

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

CERTIFICATION OF RESOLUTION
LANCASTER FINANCING AUTHORITY

I, _____, _____ City of Lancaster, California, do hereby certify that this is a true and correct copy of the original Resolution No. FA 01-16, 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, Newport Beach, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. See the caption “CONCLUDING INFORMATION – Tax Exemption” with respect to tax consequences concerning the Bonds.

\$61,295,000*
**SUCCESSOR AGENCY TO THE
LANCASTER REDEVELOPMENT AGENCY
Combined Redevelopment Project Areas
(Non-Housing Programs)
Tax Allocation Refunding Bonds
Issue of 2016**

Dated: Delivery Date

Due: February 1, as shown on inside cover

The above-captioned Issue of 2016 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, 2016]) 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 Agency’s loan obligation with respect to the portion of the Lancaster Financing Authority’s (the “Authority”) Subordinate Tax Allocation Revenue Bonds (Lancaster Residential, Amargosa, Project No. 5 and Project No. 6 Redevelopment Projects) Issue of 2003 (the “Original 2003 Bonds”), maturing on February 1, 2017 through February 1, 2020 (the “Parity Bonds”), to the extent such Parity Bonds are payable from and secured by the Pledged Tax Revenues (as defined herein). See “SECURITY FOR THE BONDS – Outstanding Bonds.”

The Bonds are being issued to refinance (a) the Prior Agency's previously issued (i) Central Business District Redevelopment Project Area, Tax Allocation Refunding Bonds, Issue of 1994 (the “1994 Bonds”), and (ii) Amargosa Redevelopment Project, Tax Allocation Refunding Bonds, Issue of 1999 (the “1999 Bonds”); and (b) the Prior Agency’s loan obligations with respect to the following bonds issued by Authority, which will in turn refund such Authority bonds: (i) the portion of the Original 2003 Bonds maturing on or after February 1, 2023 (the “2003 Bonds”), (ii) Subordinate Tax Allocation Revenue Bonds (Lancaster Residential, Amargosa, Project No. 5 and Project No. 6 Redevelopment Projects) Issue of 2003B, (the “2003B Bonds”), (iii) Subordinate Tax Allocation Revenue Bonds (Lancaster Residential, Amargosa, Project No. 5 and Project No. 6 Redevelopment Projects) Issue of 2004B (the “2004 Bonds”), and (iv) Tax Allocation Revenue Bonds (Lancaster Residential, Fox Field, Amargosa, Project No. 5 and Project No. 6 Redevelopment Projects) Issue of 2006 (the “2006 Bonds”). The 1994 Bonds, the 1999 Bonds, the 2003 Bonds, the 2003B Bonds, the 2004 Bonds, and the 2006 Bonds are referred to collectively herein as the “Refunded Bonds.”

The Bonds and the 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 [April 1, 2016] (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 a municipal bond insurance policy (the “Insurance Policy”) to be issued concurrently with the delivery of the Bonds by [Bond Insurer] (“_” or the “Insurer”). See “BOND INSURANCE” and “APPENDIX H – SPECIMEN MUNICIPAL BOND INSURANCE POLICY” herein.

[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,

* Preliminary; subject to change.

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.

Newport Beach, California, Agency Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel Norton Rose Fulbright US LLP, Los Angeles, California. It is anticipated that the Bonds will be available for delivery to DTC in New York, New York, on or about April __, 2016.

HILLTOP SECURITIES INC.

Dated: April __, 2016

\$61,295,000*
SUCCESSOR AGENCY TO THE
LANCASTER REDEVELOPMENT AGENCY
Combined Redevelopment Project Areas
(Non-Housing Programs)
Tax Allocation Refunding Bonds
Issue of 2016

MATURITY SCHEDULE
(Base CUSIP[†] 513802)

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

\$ _____ % Term Bonds due February 1, 20__, Priced to Yield __%, CUSIP[†] Suffix ____
 \$ _____ % Term Bonds due February 1, 20__, Priced to Yield __%, CUSIP[†] Suffix ____

* Preliminary; subject to change.

† CUSIP® Copyright 2016, 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*
Raj Malhi, *Agency Member*
Ken Mann, *Agency Member*
Angela Underwood-Jacobs, *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

Hilltop Securities Inc.
Cardiff by the Sea, California

Verification Agent

Grant Thornton LLP
Minneapolis, Minnesota

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.

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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\$61,295,000*
SUCCESSOR AGENCY TO THE
LANCASTER REDEVELOPMENT AGENCY
Combined Redevelopment Project Areas
(Non-Housing Programs)
Tax Allocation Refunding Bonds
Issue of 2016

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. Definitions of certain terms used in this Official Statement are set forth in “APPENDIX B – SUMMARY OF THE INDENTURE.”

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 \$61,295,000* Combined Redevelopment Project Areas (Non-Housing Programs), Tax Allocation Refunding Bonds, Issue of 2016 (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 [April 1, 2016] (the “Indenture”) by and between the Agency and U.S. Bank National Association, as trustee (the “Trustee”) approved by Resolution No. SA 10-15 adopted by the Agency on November 10, 2015 (the “Successor Agency Resolution”), and by Resolution No. OB 19-15 adopted by the Oversight Board for the Agency (the “Oversight Board”) on November 17, 2015, amended by Resolution No. OB 07-16, adopted by the Oversight Board on February 16, 2016 (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 February 17, 2016, and the State Department of Finance requested review within five business days of such written notice. On March 2, 2016, 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 Agency’s obligations with respect to the Refunded Bonds (as defined below) is approved by the State Department of Finance, that the approval is based on the understanding that no refunding bonds will be issued unless such bonds meet the limitations outlined in Health and Safety Code Section 34177.5(a)(1), and that the letter constitutes the department’s determination with respect to the Oversight Board action taken pursuant to the Oversight Board Resolution.

The Bonds are being issued to refinance for savings (a) the Lancaster Redevelopment Agency’s (the “Prior Agency”) previously issued (i) Central Business District Redevelopment Project Area, Tax Allocation Refunding Bonds, Issue of 1994 (the “1994 Bonds”), and (ii) Amargosa Redevelopment Project, Tax Allocation Refunding Bonds, Issue of 1999 (the “1999 Bonds”); and (b) the Prior Agency’s loan obligations with respect to the following bonds issued by Authority, which will in turn refund such Authority bonds: (i) together with proceeds of the Agency’s Lancaster Redevelopment Project Area No.

* Preliminary; subject to change.

5 and Project Area No. 6 (School District Pass-Throughs), Tax Allocation Refunding Bonds, Series 2016 being issued concurrently with the Bonds (the “2016 School District Pass-Through Bonds”), the portion of the Subordinate Tax Allocation Revenue Bonds (Lancaster Residential, Amargosa, Project No. 5 and Project No. 6 Redevelopment Projects) Issue of 2003 (the “Original 2003 Bonds”) maturing on or after February 1, 2023 (the “2003 Bonds”), (ii) Subordinate Tax Allocation Revenue Bonds (Lancaster Residential, Amargosa, Project No. 5 and Project No. 6 Redevelopment Projects) Issue of 2003B, (the “2003B Bonds”), (iii) Subordinate Tax Allocation Revenue Bonds (Lancaster Residential, Amargosa, Project No. 5 and Project No. 6 Redevelopment Projects) Issue of 2004B (the “2004 Bonds”), and (iv) Tax Allocation Revenue Bonds (Lancaster Residential, Fox Field, Amargosa, Project No. 5 and Project No. 6 Redevelopment Projects) Issue of 2006 (the “2006 Bonds”). The 1994 Bonds, the 1999 Bonds, the 2003 Bonds, the 2003B Bonds, the 2004 Bonds, and the 2006 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 a municipal bond insurance policy (the “Insurance Policy”) to be issued concurrently with the delivery of the Bonds by [Bond Insurer] (“_____” or the “Insurer”). See “BOND INSURANCE” and “APPENDIX H – SPECIMEN MUNICIPAL BOND INSURANCE POLICY” herein.] **[bond insurance TBD]**

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 staggered four-year terms. 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 24, 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) (the “*California Redevelopment Association* case”), 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 Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State (as amended from time to time, the “Dissolution Act”). The Dissolution Act has been amended several times since its original enactment by AB X1 26, including but not limited to significant amendments that became effective on June 27, 2012 by the enactment of Assembly Bill No. 1484 (“AB 1484”), Chapter 26, Statutes of 2012, and on September 22, 2015, by the enactment of Senate Bill No. 107 (“SB 107”), Chapter 325, Statutes of 2015.

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.

On January 24, 2012, pursuant to Resolution No. 12-08 and Section 34176 of the Dissolution Act, the City Council of the City elected not to retain the responsibility for performing housing functions previously performed by the Prior Agency and selected the Lancaster Housing Authority to retain all of the rights, powers, assets, duties and obligations associated with the housing activities of the Prior Agency. In accordance with Section 34176 of the Dissolution Act, the transfer of housing functions from the Prior Agency to the Lancaster Housing Authority excluded enforceable obligations retained by the Agency and any amounts in the Low and Moderate Income Housing Fund previously required to be established and maintained by the Prior Agency by the Redevelopment Law prior to the enactment of the Dissolution Act.

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 B – SUMMARY OF THE INDENTURE” 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.

As defined in the Indenture, “Tax Revenues” means the tax revenues allocated to and deposited in the Redevelopment Property Tax Trust Fund pursuant to 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, excluding (i) the portion of such taxes required to pay debt service on the [Housing] Bonds, but only to the extent that such taxes were pledged to the payment of debt service on the [Housing] Bonds, (ii) payments required pursuant to the Pass-Through Agreements to the extent not subordinated or pledged to payments on the Bonds, [Housing] Bonds or any Parity Bonds by their terms, and (iii) all Statutory Pass-Through Amounts unless such payments are subordinated to payments on the

Bonds and the Parity Bonds The Indenture further provides, 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[, subject to the exclusions in the foregoing sentence].

See “SECURITY FOR THE BONDS – Redevelopment Property Tax Trust Fund; Pledged Tax Revenues – Elimination of 20% Housing Set-Aside Requirement” for a description of the [Housing] Bonds.

The Bonds and the Agency’s loan obligation with respect to the 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) continued 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 continued 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 by the Agency on a parity basis with the Agency’s loan obligation with respect to the portion of the Original 2003 Bonds, maturing on February 1, 2017 through February 1, 2020, currently outstanding in the principal amount of \$[6,315,000] (the “Parity Bonds”), to the extent such Parity Bonds (and therefore, such Agency loan obligation) are payable from and secured by the Pledged Tax Revenues. [__%][\$____] of the Parity Bonds are payable from and secured by Pledged Tax Revenues. See “SECURITY FOR THE 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 continued 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. [The Reserve Requirement with respect to the Bonds will be satisfied by the deposit into the Reserve Account of a municipal bond debt service reserve insurance policy (the “Reserve Policy”) to be issued by [Bond Insurer] (“_____” or the “Insurer”).] **[Reserve Surety Bond TBD]**

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 Hilltop 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.

PLAN OF REFUNDING

A portion of the proceeds of the Bonds will be used to refund and defease (a) all of the Prior Agency's (i) previously issued 1994 Bonds, currently outstanding in the principal amount of \$[760,000], and (ii) previously issued 1999 Bonds, currently outstanding in the principal amount of \$[1,995,000]; and (b) the following bonds issued by the Authority: (i) together with proceeds of the Agency's 2016 School District Pass-Through Bonds being issued concurrently with the Bonds, the previously issued 2003 Bonds, currently outstanding in the principal amount of \$[32,090,000], (ii) all of the previously issued 2003B Bonds, currently outstanding in the principal amount of \$[10,620,000], (iii) all of the previously issued 2004 Bonds, currently outstanding in the principal amount of \$[9,390,000], and (iv) all of the previously issued 2006 Bonds, currently outstanding in the principal amount of \$[20,430,000]. See "SOURCES AND USES OF FUNDS."

Concurrently with the issuance of the Bonds, the Agency will enter into an Escrow Agreement with respect to each series of Refunded Bonds, each dated as of [April 1, 2016] (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 with respect to each series of Refunded Bonds (collectively, the "Escrow Funds").

- Amounts in the Escrow Fund for the 1994 Bonds [will be held uninvested] and will be used to pay the redemption price thereon, including any accrued and unpaid interest with respect thereto, on _____, 2016.
- Amounts in the Escrow Fund for the 1999 Bonds [will be held uninvested] and will be used to pay the redemption price thereon, including any accrued and unpaid interest with respect thereto, on _____, 2016.
- Amounts in the Escrow Fund for the 2003 Bonds [will be held uninvested] and will be used to pay the redemption price thereon, including any accrued and unpaid interest with respect thereto, on _____, 2016.
- Amounts in the Escrow Fund for the 2003B Bonds [will be held uninvested] and will be used to pay the redemption price thereon, including any accrued and unpaid interest with respect thereto, on _____, 2016.

- Amounts in the Escrow Fund for the 2004 Bonds [will be held uninvested] and will be used to pay the redemption price thereon, including any accrued and unpaid interest with respect thereto, on _____, 2016.

- Amounts in the Escrow Fund for the 2006 Bonds [will be held uninvested] and will be used to pay the redemption price thereon, including any accrued and unpaid interest with respect thereto, on _____, 2016.

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 respective Refunded Bonds will be verified upon delivery of the Bonds by Grant Thornton LLP, Minneapolis, Minnesota. 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 (or, to the extent applicable, the Agency’s loan obligations with respect thereto) will be discharged, and the Refunded Bonds (or, to the extent applicable, the Agency’s loan obligations with respect thereto) 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 Bonds are summarized as follows:

Sources

Principal Amount of Bonds.....	\$
Net Original Issue [Premium/Discount]	
1994 Bonds Funds and Accounts	
1999 Bonds Funds and Accounts	
2003 Bonds Funds and Accounts	
2003B Bonds Funds and Accounts.....	
2004 Bonds Funds and Accounts	
2006 Bonds Funds and Accounts	
	=
Total Sources	\$

Uses

Underwriter's Discount	\$
Reserve Account.....	(1)
1994 Bonds Escrow Fund ⁽²⁾	
1999 Bonds Escrow Fund ⁽³⁾	
2003 Bonds Escrow Fund ⁽⁴⁾	
2003B Bonds Escrow Fund ⁽⁵⁾	
2004 Bonds Escrow Fund ⁽⁶⁾	
2006 Bonds Escrow Fund ⁽⁷⁾	
Costs of Issuance Fund ⁽⁸⁾	
Total Uses	\$

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- (1) The Reserve Policy will be deposited in the Reserve Account in an amount equal to the initial Reserve Requirement for the Bonds. See "SECURITY FOR THE BONDS – Reserve Account."
 - (2) An amount of moneys sufficient to provide for the payment of the principal and interest on the 1994 Bonds through _____, 2016.
 - (3) An amount of moneys sufficient to provide for the payment of the principal and interest on the 1999 Bonds through _____, 2016.
 - (4) An amount of moneys which, together with proceeds of the 2016 School District Pass-Through Bonds, will be sufficient to provide for the payment of the principal and interest on the 2003 Bonds through _____, 2016.
 - (5) An amount of moneys sufficient to provide for the payment of the principal and interest on the 2003B Bonds through _____, 2016.
 - (6) An amount of moneys sufficient to provide for the payment of the principal and interest on the 2004 Bonds through _____, 2016.
 - (7) An amount of moneys sufficient to provide for the payment of the principal and interest on the 2006 Bonds through _____, 2016.
 - (8) To be used to pay Costs of Issuance (as defined in the Indenture), which include fees and expenses for Bond Counsel, Disclosure Counsel, Financial Advisor, trustee, printing expenses, rating fee, Verification Agent fees and expenses, the premium for the Insurance Policy with respect to the Bonds, the premium for the Reserve Policy, and other costs. [On the Delivery Date, the Underwriter will retain from the purchase price of the Bonds an amount equal to the premiums for the Insurance Policy with respect to the Bonds and the Reserve Policy and pay such premiums to the Insurer on the Delivery Date on behalf of the Agency.]

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 February 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, 2016], 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 D – 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 [February 1, 2026], 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 Bonds maturing on February 1, 20__ and February 1, 20__ (collectively, the “Term Bonds”) are subject to redemption in part by lot on February 1 in each year shown in the respective following tables 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).

Term Bonds Maturing in 20__	
Year	Amount
(February 1)	
	\$

(maturity)

Term Bonds Maturing in 20__	
Year	Amount
(February 1)	
	\$

(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 January 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 February 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.

General Redemption Provisions

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.

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

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

Transfer or Exchange

Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its trust office in Minneapolis, Minnesota (or such other place as may be designated by the Trustee) (the "Trust Office") for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Bond or Bonds shall be surrendered for registration of transfer, the Agency will execute and the Trustee will authenticate and deliver a new Bond or Bonds, of like series, interest rate, maturity and principal amount of authorized denominations.

Bonds may be exchanged at the Trust Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same series, interest rate and maturity.

The person, firm or corporation requesting the transfer or exchange will pay any tax or other governmental charge on the transfer of any Bonds that may be imposed in connection with the transfer or exchange. The Agency will pay the cost of printing any Bonds and any services rendered or any other expenses incurred by the Trustee in connection with any exchange or transfer. The Indenture provides that the Trustee may refuse to transfer or exchange either (a) any Bonds during the period established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected by the Trustee for redemption pursuant to the Indenture.

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 B – SUMMARY OF THE INDENTURE" and "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule"). As defined in the Indenture, "Tax Revenues" means the tax revenues allocated to and deposited in the Redevelopment Property Tax Trust Fund pursuant to the Dissolution Act.

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 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, 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.”

The Prior Agency has previously issued its Combined Redevelopment Project Areas (Housing Programs), Subordinate Tax Allocation Refunding Bonds, Issue of 2003 (the “2003 Housing Bonds”) and its Combined Redevelopment Project Areas (Housing Programs) Tax Allocation Bonds, Issue of 2009 (the “2009 Housing Bonds”), which are secured by and payable from a pledge of, and lien upon, the Housing Set-Aside Amount. The Agency has previously issued its Combined Redevelopment Project Areas (Housing Programs), Tax Allocation Refunding Bonds, Issue of 2015A (the “2015A Housing Bonds”), and its Combined Redevelopment Project Areas (Housing Programs), Taxable Tax Allocation Refunding Bonds, Issue of 2015B (the “2015B Housing Bonds”, and together with the 2015A Housing Bonds, the “2015 Housing Bonds”), which are secured by and payable from a pledge of, and lien upon, the Housing Set-Aside Amount. The 2003 Housing Bonds, the 2009 [Housing] Bonds, and the 2015 [Housing] Bonds are referred to collectively herein and in the Indenture as the “[Housing] Bonds.”

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, excluding (i) the portion of such taxes required to pay debt service on the [Housing] Bonds, but only to the extent that such taxes were pledged to the payment of debt service on the [Housing] Bonds, (ii) payments required pursuant to the Pass-Through Agreements to the extent not subordinated or pledged to payments on the Bonds, [Housing] Bonds or any Parity Bonds by their terms, and (iii) all Statutory Pass-Through Amounts unless such payments are subordinated to payments on the Bonds and the Parity Bonds. The Indenture further provides, 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[, subject to the exclusions in the foregoing sentence].

The Bonds and the Parity Bonds are payable from and secured by (i) an irrevocable pledge of the Pledged Tax Revenues to be derived from the Project Areas, and (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. In addition, the Bonds are payable from and secured by 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) continued and held by the Trustee in trust for the Bondowners under the Indenture.

The DOF guidance referenced above under “– Elimination of 20% Housing Set-Aside Requirement” notes that it is DOF’s expectation that certain credits may be strengthened in comparison to what they would be under prior law in that they will have access to more of the tax increment for servicing of debt. Specifically, DOF states that the 20-percent housing set-aside payment (i.e., the “Housing Set-Aside Amount”) is no longer made, and only those funds necessary to service housing bond debt and other enforceable housing obligations will be designated for housing purposes; the remainder will be available for debt service on other bonds. Relevant to the Bonds, “Pledged Tax Revenues” include the portion of the Housing Set-Aside Amount that is not required to pay debt service on the [Housing] Bonds.

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 continued 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 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. Such tax increment revenues deposited from time to time in the Redevelopment Property Tax Trust Fund are defined in the Indenture as “Tax Revenues,” and the Pledged Tax Revenues consist of a portion of such Tax Revenues, as described further above under the caption “SECURITY FOR THE BONDS – Redevelopment Property Tax Trust Fund; Pledged Tax Revenues.” 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, 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 Parity Bonds, such bonds are secured only by either (i) the portion of monies deposited into the Redevelopment Property Tax Trust Fund that would 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.

Recognized Obligation Payment Schedule

ROPS Process Under the Dissolution Act – Commencing Fiscal Year 2016-17

As amended by SB 107, enacted on September 22, 2015 and effective immediately upon its enactment, 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”) before each annual fiscal period covered by such schedule (i.e., July 1 through June 30), commencing with the Recognized Obligation Payment Schedule for the period from July 1, 2016 through June 30, 2017. Distributions from the Redevelopment Property Tax Trust Fund are made by the County Auditor-Controller to successor agencies (and tax sharing entities) each January 2 and June 1, within each annual Recognized Obligation Payment Schedule period.

Pursuant to a Recognized Obligation Payment Schedule, “enforceable obligations” of the successor agency coming due and payable in the fiscal period covered by such schedule 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 half of the calendar year (see “APPENDIX B – SUMMARY OF THE INDENTURE”).

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). Other than amounts deposited in the Redevelopment Property Tax Trust Fund and amounts held in certain funds and accounts under the Indenture, the Agency does not expect to have any other funds available to pay the Bonds.

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.

Commencing with the Recognized Obligation Payment Schedule for the period from July 1, 2016 through June 30, 2017, the Agency is required to submit each annual Recognized Obligation Payment Schedule, after approval by the Oversight Board, to the County Auditor-Controller and the State Department of Finance no later than February 1, 2016, and each February 1 thereafter for subsequent annual Recognized Obligation Payment Schedules. For each annual Recognized Obligation Payment Schedule, the State Department of Finance must make its determination of the enforceable obligations and the amounts and funding sources of the enforceable obligations no later than April 15 (commencing April 15, 2016 with the Recognized Obligation Payment Schedule for the period from July 1, 2016 through June 30, 2017). 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, except those that are the subject of litigation disputing the department’s previous or related determination. The State Department of Finance must notify the Agency and the County Auditor-Controller as to the outcome of its review at least 15 days before the June 1 property tax distribution, with respect to items disputed on the originally submitted annual Recognized Obligation Payment Schedule.

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.

If the Agency does not submit an annual Recognized Obligation Payment Schedule by the February 1 deadline, 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 an annual Recognized Obligation Payment Schedule within 10 days after the February 1 deadline. The Agency timely submitted to the State Department of Finance its Oversight Board-approved Recognized Obligation Payment Schedule for the first annual period of July 1, 2016 through June 30, 2017.

Once per Recognized Obligation Payment Schedule period, and no later than October 1 of the applicable year, the Agency may submit one amendment to the annual Recognized Obligation Payment Schedule previously approved by the State Department of Finance, if the Oversight Board makes a finding that a revision is necessary for the payment of approved enforceable obligations during the second half of the Recognized Obligation Payment Schedule period (i.e., during January 1 through June 30), and the Agency may only amend the amount requested for payment of approved enforceable obligations. The State Department of Finance must notify the Agency and the County Auditor-Controller as to the outcome of its review of a requested amendment to an approved annual Recognized Obligation Payment Schedule at least 15 days before the applicable property tax distribution date.

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 pass-through 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.

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 May 1, 2016 with respect to the Recognized Obligation Payment Schedule for July 1, 2016 through June 30, 2017), 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 pass-through 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.

ROPS Process Under the Dissolution Act – Prior to Fiscal Year 2016-17

With respect to obligations required to be paid prior to July 1, 2016, the Dissolution Act required 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 before each six-month fiscal period covered by such schedule (i.e., January 1 through June 30, or July 1 through December 31).

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 through the six-month period ending June 30, 2016, the Agency was required to submit the Recognized Obligation Payment Schedule, 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 did not submit a Recognized Obligation Payment Schedule by such deadlines, the City would 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 would be 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.

Prior to the enactment of SB 107, the Dissolution Act required 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 could request additional review by the department and an opportunity to meet and confer on disputed items, if any. The State Department of Finance would 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.

Optional Last and Final ROPS

At the option of a successor agency and beginning January 1, 2016, the Dissolution Act allows a successor agency to submit a "Last and Final ROPS" for approval by the oversight board. The following conditions must be met: (i) the remaining debt is limited to administrative costs and payments pursuant to enforceable obligations with defined payment schedules including, but not limited to, debt service, loan agreements and contracts, (ii) all remaining obligations have been previously listed on a Recognized Obligation Payment Schedule and approved by the State Department of Finance, and (iii) the successor agency is not a party to outstanding or unresolved litigation. The State Department of Finance will have 100 days to review a Last and Final ROPS submitted for approval. The State Department of Finance may make changes to the Last and Final ROPS with the successor agency's agreement or issue a letter denying the Last and Final ROPS. If the State Department of Finance approves the Last and Final ROPS, it will establish the maximum amount of Redevelopment Property Tax Trust Fund to be distributed to the successor agency for each remaining fiscal year until the obligations have been fully paid. The successor agency can submit no more than two requests to amend an approved Last and Final ROPS. The oversight board must first approve each amendment request, and the State Department of Finance will then have 100 days to approve or deny the request. After the State Department of Finance approves Last and Final ROPS, the successor agency will no longer prepare or submit Recognized Obligation Payment Schedules, and the county auditor-controller will make distributions from the Redevelopment Property Tax Trust Fund to the successor agency pursuant to the Last and Final ROPS in a prescribed order of priority until the aggregate amount of property tax allocated to the successor agency equals the total outstanding obligation approved in the Last and Final ROPS. See "RISK FACTORS – Last and Final Recognized Obligation Payment Schedule."

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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 commencing with ROPS III through ROPS 16-17.

Pursuant to this process, the Agency received the following amounts for its enforceable obligations for the corresponding six-month periods, which include the principal and interest payments on the Parity Bonds, the Refunded Bonds (or the Agency’s loan obligations with respect thereto, as applicable), and other bonds issued by the Prior Agency secured by revenues other than the Pledged Tax Revenues:

ROPS	Six-Month ROPS Period	Distribution to Agency from Redevelopment Property Tax Trust Fund
ROPS I	February 1, 2012 – June 30, 2012	N/A ⁽¹⁾
ROPS II	July 1, 2012 – December 31, 2012	\$ 9,185,581.85
ROPS III	January 1, 2013 – June 30, 2013	7,446,245.81
ROPS 13-14A	July 1, 2013 – December 31, 2013	10,729,972.65
ROPS 13-14B	January 1, 2014 – June 30, 2014	7,198,198.45
ROPS 14-15A	July 1, 2014 – December 31, 2014	11,364,668.00 ⁽²⁾
ROPS 14-15B	January 1, 2015 – June 30, 2015	7,837,529.77
ROPS 15-16A	July 1, 2015 – December 31, 2015	12,189,795.00 ⁽²⁾
ROPS 15-16B	January 1, 2016 – June 30, 2016	8,118,696.30

(1) The Dissolution Act originally contemplated a distribution to be made from the Redevelopment Property Tax Trust Fund to successor agencies, including the Agency, on January 2, 2012 for the ROPS I period. However, due to the pendency of the *California Redevelopment Association* case, a related stay during such pendency, and the extension of related Dissolution Act deadlines by four months pursuant to the California Supreme Court’s December 29, 2011 decision, the County did not make a distribution on January 2, 2012 from the Redevelopment Property Tax Trust Fund to the Agency or other successor agencies within the County. See “INTRODUCTION – The City and the Agency” for additional information regarding the *California Redevelopment Association* case.

(2) Includes the following amounts distributed to the Agency for administrative enforceable obligations: \$329,684 for ROPS 14-15A, and \$339,242 for ROPS 15-16A.

On February 1, 2012, the Agency made an unscheduled draw on the respective debt service reserve accounts for the Refunded Bonds. The four-month extension of Dissolution Act implementation deadlines, described in footnote (1) of the above table, and the County’s related failure to make a distribution on January 2, 2012 from the Redevelopment Property Tax Trust Fund to the Agency, caused cash flow issues for the Agency. These reserve accounts for the Refunded Bonds were replenished by monies distributed to the Agency on January 2, 2013, June 1, 2013, and January 2, 2014 through line items for the reserve account replenishments placed by the Agency on the Recognized Obligation Payment Schedules referred to as, respectively, ROPS III, ROPS 13-14A, and ROPS 13-14B.

On February 1, 2013 and February 1, 2014, the Agency withdrew a portion of funds held by the Authority, as conduit issuer, in the bond funds for four of the Refunded Bonds issues, for making a portion of the debt service payment due on such dates for such bonds, although requisite 125% coverage (i.e., non-housing revenues pledged to such bond issues divided annual debt service for the applicable year) required under the bond documents for the utilization of such monies could not be certified. However, the Agency included, as line items on subsequent Recognized Obligation Payment Schedules, replenishment to such bond funds in the respective amounts required to meet the 125% coverage requirement, and these replenishment line items were approved by the State Department of Finance. On the Recognized Obligation Payment Schedule for the six-month period commencing July 1, 2014 through

December 31, 2014 (i.e., ROPS 14-15A), the Agency included a line item in the amount of \$696,372 as a reserve to facilitate the February 1, 2015 debt service payments for its tax allocation bonds and to avert a projected insufficiency in the ROPS 14-15B period; the State Department of Finance approved this reserve amount after a meet and confer request by the Agency. In addition, the assessed valuation of the Project Areas has increased, resulting in an increase in monies deposited into the Redevelopment Property Tax Trust Fund. Therefore, the Agency had sufficient revenues for its scheduled bonds debt service payments on February 1, 2015, without replicating the issues attendant to the February 1, 2013 and February 1, 2014 debt service payments.

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 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. 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:

(i) scheduled debt service on the Bonds and the Parity Bonds and any amount required under the Indenture, the Parity Bonds Indenture, and any Supplemental Indenture to replenish the Reserve Account established thereunder, and

(ii) amounts due to any bond insurer under an insurance or surety bond agreement,

in Recognized Obligation Payment Schedules for each annual period beginning on July 1 of any calendar year and ending on June 30 of the next calendar year, or such other period as provided in the Dissolution Act (a “ROPS Period”), so as to enable the Auditor-Controller of the County of Los Angeles 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 Bonds and Parity Bonds coming due in the respective ROPS Period and to pay amounts owed to any bond insurer, as well as the other amounts set forth above.

In order to accomplish the foregoing, on or before each February 1 (or at such earlier time as may be required by the Dissolution Act), for so long as any Bonds or Parity Bonds are outstanding, the Successor Agency shall submit an Oversight Board-approved Recognized Obligation Payment Schedule to the State Department of Finance and to the Auditor-Controller of the County of Los Angeles that shall include (i) all debt service due on the Bonds and the Parity Bonds coming due during the applicable ROPS Period as well as all amounts due and owing to any bond insurer, and (ii) any amount required to cure any deficiency in the Reserve Account pursuant to the Indenture, the Parity Bonds Indenture, or any Supplemental Indenture (including any amounts required due to a draw on the Qualified Reserve Account Credit Instrument as well as all amounts due and owing to the [Insurer] under the Indenture).

In the event the provisions set forth in the Dissolution Act as of the Closing Date of the Bonds that relate to the filing of Recognized Obligation Payment Schedules are amended or modified in any manner, the Agency agrees in the Indenture to take all such actions as are necessary to comply with such amended or modified provisions so as to ensure the timely payment of debt service on the Bonds and the Parity Bonds and, if the timing of distributions of the Redevelopment Property Tax Trust Fund is changed, the receipt of all debt service due during each calendar year on all Outstanding Bonds and Parity Bonds prior to June 1 of such calendar year.

See “APPENDIX B – SUMMARY OF THE INDENTURE.”

Redevelopment Obligation Retirement Fund; Debt Service Fund

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 continued and 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 to the Debt Service Fund held by the Trustee under the Indenture until such time during such Bond Year as the amounts so transferred to the Debt Service Fund under the Indenture 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 for deposit in such Bond Year in the funds and accounts established with respect to any Parity Bonds, as provided in the Parity Bonds Indenture and any Supplemental Indenture. The Agency will segregate all amounts distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Agency’s Redevelopment Obligation Retirement Fund in a separate Agency account in the name of the Agency to be used solely to pay debt service on the Bonds and all other parity obligations. In the event the rating on general fund obligations of the City falls below A- from Standard & Poor’s, the Agency will maintain, or cause the City to maintain, the Redevelopment Obligation Retirement Fund as a separate account with a bank or with the Trustee.

See “APPENDIX B – SUMMARY OF THE INDENTURE.”

Reserve Account

A Reserve Account is maintained in the Debt Service Fund continued and held by the Trustee under the Indenture for the Bonds 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 average Annual Debt Service on all Bonds and Parity Bonds Outstanding. Subject to the Indenture, all money in the Reserve Account shall 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 under the Indenture, 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. The Reserve Requirement may be satisfied by crediting to the Reserve Account moneys or a Qualified Reserve Account Credit Instrument, or any combination thereof, which in the aggregate make funds available in the Reserve Account in an amount equal to the Reserve Account Requirement. See “APPENDIX B - SUMMARY OF THE INDENTURE.”

Under the Indenture, “Qualified Reserve Account Credit Instrument” means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to the Indenture, provided that all of the following requirements are met at the time of acceptance thereof by the Trustee: (a) the long-term credit rating of such bank or insurance company is A+ or better from S&P or A1 or better from Moody's; (b) such letter of credit or surety bond has a term of at least twelve (12) months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released; and (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the amount Interest Account and the Principal Account for the purpose of making payments required pursuant to the Indenture.

[SURETY BOND TBD . . . The Reserve Requirement with respect to the Bonds will be satisfied by the deposit into the Reserve Account of the Reserve Policy to be issued by [Reserve Insurer]. The Reserve Policy constitutes a Qualified Reserve Account Credit Instrument under the Indenture.]

Outstanding Bonds

Parity Bonds. The Bonds are being issued by the Agency on a parity basis with the Agency's loan obligation with respect to the Parity Bonds, consisting of the portion of the Original 2003 Bonds, maturing on February 1, 2017 through February 1, 2020, currently outstanding in the principal amount of \$[6,315,000], to the extent such Parity Bonds (and therefore, such Agency loan obligation) are payable from and secured by the Pledged Tax Revenues. [__%][[\$____]] of the Parity Bonds are payable from and secured by Pledged Tax Revenues. See “SECURITY FOR THE BONDS.”

Additional Parity Bonds

Under the Indenture, in addition to the Bonds and the Parity Bonds and subject to the requirements of the Parity Bonds Indenture, 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 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 and the Parity Bonds Indenture;

(b) The Oversight Board shall have approved the issuance of the 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 and the Parity Bonds 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 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 and Parity Bonds reasonably expected to be outstanding following the issuance of each series of 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 rolls; 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, the Parity Bonds, and the Additional 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; and

(f) The Agency shall not issue or incur any bonds, debt or other obligations that are payable from or secured by Pledged Tax Revenues on a basis senior or superior to the Bonds. Unless the Insurer provides its prior written consent, the Agency shall not issue or incur any senior bonds or parity bonds, debt or other obligation except for refunding bonds. Any additional subordinate debt shall be payable on the same dates as the Bonds and shall be in all respects, including security and payment, subordinate and junior to the Bonds and the replenishment of the debt service reserve fund for the Bonds, including the reimbursement of all amounts due and payable to the Insurer relating to the Reserve Policy.

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.

Upon the occurrence of an event of default, the Trustee may, with the consent of a majority of the Owners, by written notice to the Successor Agency, declare the principal of the Bonds to be immediately due and payable, whereupon that portion of the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Indenture in the Bonds to the contrary notwithstanding. 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 Insurance 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.

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]

[The following information has been furnished by the Insurer for use in this Official Statement. No representation is made by the Agency or the Underwriter as to the accuracy or completeness of such information, or the absence of material adverse changes therein at any time subsequent to the date hereof. Reference is made to "APPENDIX H – SPECIMEN MUNICIPAL BOND INSURANCE POLICY" for a specimen of the Insurer's policy.]

[BOND INSURANCE TO BE DETERMINED]

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.

On January 24, 2012, pursuant to Resolution No. 12-08 and Section 34176 of the Dissolution Act, the City Council of the City elected not to retain the responsibility for performing housing functions previously performed by the Prior Agency and selected the Lancaster Housing Authority to retain all of the rights, powers, assets, duties and obligations associated with the housing activities of the Prior Agency. In accordance with Section 34176 of the Dissolution Act, the transfer of housing functions from the Prior Agency to the Lancaster Housing Authority excluded enforceable obligations retained by the Agency and any amounts in the Low and Moderate Income Housing Fund previously required to be established and maintained by the Prior Agency by the Redevelopment Law prior to the enactment of the Dissolution Act.

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
Raj Malhi, <i>Agency Member</i>	April, 2018
Ken Mann, <i>Agency Member</i>	April, 2016
Angela Underwood-Jacobs, <i>Agency Member</i>	April, 2016

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").

THE PROJECT AREAS

General Information

The City Council, on behalf of the Prior 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”).

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	2015-16 Assessed Value (millions)	2015-16 Incremental Value (millions)	2015-16 Estimated Gross Revenues (millions)	Incremental Value as % of Total AV
Residential	11/13/1979	600	\$ 7,049,501	\$ 410.3	\$ 403.2	\$ 4.052	98.28%
CBD	06/01/1981	438	48,332,693	166.7	118.4	1.192	71.01
Fox Field	12/20/1982	3,290	14,970,009	203.4	188.4	1.890	92.64
Amargosa	10/17/1983	4,599	92,091,937	1,597.6	1,505.5	15.090	94.24
Project No. 5	11/26/1984	4,523	366,873,983	1,784.9	1,418.0	14.290	79.45
Project No. 6	07/03/1989	12,748	605,741,455	3,054.1	2,448.4	24.513	80.17
Project No. 7	11/28/1992	1,504	226,784,287	429.6	202.9	2.031	47.21

Source: Urban Futures, Inc.

Dissolution Act Changes to Certain Limitations and Requirements of the Redevelopment Plans

As previously required under the Redevelopment Law and as in effect until the September 22, 2015 enactment of SB 107, the redevelopment plans for the Project Areas state certain limitations on (i) the time through which the Prior Agency and the Agency could receive property taxes and repay indebtedness, (ii) the maximum amount of tax dollars that may be allocated to the Prior Agency and the Agency, (iii) the time through which the Prior and the Agency could incur indebtedness (unless eliminated in accordance with the Redevelopment Law), (iv) the effectiveness of the redevelopment plan,

and (v) the amount of bonded indebtedness that may be outstanding at any one time. These plan limits, as stated in the redevelopment plans for the Project Areas, are summarized in the following Table 2.

TABLE 2
LANCASTER REDEVELOPMENT PROJECT AREAS
REDEVELOPMENT PLAN LIMITATIONS
(as set forth in the Redevelopment Plans)

Project Area	Maximum Tax Increment ⁽¹⁾	Maximum Bonded Debt	Last Date to Incur Debt	Plan Termination Date ⁽¹⁾	Last Date to Receive Prop. Taxes/Pay Debt ⁽¹⁾
Residential	\$ 80,000,000	\$ 33,000,000	Eliminated	11/13/2020	11/13/2030
CBD	80,000,000	25,000,000	Eliminated	06/01/2022	06/01/2032
Fox Field	250,000,000	125,000,000	Eliminated	12/20/2023	12/20/2033
Amargosa	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) Plan limits affected by SB 107 amendments to the Dissolution Act, as discussed in the narratives preceding and subsequent to this table, under “THE PROJECT AREAS – Dissolution Act Changes to Certain Limitations and Requirements of the Redevelopment Plan.” See also “RISK FACTORS – Implementation of Dissolution Act Changes to Limits on Receiving Tax Increment Revenues.”

Source: *Urban Futures, Inc.*

SB 107 amended the Dissolution Act to add provisions stating that for the purposes of the payment of enforceable obligations defined by Section 34171(d)(1)(A) through (G) of the Dissolution Act (which include the Bonds and the Parity Bonds), and for no other purpose whatsoever, the Agency is not subject to the limitations relating to time, number of tax dollars, or any other matters set forth in Sections 33333.2, 33333.4, and 33333.6 of the Redevelopment Law (including plan limits on the receipt of property taxes and the repayment of indebtedness, and on the maximum amount of tax dollars that may be allocated to the Agency under the redevelopment plan, but excluding the limit on total bonded indebtedness). It is not known with certainty how the County Auditor-Controller and the State Department of Finance will actually implement this provision. As a conservative measure, the projections set forth in this Official Statement and in the Financial Advisor’s Report attached to this Official Statement as Appendix G continue to reflect the impact of these plan limits on the revenues projected to be available to pay debt service on the Bonds and the Parity Bonds. However, actual Pledged Tax Revenues, to the extent needed for payment of debt service on the Bonds and the Parity Bonds, will likely not be limited by such plan limits. See “TAX REVENUES – Projected Taxable Valuation and Tax Revenues” and “RISK FACTORS – Implementation of Dissolution Act Changes to Limits on Receiving Tax Increment Revenues.”

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.

Land use for fiscal year 2015-16 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 2015-16

Land Use	Number of Parcels	2015-16 Secured Assessed Valuation	Percent of Total Secured Assessed Valuation ⁽¹⁾
Single Family Residential	2,101	\$337,277,456	82.75%
Multi-Family Residential	13	54,088,963	13.27
Commercial	8	8,401,168	2.06
Industrial	11	6,241,499	1.53
Vacant Industrial	11	572,550	0.14
Governmental/Institutional/Other	12	461,850	0.11
Vacant Residential	5	457,403	0.11
Vacant Governmental/Institutional/Other	4	69,760	0.02
Vacant Commercial	2	12,290	0.00
Recreational	1	0	0.00
Total:	2,168	\$407,582,938	100.00%

(1) Based on fiscal year 2015-16 secured assessed valuation: \$407,582,938.

Source: Urban Futures, Inc., with information from the Los Angeles County 2015-16 Secured Property Tax Roll

The 2015-16 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 2015-16

	Values
2015-16 Assessed Value	\$410,286,538
Base Year Value	7,049,501
Base Year as % of Current Assessed Value	1.72%
Incremental Value	\$403,237,037
Increment Revenues	\$4,032,370
Unitary Revenues	20,043
Less County Administrative Fees	(70,512)
Less Pass-Through Agreements and Statutory Pass-Through Amounts	(2,503,016)
Available Tax Revenues	\$1,478,885

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 2015-16

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2015-16 Taxable Secured Assessed Value</u>	<u>% of Total Secured A.V.⁽¹⁾</u>
1.	Riva Park Development LLC	Multi-Family Residential	\$19,057,816	4.68%
2.	Provident Housing Resources Inc	Multi-Family Residential	11,984,739	2.94
3.	Mg Woodlands West Apartments LP	Multi-Family Residential	11,780,625	2.89
4.	Forbush Mark S Co Tr	Multi-Family Residential	10,702,007	2.63
5.	Lane George & C Family Trust	Commercial	4,276,418	1.05
6.	Cambridge Ln LLC	Commercial	3,257,204	0.80
7.	Agate Consortium Inc	Commercial	2,213,699	0.54
8.	Byd Energy LLC	Industrial	1,946,759	0.48
9.	Antelope Valley Residential	Single Family Residential	1,155,095	0.28
10.	Newman Wayne A & Shana L Trs	Industrial	733,456	0.18
	Totals		\$67,107,818	16.46%

(1) Based on fiscal year 2015-16 secured assessed valuation: \$407,582,938.

Source: Urban Futures, Inc., with information from the Los Angeles County 2015-16 Secured Property Tax Roll.

Pass-Through Agreements.

The Agency has entered into five (5) agreements for allocation and distribution of tax increment revenues with respect to the Residential Project. Pursuant to two agreements among the Agency, the City, the County of Los Angeles (the "County"), the Consolidated Fire Protection District of Los Angeles

County (the "Fire District"), the Los Angeles County Public Library (the "Library") and the Los Angeles County Office of Education ("LACOE"), tax increment revenues are to be divided as follows: 50.9% to the County General Fund and Library, 16.6% to the Fire District, and 32.5% to the Agency (prior to the deduction of any other amounts pursuant to Pass-Through Agreements with other agencies). In addition, each of the taxing agencies is to receive any tax increment revenues attributable to a tax rate increase with respect to such taxing agency. The taxing agencies (except the Fire District) agree to contribute a pro rata portion of their respective shares to the Agency's Low and Moderate Income Housing Fund. Finally, the County, the Fire District and the Library may defer payment of their respective shares for the purpose of financing construction of County facilities.

The third agreement is with the Antelope Valley Community College District, and provides for 2% of the tax increment revenues allocated to the Agency less an amount for County administration fees, to be deposited in a trust fund.

The fourth and fifth agreements are with the Antelope Valley East Kern Water District (AVEK) and the Quartz Hill Water District, respectively. Each provides that the portion of the tax increment revenues generated by the application of any tax levy on behalf of such taxing agency against any increases in assessed valuation within the Project Area, which would otherwise be allocated to the Agency, shall be allocated and distributed to such taxing agency.

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.

From March 2010 through November 2010, Lancaster Boulevard underwent a dramatic transformation through a complete streetscape redesign, with the assistance of an innovative modern design from architectural firm Moule & Polyzoides, and is now known as "the BLVD." Since 2010, more than 40 new businesses have located in the BLVD. As the private sector continues to build upon the City's \$11.6 million investment in the downtown area, in 2014 ten new businesses launched on the BLVD, including Zero Degrees, an eatery specializing in frozen custard and Italian ice; Rio Brazilian Grill; and New York Flowers, owned and operated by the owner of the successful Brooklyn Deli. 2014 also marked the first year of operation of the Downtown Lancaster Property and Business Improvement District, which through the levy of assessments on properties within the district has substantially enhanced services to member businesses and property owners through augmented security, maintenance, and a comprehensive marketing campaign to attract patrons to downtown Lancaster. Special events held throughout 2014 attracted more than 100,000 visitors downtown.

Land use for fiscal year 2015-16 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 2015-16

Land Use	Number of Parcels	2015-16 Secured Assessed Valuation	Percent of Total Secured Assessed Valuation ⁽¹⁾
Commercial	272	\$ 96,065,344	64.25%
Multi-Family Residential	32	15,703,113	10.50
Industrial	53	10,877,541	7.27
Governmental/Institutional/Other	127	9,258,470	6.19
Recreational	5	4,716,307	3.15
Vacant Industrial	249	4,322,474	2.89
Vacant Governmental/Institutional/Other	232	2,979,543	1.99
Single Family Residential	32	2,402,015	1.61
Vacant Residential	43	1,909,316	1.28
Vacant Commercial	33	1,286,429	0.86
Total:	<u>1,078</u>	<u>\$149,520,553</u>	<u>100.00%</u>

(1) Based on fiscal year 2015-16 secured assessed valuation: \$149,520,553.

Source: Urban Futures, Inc., with information from the Los Angeles County 2015-16 Secured Property Tax Roll

The 2015-16 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 2015-16

	Values
2015-16 Assessed Value	\$166,703,856
Base Year Value	48,332,693
Base Year as % of Current Assessed Value	28.99%
Incremental Value	<u>\$118,371,163</u>
Increment Revenues	\$1,183,712
Unitary Revenues	8,527
Less County Administrative Fees	(20,745)
Less Pass-Through Agreements and Statutory Pass-Through Amounts	<u>(881,792)</u>
Available Tax Revenues	\$ 289,702

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 2015-16

	<u>Property Owner</u>	<u>Primary Land Use</u>	2015-16 Taxable Secured <u>Assessed Value</u>	% of Total Secured <u>A.V.⁽¹⁾</u>
1.	Lancaster Promenade LLC	Commercial	\$ 7,070,342	4.73%
2.	Lean Mean Fighting Machine LP	Commercial	6,338,137	4.24
3.	University Of Antelope	Institutional	5,047,939	3.38
4.	Holmberg Hilding A & Jean Y	Commercial	4,387,736	2.93
5.	44710 N Division Street LLC	Multi-Family Residential	3,989,869	2.67
6.	Larson Max W Tr	Commercial	3,720,965	2.49
7.	Mental Health America Of	Commercial	3,101,948	2.07
8.	Aint That A Peach LP	Multi-Family Residential	2,743,453	1.83
9.	Angeleno Mortuaries Inc	Commercial	2,641,952	1.77
10.	Hsms Hospitality Services LLC	Commercial	2,565,249	1.72
	Totals		\$41,607,590	27.83%

(1) Based on fiscal year 2015-16 secured assessed valuation: \$149,520,553.

Source: Urban Futures, Inc., with information from the Los Angeles County 2015-16 Secured Property Tax Roll.

Pass-Through Agreements.

The Agency has entered into two (2) agreements for the allocation and distribution of tax increment revenues with respect to the CBD Project. One agreement is with the County of Los Angeles and the second agreement is with the Antelope Valley East Kern Water Agency (AVEK).

The County agreement provides for eighteen percent (18%) of tax increment revenues generated by the CBD Project to go to the Consolidated Fire Protection District. Commencing with fiscal year 1997-98, an additional fifty-four and seven-tenths percent (54.7%) of the tax increment revenues generated by the CBD Project shall be distributed to County taxing agencies (including the County Free Public Library System). The Agency will receive eight-two percent (82%) of tax increment revenues through fiscal year 1996-97 and commencing with fiscal year 1997-98 and each fiscal year thereafter the Agency will receive twenty-seven and three-tenths percent (27.3%) of the tax increment revenues generated from the CBD Project.

The AVEK agreement provides for the Water Agency to receive the tax increment generated by any tax rate increase in the CBD Project for the benefit of AVEK which occurs after the 1980-81 base year.

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.

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.

In 2014, the inaugural Los Angeles County Air Show was held at Fox Field Airport in the Fox Field Project Area in the City. According to Los Angeles County Air Show, Inc., a California corporation that produces the event, the inaugural 2014 Los Angeles County Air Show welcomed more than 103,000 spectators over the two-day event. The 2015 Los Angeles County Air Show will also be held at Fox Field Airport, in March 2015. The headlining act for the 2015 Air Show will be the U.S. Air Force Aerial Demonstration Squadron, the Thunderbirds, and additional attractions on the ground will include static aircraft displays, opportunities to meet and interact with pilots and crewmembers, and interactive and educational exhibits designed to promote science, technology, engineering, and math.

Land use for fiscal year 2015-16 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 2015-16

Land Use	Number of Parcels	2015-16 Secured Assessed Valuation	Percent of Total Secured Assessed Valuation ⁽¹⁾
Industrial	52	\$111,475,810	63.69%
Vacant Industrial	511	31,704,097	18.11
Commercial	20	19,136,771	10.93
Governmental/Institutional/Other	12	5,499,716	3.14
Vacant Residential	11	2,060,559	1.18
Vacant Agricultural	8	2,004,652	1.15
Vacant Governmental/Institutional/Other	16	1,800,118	1.03
Recreational	1	1,061,707	0.61
Vacant Commercial	3	162,370	0.09
Single Family Residential	1	117,333	0.07
Total:	<u>635</u>	<u>\$ 175,023,132</u>	<u>100.00%</u>

(1) Based on fiscal year 2015-16 secured assessed valuation: \$175,023,132.

Source: *Urban Futures, Inc., with information from the Los Angeles County 2015-16 Secured Property Tax Roll*

The 2015-16 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 2015-16

	Values
2015-16 Assessed Value	\$203,414,622
Base Year Value	14,970,009
Base Year as % of Current Assessed Value	7.36%
Incremental Value	\$188,444,613
Increment Revenues	\$1,884,446
Unitary Revenues	5,125
Less County Administrative Fees	(32,879)
Less Pass-Through Agreements and Statutory Pass-Through Amounts	(1,241,275)
Available Tax Revenues	\$ 615,417

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 2015-16

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2015-16 Taxable Secured Assessed Value</u>	<u>% of Total Secured A.V.⁽¹⁾</u>
1.	Thrifty Payless Inc	Industrial	\$36,712,346	20.98%
2.	Sygma Network Inc	Industrial	22,458,551	12.83
3.	300 K-6 LLC	Commercial	7,723,354	4.41
4.	Campus Business Park LLC	Industrial	6,606,245	3.77
5.	Extra Space Properties Forty	Industrial	5,370,155	3.07
6.	Educ Capital Solutions LLC Lesr	Industrial	3,497,500	2.00
7.	Vintners Cucamonga	Industrial	3,136,818	1.79
8.	Oberman Edith Tr	Industrial	3,074,895	1.76
9.	Property 14 Investment	Vacant Industrial	3,064,400	1.75
10.	R Brown K 8 LLC	Industrial	2,700,000	1.54
	Totals		\$94,344,264	53.90%

(1) Based on fiscal year 2015-16 secured assessed valuation: \$175,023,132.

Source: Urban Futures, Inc., with information from the Los Angeles County 2015-16 Secured Property Tax Roll.

Pass-Through Agreements.

The Agency and the City have entered into two (2) agreements for allocation and distribution of tax increment revenues with respect to the Fox Field Project. One agreement is with the County of Los Angeles, and the second agreement is with the Antelope Valley East Kern Water Agency (AVEK).

The County agreement provides for eighteen percent (18%) of tax increment revenues to go to the Consolidated Fire Protection District. An additional forty-one percent (41%) of the tax increment revenues generated by the Project Area are distributed to County taxing agencies (including the County Free Public Library System). The Agency receives forty-one percent (41%) of the tax increment revenues generated from the Fox Field Project. Finally, as amended by a 1992 agreement, the County, the Fire District and the Library may defer payment of their respective shares for the purpose of financing construction of County facilities.

The AVEK agreement provides for the Water Agency to receive that portion of tax revenues generated by application of the tax levy for voter approved indebtedness of AVEK to any increases in assessed valuation with the Fox Field Project. The AVEK agreement further provides for the Agency to receive the Water Agency's share of the tax increment revenues generated by the Fox Field Project, up to a maximum of two million dollars (\$2,000,000)

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.

During 2014, the Lancaster Auto Mall partnered with the City to invest in the redesign of the Auto Mall, which is located in the Amargosa Project. The Auto Mall's fourteen dealerships are working with the City to revitalize public spaces throughout the Auto Mall, in an effort to build synergy and create a pedestrian-friendly atmosphere to encourage auto sales. To meet increasing customer demand – a steady rise in sales of 95% since 2009, dealers have collectively invested approximately \$12.3 million toward the renovation of their individual dealerships. These include Antelope Valley Chevy, which recently completed a remodel; Antelope Valley Ford, which recently expanded to accommodate a new Lincoln show room; and Antelope Valley Honda, which is currently building a new Honda Superstore.

In 2014, the City also celebrated the grand openings of more than 300,000 square feet of state-of-the-art medical facilities located in the Amargosa Project. The new facilities include the most efficient Kaiser Permanente facility in the entire Kaiser Network – a 136,000 square-foot Platinum LEED-certified Kaiser Permanente Medical Office Building which integrates a variety of efficient systems and technologies, in addition to its advanced medical systems and procedure rooms. Among the new medical

facilities is also the City of Hope full-service cancer center, and Los Angeles County’s 124,000 square-foot High Desert Regional Care Center.

Within the Amargosa Project, Morton Manufacturing opened their new headquarters, a custom-built 88,000-square-foot industrial complex in the Lancaster Business Park during 2014. The growing firm is expected to bring 350 jobs to the area.

The new Spectrum Center, currently under development in the Amargosa Project, will combine shopping, lodging, and dining opportunities in one convenient location at the highly visible, signalized intersection of 20th Street West and Avenue J-8, adjacent to the Antelope Valley Freeway (State Route 14). The 92-suite Marriott TownePlace Suites of Lancaster will anchor the northwest corner of the center with available pads ranging from 2,500 to over 12,000 square feet. Anchor retail space and adjacent shops are expected to total over 87,000 square feet. Lancaster Spectrum is being developed by Martin Properties of Westlake Village, California. The development company has a diverse portfolio of investment properties including office buildings, medical and surgical centers, retail shopping centers and state-of-the-art storage facilities throughout the Antelope Valley, as well as Phoenix and Scottsdale, Arizona.

Also, regional transportation funding has provided the City with \$20 million to improve the Avenue K and Avenue L interchanges along State Route 14. These improvements will provide state-of-the-art accessibility to the shopping centers in the area, including the planned 95-acre Amargosa Commons.

Land use for fiscal year 2015-16 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 2015-16

Land Use	Number of Parcels	2015-16 Secured Assessed Valuation	Percent of Total Secured Assessed Valuation ⁽¹⁾
Commercial	232	\$ 641,602,239	43.31%
Single Family Residential	1,761	305,109,268	20.59
Multi-Family Residential	78	220,557,201	14.89
Industrial	130	162,772,353	10.99
Vacant Industrial	265	39,345,038	2.66
Vacant Commercial	105	38,197,549	2.58
Recreational	9	22,171,047	1.50
Vacant Residential	182	20,127,267	1.36
Governmental/Institutional/Other	78	13,363,499	0.90
Vacant Governmental/Institutional/Other	124	13,128,571	0.89
Vacant Agricultural	20	5,109,869	0.34
Total:	2,984	\$1,481,483,901	100.00%

(1) Based on fiscal year 2015-16 secured assessed valuation: \$1,481,483,901.

Source: *Urban Futures, Inc., with information from the Los Angeles County 2015-16 Secured Property Tax Roll.*

The 2015-16 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 2015-16

	Values
2015-16 Assessed Value	\$1,597,593,950
Base Year Value	92,091,937
Base Year as % of Current Assessed Value	5.76%
Incremental Value	\$1,505,502,013
Increment Revenues	\$15,055,020
Unitary Revenues	34,531
Less County Administrative Fees	(262,558)
Less Pass-Through Agreements and Statutory Pass-Through Amounts	(9,820,865)
Available Tax Revenues	\$ 5,006,128

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 2015-16

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2015-16 Taxable Secured Assessed Value</u>	<u>% of Total Secured A.V.⁽¹⁾</u>
1.	Kaiser Foundation Hospitals	Commercial	\$ 98,983,532	6.68%
2.	Mg Properties	Multi-Family Residential	82,177,555	5.55
3.	Cp Antelope Shops LLC	Commercial	39,779,205	2.69
4.	Mgp Ix Properties LLC	Commercial	28,942,025	1.95
5.	Wal Mart Real Estate	Commercial	27,484,983	1.86
6.	Winco Foods LLC	Commercial	21,281,889	1.44
7.	Valley Central L P	Commercial	19,443,857	1.31
8.	Westwood Park Ltd	Multi-Family Residential	18,286,128	1.23
9.	Fraber Properties II LLC	Commercial	18,113,209	1.22
10.	Cinema Properties Inc	Commercial	17,900,000	1.21
	Totals		\$372,392,383	25.14%

(1) Based on fiscal year 2015-16 secured assessed valuation: \$1,481,483,901.

Source: Urban Futures, Inc., with information from the Los Angeles County 2015-16 Secured Property Tax Roll.

Pass-Through Agreements.

The Agency and the City have entered into three (3) agreements for allocation and distribution of tax increment revenues with respect to the Amargosa Project. An agreement dated September 6, 1983 with Los Angeles County and the Consolidated Fire Protection District provides for 51.9% of tax increment revenues to go to the County General Fund and Public Library, 16.9% of tax increment revenues to go to the Consolidated Fire Protection District, and 31.2% to go to the Agency (prior to the deduction of any other amounts pursuant to Pass-Through Agreements with other agencies). In return, the County will contribute a pro rata portion of its share to the Low and Moderate Income Housing Fund. Finally, as amended by a 1992 agreement, the County, the Fire District and the Library may defer payment of their respective shares for the purpose of financing construction of County facilities.

The second agreement is with the Antelope Valley Community College District, dated October 17, 1983, and provides for 2% of the Agency's portion of the annual tax increment revenues (31.2%) to be deposited in a trust fund to be used solely for the mutual benefit of the Agency and the District. The third agreement is with the Antelope Valley East Kern Water District (AVEK) dated September 6, 1983, and provides that the portion of the tax increment revenues generated by the application of any tax levy on behalf of AVEK against any increases in assessed valuation within the Project Area, which would otherwise be allocated to the Agency shall be allocated and distributed to AVEK.

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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.

Land use for fiscal year 2015-16 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 2015-16**

Land Use	Number of Parcels	2015-16 Secured Assessed Valuation	Percent of Total Secured Assessed Valuation ⁽¹⁾
Single Family Residential	10,280	\$1,243,909,323	70.93%
Commercial	318	211,293,084	12.05
Multi-Family Residential	622	200,121,873	11.41
Industrial	65	39,730,557	2.27
Governmental/Institutional/Other	163	22,815,450	1.30
Vacant Residential	202	11,448,147	0.65
Vacant Industrial	91	10,923,821	0.62
Vacant Commercial	60	8,807,332	0.50
Vacant Governmental/Institutional/Other	83	4,460,832	0.25
Recreational	4	182,499	0.01
Total:	11,888	\$ 1,753,692,918	100.00%

(1) Based on fiscal year 2015-16 secured assessed valuation: \$1,753,692,918.

Source: Urban Futures, Inc., with information from the Los Angeles County 2015-16 Secured Property Tax Roll.

The 2015-16 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 2015-16

	Values
2015-16 Assessed Value	\$1,784,882,052
Base Year Value	366,873,983
Base Year as % of Current Assessed Value	20.55%
Incremental Value	\$1,418,008,069
Increment Revenues	\$14,180,081
Unitary Revenues	110,242
Less County Administrative Fees	(248,652)
Less Pass-Through Agreements and Statutory Pass-Through Amounts	(9,022,947)
Available Tax Revenues	\$ 5,018,724

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 2015-16

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2015-16 Taxable Secured Assessed Value</u>	<u>% of Total Secured A.V.⁽¹⁾</u>
1.	Wal Mart Real Estate	Commercial	\$ 20,594,407	1.17%
2.	Front Gate Plaza LLC	Commercial	15,577,520	0.89
3.	30th Street West Apt Associates	Multi-Family Residential	12,752,264	0.73
4.	How Bout Them Apples LP	Multi-Family Residential	12,577,155	0.72
5.	20th Street Trust	Multi-Family Residential	12,293,670	0.70
6.	I Yam What I Yam LP	Multi-Family Residential	8,783,987	0.50
7.	Lancaster Avenue Lllc	Commercial	8,313,802	0.47
8.	Purely Storage Partners LLC	Industrial	8,241,438	0.47
9.	Mgp Xvii LLC	Multi-Family Residential	7,490,533	0.43
10.	Ring Trading Corp	Multi-Family Residential	7,271,916	0.41
	Totals		\$113,896,692	6.49%

(1) Based on fiscal year 2015-16 secured assessed valuation: \$1,753,692,918.

Source: Urban Futures, Inc., with information from the Los Angeles County 2015-16 Secured Property Tax Roll.

Pass-Through Agreements.

The Agency has entered into seven (7) agreements for allocation and distribution of tax increment revenues with respect to Project No. 5. The first agreement, with Los Angeles County and the Consolidated Fire Protection District, dated November 5, 1984, provides that Los Angeles County shall receive 50.8% of the annual tax increment revenues, and the Consolidated Fire Protection District shall

receive 16.6% of the annual tax increment revenues. The Agency shall receive 32.6% of the annual tax increment revenues (prior to the deduction of any other amounts pursuant to Pass-Through Agreements with other agencies). In return, the County will contribute a pro rata portion of its share to the Low and Moderate Income Housing Fund provided the Agency (1) deposits such amount into such fund, (2) makes a pro rata contribution to the fund equivalent to the County's contribution; and (3) makes a substantial effort to use such amount to improve and increase low and moderate income housing. Finally, as amended by a 1992 agreement, the County, the Fire District and the Library may defer payment of their respective shares for the purpose of financing construction of County facilities.

The second agreement is with the Antelope Valley Community College District, dated June 15, 1992, and pursuant to interpretations by the school district and the Agency of this agreement, the Agency shall deposit in a trust fund which shall be used solely for the mutual benefit of the Agency and the School District 2.1% of its share (32.6%) of the annual tax increment revenues allocated to the Agency. The third agreement is with the Antelope Valley Union High School District, and pursuant to interpretations by the school district and the Agency of this agreement, the Agency shall deposit in a trust fund which shall be used solely for the mutual benefit of the Agency and the School District 10% of its share (32.6%) of the annual tax increment revenues allocated to the Agency. The fourth agreement is with the Lancaster School District, and pursuant to interpretations by the school district and the Agency of this agreement, the Agency shall deposit in a trust fund which shall be used solely for the mutual benefit of the Agency and the School District 5% of its share (32.6%) of the annual tax increment revenues allocated to the Agency. The fifth agreement is with the Eastside School District, and pursuant to interpretations by the school district and the Agency of this agreement, the Agency shall deposit in a trust fund which shall be used solely for the mutual benefit of the Agency and the School District 2% of its share (32.6%) of the annual tax increment revenues allocated to the Agency.

The sixth agreement is with the Antelope Valley East Kern Water Agency (AVEK), dated November 5, 1984, and states that the portion of the tax increment revenues generated by the application of any tax levy on behalf of AVEK against increases in assessed valuation within the Project Area, which would otherwise be allocated to the Agency pursuant to Health and Safety Code Section 33670 shall be allocated and distributed to AVEK. The seventh agreement is with the Quartz Hill Water District (QHWD) dated November 5, 1984, and states that the portion of the tax increment revenues generated by the application of any tax levy on behalf of QHWD against increases in assessed valuation within the Project Area, which would otherwise be allocated to the Agency shall be allocated and distributed to QHWD.

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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.

In 2014, Antelope Valley Hospital partnered with the City to develop the “Medical Main Street” concept within Project No. 6. The concept is intended to foster development of the vacant land surrounding the existing Antelope Valley Hospital to enhance connectivity, increase the availability of medical and fitness-oriented facilities, and establish an atmosphere that cultivates healthy choices and active lifestyles. The City is planning to reconfigure the public right-of-way in the “Medical Main Street” announced in 2014. Mixed use development is expected to be designed in Medical Main Street to achieve maximum accessibility and connectivity throughout the health-oriented village, to promote a state-of-the-art, pedestrian-friendly environment. It is estimated that the project will create 275 construction jobs and many new development opportunities for medical office and mixed-use development.

Land use for fiscal year 2015-16 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 2015-16**

Land Use	Number of Parcels	2015-16 Secured Assessed Valuation	Percent of Total Secured Assessed Valuation ⁽¹⁾
Single Family Residential	13,677	\$2,409,162,601	80.54%
Commercial	146	178,050,707	5.95
Vacant Residential	1,809	118,825,515	3.97
Industrial	58	92,414,010	3.09
Multi-Family Residential	142	73,313,851	2.45
Governmental/Institutional/Other	142	42,971,251	1.44
Vacant Governmental/Institutional/Other	396	34,971,940	1.17
Vacant Industrial	431	28,860,748	0.96
Vacant Commercial	38	6,949,621	0.23
Vacant Agricultural	40	4,779,433	0.16
Recreational	4	629,761	0.02
Agricultural	1	186,079	0.01
Total:	16,884	\$2,991,115,518	100.00%

(1) Based on fiscal year 2015-16 secured assessed valuation: \$2,991,115,518.

Source: Urban Futures, Inc., with information from the Los Angeles County 2015-16 Secured Property Tax Roll.

The 2015-16 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 2015-16

	Values
2015-16 Assessed Value	\$3,054,136,617
Base Year Value	605,741,455
Base Year as % of Current Assessed Value	19.83%
Incremental Value	\$2,448,395,162
Increment Revenues	\$24,483,952
Unitary Revenues	29,400
Less County Administrative Fees	(426,532)
Less Pass-Through Agreements and Statutory Pass-Through Amounts	(15,362,736)
Available Tax Revenues	\$ 8,724,084

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 2015-16

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2015-16 Taxable Secured Assessed Value</u>	<u>% of Total Secured A.V.⁽¹⁾</u>
1.	Usir II-Lancaster LLC	Industrial	\$ 45,284,000	1.51%
2.	Wells Fargo Bank 2006-C4	Commercial	22,889,406	0.77
3.	Unified Investments V LLC	Institutional	17,034,831	0.57
4.	Vallarta Properties LLC	Commercial	14,264,432	0.48
5.	Caesars Plaza LLC	Commercial	10,087,518	0.34
6.	Ap Lancaster LLC	Commercial	8,575,314	0.29
7.	Antelope Valley Residential	Single Family Residential	7,542,091	0.25
8.	Lido Estates Mhc LLC	Multi-Family Residential	7,111,229	0.24
9.	Ih2 Property West LP	Single Family Residential	6,899,921	0.23
10.	Hollingsworth Betty R Tr	Commercial	6,282,421	0.21
	Totals		\$145,971,163	4.88%

(1) Based on fiscal year 2015-16 secured assessed valuation: \$2,991,115,518.

Source: Urban Futures, Inc., with information from the Los Angeles County 2015-16 Secured Property Tax Roll.

Pass-Through Agreements.

The City and Agency have entered into ten (10) agreements for allocation and distribution of tax increment funds with respect to Project No. 6. The first agreement, with Los Angeles County Library and the Consolidated Fire Protection District, dated July 31, 1989, provides that Los Angeles County shall receive 51.6% of the annual tax increment, the Consolidated Fire Protection District shall receive 16.8%

of the annual tax increment, and the Agency shall receive 31.6% of annual tax increment (prior to the deduction of any other amounts pursuant to Pass-Through Agreements with other agencies). In return, the County General Fund will contribute a pro rata portion of the Agency's legally required contribution to the Low and Moderate Income Housing Fund not to exceed 20% of the amounts the County General Fund is allocated pursuant to the agreement, excepting the portion that is passed through to the Library. In addition, an amount equal, all that portion of the tax revenues otherwise attributable to increases in the rate of tax levied for the benefit of the County or special districts for which the Board of Supervisors acts as the governing body shall be allocated to the County. Finally, as amended by a 1992 agreement, the County, the Library, and the Fire District and may defer payment of their respective shares for the purpose of financing construction of County facilities.

The second agreement is with the Antelope Valley Community College District dated June 15, 1989, and states that the District shall receive 2.1% of the annual tax increment. The third and fourth agreements are with the Antelope Valley Union High School District ("AVUHSD") and the Lancaster School District, and state that the Agency shall deposit annually in a special fund to be used to pay for capital projects which are designated by the District and which are projects which may be funded by the Agency pursuant to Section 33445 of the Law, for each respective District, the District's share (9.38% for the AVUHSD and 4.24% for the Lancaster School District) of tax revenues generated by a 2% inflationary increase in the 1988-89 assessed valuation calculated pursuant to Section 110.1 of the Revenue and Taxation Code, and 25% of the District's share of tax revenue generated by assessed valuation growth in excess of the inflationary increase. The Agency's obligation to make payments pursuant to the agreements with these two school districts is subordinate to the Agency's obligation to pay debt service on the Bonds, provided that the Agency shall, prior to the issuance of the Bonds, provide to each District an opinion of the Agency's Financial Consultant that it is not reasonably foreseeable that payment of debt service on the Bonds will impair the obligations of the Agency under the respective agreements with the AVUHSD and the Lancaster School District. The school districts have pledged their respective pass-through amounts under these agreements to the 2016 School District Pass-Through Bonds. Therefore, the pass-through amounts payable under these agreements are not subordinate to the Agency's obligation to pay debt service on the Bonds.

The fifth and six agreements are with the Eastside School District and the Westside Union School District and state that the Agency shall deposit in a special fund to be used to pay for capital projects which are designated by the District and which are projects which may be funded by the Agency pursuant to Section 33445 of the Law, for each respective District, the District's share (0.79% for the Eastside School District and 0.68% for the Westside Union School District) of tax revenues generated by a 2% inflationary increase in the 1988-89 assessed valuation calculated pursuant to Section 110.1 of the Revenue and Taxation Code, and 15% of the District's share of tax revenue generated by assessed valuation growth in excess of the inflationary increase. The Agency's obligations to make payments pursuant to the agreements with the Eastside School District and the Westside Union School District are subordinate to the Agency's obligation to pay debt service on the Bonds, provided that the Agency shall, prior to the issuance of the Bonds, provide to each District an opinion of the Agency's Financial Consultant that it is not reasonably foreseeable that payment of debt service on the Bonds will impair the obligations of the Agency under the respective agreements with the Eastside School District and the Westside Union School District. The school districts have pledged their respective pass-through amounts under these agreements to the 2016 School District Pass-Through Bonds. Therefore, the pass-through amounts payable under these agreements are not subordinate to the Agency's obligation to pay debt service on the Bonds.

The seventh and eighth agreements are with the Antelope Valley East Kern Water Agency (AVEK) dated July 26, 1989, and the Quartz Hill Water District (QHWD) dated August 7, 1989, and states that the portion of the tax increment revenues generated by the application of any tax levy on behalf

of each respective District against increases in assessed valuation within the Project Area, which would otherwise be allocated to the Agency pursuant to Health and Safety Code Section 33670 shall allocated and distributed to each respective District.

The ninth agreement is with the Antelope Valley Mosquito Abatement District, dated August 7, 1989, and states that the portion of the tax increment revenues generated by the application of any tax levy on behalf of the District against any increases in assessed valuation within the Project Area, which would otherwise be allocated to the Agency pursuant to Health and Safety Code Section 33670 all be allocated and distributed to the District.

The tenth agreement, dated May 27, 1992, is with Los Angeles County, the Consolidated Fire Protection District of Los Angeles County, the Los Angeles County Public Library and the Los Angeles, County Office of Education. This agreement amends the earlier County agreement of July 1, 1989 to permit deferment by the County, the Fire District and the County Library of their respective shares of the annual tax increment for the purpose of financing construction of County facilities, and identifies certain County facilities which may be financed with the County share.

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.

Land use for fiscal year 2015-16 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 2015-16

Land Use	Number of Parcels	2015-16 Secured Assessed Valuation	Percent of Total Secured Assessed Valuation ⁽¹⁾
Single Family Residential	2,017	\$278,784,210	68.04%
Commercial	53	107,704,246	26.29
Vacant Industrial	168	9,826,336	2.40
Multi-Family Residential	18	8,390,759	2.05
Governmental/Institutional/Other	20	1,941,751	0.47
Vacant Residential	11	1,925,801	0.47
Vacant Commercial	5	1,081,122	0.26
Industrial	1	76,182	0.02
Vacant Governmental/Institutional/Other	5	1,641	0.00
Total:	<u>2,298</u>	<u>\$409,732,048</u>	<u>100.00%</u>

(1) Based on fiscal year 2015-16 secured assessed valuation: \$409,732,048.

Source: Urban Futures, Inc., with information from the Los Angeles County 2015-16 Secured Property Tax Roll

The 2015-16 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 2015-16

	Values
2015-16 Assessed Value	\$429,636,412
Base Year Value	226,784,287
Base Year as % of Current Assessed Value	52.79%
Incremental Value	\$202,852,125
Increment Revenues	\$2,028,521
Unitary Revenues	2,750
Less County Administrative Fees	(35,344)
Less Pass-Through Agreements and Statutory Pass-Through Amounts	(1,286,319)
Available Tax Revenues	\$ 709,608

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 2015-16

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2015-16 Taxable Secured Assessed Value</u>	<u>% of Total Secured A.V.⁽¹⁾</u>
1.	Quartz Hill Station LLC	Commercial	\$21,516,814	5.25%
2.	Tru 2005 Re I LLC	Commercial	12,900,000	3.15
3.	2429 Danalda LLC & Kab Plaza LLC	Commercial	10,858,611	2.65
4.	United Insurance Company	Commercial	9,989,153	2.44
5.	Chen Yi Shiu Lessor	Commercial	6,017,882	1.47
6.	Arroyo Plaza LLC	Commercial	5,391,182	1.32
7.	G6 Hospitality Property LLC	Commercial	4,709,242	1.15
8.	Lancaster Avenue J LLC	Commercial	4,242,419	1.04
9.	Lancaster Triangle Co	Commercial	4,147,416	1.01
10.	Miner Kurt J & Lord Miner Michelle	Commercial	3,808,000	0.93
	Totals		\$83,580,719	20.40%

(1) Based on fiscal year 2015-16 secured assessed valuation: \$409,732,048.

Source: Urban Futures, Inc., with information from the Los Angeles County 2015-16 Secured Property Tax Roll.

Pass-Through Agreements.

The Agency and the City have entered into three (3) agreements for allocation and distribution of tax increment revenues with respect to Project No. 7. An agreement dated May 27, 1992 with Los

Angeles County, the Consolidated Fire Protection District, the Los Angeles County Public Library, and the Los Angeles County Office of Education provides for 44.03% of tax increment revenues to go to the County General Fund, 2.8% of tax increment revenues to go to the Public Library, 16.87% of tax increment revenues to go to the Consolidated Fire Protection District, 0.4% of tax increment revenues to go to the County Office of Education, and 35.9% to go to the Agency (prior to the deduction of any other amounts pursuant to Pass-Through Agreements with other agencies). In return, the County, the Public Library, and the County Office of Education (but not the Consolidated Fire Protection District) will contribute a pro rata portion of its share to the Low and Moderate Income Housing Fund. This agreement permits deferment by the County, the Fire District and the County Library of their respective shares of the annual tax increment for the purpose of financing construction of County facilities, and identifies certain County facilities which may be financed with the County share.

The second agreement is with the Lancaster School District dated November 16, 1992, and states that the Agency shall deposit annually in a special fund to be used to pay for capital projects which are designated by the District and which are projects which may be funded by the Agency pursuant to Section 33445 of the Law for the District, the District's share (5.54%) of tax revenues generated by a 2% inflationary increase in the 1992-93 assessed valuation calculated pursuant to Section 110.1 of the Revenue and Taxation Code, and 25% of the District's share of tax revenue generated by assessed valuation growth in excess of the inflationary increase (net of the Housing Set-Aside Amount). The Agency's obligation to make payments pursuant to this agreement is subordinate to the Agency's obligation to pay debt service on the Bonds, provided that the Agency shall, prior to the issuance of the Bonds, provide to the District an opinion of the Agency's Financial Consultant that it is not reasonably foreseeable that payment of debt service on the Bonds will impair the obligations of the Agency under this agreement with the Lancaster School District. **[Bond Counsel to confirm. . .** The Agency will deliver such an opinion of its Financial Consultant to the Lancaster School District prior to the delivery of the Bonds.]

The third agreement is with the Westside Union School District dated November 16, 1992, and states that the Agency shall deposit annually in a special fund to be used to pay for capital projects which are designated by the District and which are projects which may be funded by the Agency pursuant to Section 33445 of the Law for the District, the District's share (0.06%) of tax revenues generated by a 2% inflationary increase in the 1992-93 assessed valuation calculated pursuant to Section 110.1 of the Revenue and Taxation Code, and 15% of the District's share of tax revenue generated by assessed valuation growth in excess of the inflationary increase (net of the Housing Set-Aside Amount). The Agency's obligation to make payments pursuant to this agreement is subordinate to the Agency's obligation to pay debt service on the Bonds, provided that the Agency shall, prior to the issuance of the Bonds, provide to the District an opinion of the Agency's Financial Consultant that it is not reasonably foreseeable that payment of debt service on the Bonds will impair the obligations of the Agency under this agreement with the Westside Union School District. **[Bond Counsel to confirm . . .** The Agency will deliver such an opinion of its Financial Consultant to the Westside Union School District prior to the delivery of the Bonds.]

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 November 10, 2015.

TABLE 24
LANCASTER REDEVELOPMENT PROJECT AREAS
Recent Appeals – as of November 10, 2015

HISTORICAL APPEALS – Closed Appeals Reviewed from January 1, 2010 through November 10, 2015							
<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	33	6	\$ 36,914,504	\$ 19,638,736	\$ 17,275,768	\$ 667,037	3.86%
CBD Project	52	13	66,487,374	27,312,001	39,175,373	2,574,868	6.57
Fox Field Project	91	23	155,957,998	87,912,642	68,045,356	5,468,668	8.04
Amargosa Project	460	138	1,181,341,370	643,631,334	537,710,036	54,403,726	10.12
Project No. 5	537	171	531,811,238	228,777,170	303,034,068	35,695,304	11.78
Project No. 6	1,399	534	715,483,722	360,744,046	354,739,676	66,905,987	18.86
Project No. 7	141	38	205,444,907	84,558,809	120,886,098	20,112,891	16.64

PENDING/OUTSTANDING APPEALS – as of November 10, 2015						
<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	36	\$ 46,297,948	\$ 6,601,094	\$ 39,696,854	3.86%	\$ 1,532,741
CBD Project	88	57,863,066	20,300,477	37,562,589	6.57	2,468,865
Fox Field Project	19	117,842,652	71,181,350	46,661,302	8.04	3,750,075
Amargosa Project	155	440,785,424	229,925,284	210,860,140	10.12	21,334,133
Project No. 5	133	266,915,398	91,022,185	175,893,213	11.78	20,718,996
Project No. 6	364	204,541,833	103,622,958	100,918,875	18.86	19,033,893
Project No. 7	50	105,815,262	58,729,979	47,085,283	16.64	7,833,996

Source: *Urban Futures, Inc., with information 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.

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 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 Tax Revenues that have been available to pay debt service on the bonds of the Prior Agency and the Agency (including bonds secured by Pledged Tax Revenues, as well as bonds secured by the entire Housing Set-Aside Amount, but excluding any bonds secured by pass-through amounts) for fiscal years 2006-07 through 2015-16.

Fiscal Year	Assessed Value	Tax Revenues ⁽¹⁾	Available Tax Revenues ⁽²⁾
2006-07	\$7,427,561,936	\$79,659,173	\$21,152,335
2007-08	8,401,684,545	90,082,285	25,748,074
2008-09	8,812,256,087	94,475,400	25,962,021
2009-10	7,576,463,943	66,204,939	21,600,541
2010-11	6,409,536,314	55,395,291	17,496,574
2011-12	6,392,661,204	53,209,699	17,451,843
2012-13	6,338,285,012	53,335,938	17,233,980
2013-14	6,539,684,775	54,555,224	17,944,284
2014-15	7,177,362,052	58,365,800	20,218,109
2015-16 ⁽¹⁾	7,646,654,047	63,058,720	21,842,548

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

(2) Tax Revenues, less County administrative fees and amounts payable pursuant to [senior] Pass-Through Agreements and Statutory Pass-Through Amounts.

(3) Fiscal Year 2015-16 Tax Revenues and Available Tax Revenues are estimated. Available Tax Revenues represent amounts that have been available to pay debt service on the bonds of the Prior Agency and the Agency (including bonds secured by Pledged Tax Revenues, as well as bonds secured by the entire Housing Set-Aside Amount).

Source: *Urban Futures, Inc.*

Projected Taxable Valuation and Tax Revenues

The Agency has retained Urban Futures, Inc. of Orange, California to provide projections of taxable valuation and Tax Revenues from developments in the Project Areas. The Agency believes the assumptions (set forth in the footnotes below and “APPENDIX G – 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 Tax Revenues received during the forecast period may vary from the projections and the variations may be material.

As previously required under the Redevelopment Law and as in effect until the September 22, 2015 enactment of SB 107, the redevelopment plans for the Project Areas state certain limitations on (i) the time through which the Prior Agency and the Agency could receive property taxes and repay indebtedness, and (ii) the maximum amount of tax dollars that may be allocated to the Prior Agency and

the Agency, among other things. These plan limits, as stated in the redevelopment plans for the Project Areas, are summarized in the Table 2 under the caption “THE PROJECT AREAS – Dissolution Act Changes to Certain Limitations and Requirements of the Redevelopment Plans.” As a conservative measure, the following projections continue to reflect the impact of these plan limits on the Tax Revenues from which Pledged Tax Revenues derive. SB 107 amended the Dissolution Act to add provisions stating that for the purposes of the payment of enforceable obligations defined by Section 34171(d)(1)(A) through (G) of the Dissolution Act (which include the Bonds and the Parity Bonds), and for no other purpose whatsoever, the Agency is not subject to the limitations relating to time, number of tax dollars, or any other matters set forth in Sections 33333.2, 33333.4, and 33333.6 of the Redevelopment Law (including plan limits on the receipt of property taxes and the repayment of indebtedness, and on the maximum amount of tax dollars that may be allocated to the Agency under the redevelopment plan). It is not known with certainty how the County Auditor-Controller and the State Department of Finance will actually implement this provision. However, actual Tax Revenues, and therefore, Pledged Tax Revenues, to the extent needed for payment of debt service on the Bonds and the Parity Bonds, will likely not be limited by such plan limits. See “RISK FACTORS – Implementation of Dissolution Act Changes to Limits on Receiving Tax Increment Revenues.”

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A summary of the projected taxable valuation and available Tax Revenues for all Project Areas to pay debt service on the bonds of the Prior Agency and the Agency (including bonds secured by Pledged Tax Revenues, as well as bonds secured by the entire Housing Set-Aside Amount, but excluding any bonds secured by pass-through amounts) combined is as follows:

Fiscal Year Ended	Assessed Valuation ⁽¹⁾	Tax Revenues ⁽²⁾	Available Tax Revenues ⁽³⁾
2016	\$ 7,646,654,047	\$63,058,720	\$21,842,548
2017	7,799,587,128	64,588,051	22,372,624
2018	7,955,578,870	66,147,968	22,913,303
2019	8,114,690,448	67,739,084	23,464,794
2020	8,276,984,257	69,362,022	24,027,316
2021	8,442,523,942	71,017,419	24,601,088
2022	8,611,374,421	72,705,924	25,186,335
2023	8,783,601,909	74,428,198	25,783,288
2024	8,959,273,947	76,184,919	26,392,179
2025	9,138,459,426	77,976,774	27,013,248
2026	9,321,228,615	79,804,465	27,646,739
2027	9,507,653,187	81,668,711	28,292,899
2028	9,697,806,251	83,570,242	28,951,983
2029	9,891,762,376	85,509,803	29,624,248
2030	10,089,597,624	87,488,156	30,309,959
2031	9,739,197,915	84,034,611	29,012,631
2032	9,933,981,873	85,982,450	29,685,741
2033	9,614,406,288	83,406,069	29,039,904
2034	9,806,694,413	85,328,951	29,710,310
2035	7,675,435,586	64,902,751	22,966,808
2036	5,176,703,461	43,473,927	15,445,005
2037	5,280,237,530	44,509,268	15,812,637
2038	5,385,842,280	45,565,315	16,187,622
2039	5,493,559,126	46,642,484	16,570,107

(1) Fiscal Year 2015-16 Assessed Valuation provided by Los Angeles County Auditor-Controller, with projected 2% annual growth thereafter.

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

(3) Available Tax Revenues are Tax Revenues, less County administrative fees, pass through payments pursuant to [senior] Pass-Through Agreements, and Statutory Pass-Through Amounts. Available Tax Revenues represent amounts that have been available to pay debt service on the bonds of the Prior Agency and the Agency (including bonds secured by Pledged Tax Revenues, as well as bonds secured by the entire Housing Set-Aside Amount).

Source: *Urban Futures, Inc.*; see also “APPENDIX G – FINANCIAL ADVISOR’S REPORT.”

The projected available Tax Revenues to pay debt service on the bonds of the Prior Agency and the Agency (including bonds secured by Pledged Tax Revenues, as well as bonds secured by the entire Housing Set-Aside Amount, but excluding any bonds secured by pass-through amounts) for each Project Area, and on a combined basis for all Project Areas, are shown in the following table:

Fiscal Year	Residential Available Tax Revenues	CBD Available Tax Revenues	Fox Field Available Tax Revenues	Amargosa Available Tax Revenues	Project No. 5 Available Tax Revenues	Project No. 6 Available Tax Revenues	Project No. 7 Available Tax Revenues	Combined Available Tax Revenues
2015-16	\$1,478,885	\$289,702	\$615,418	\$5,006,128	\$5,018,724	\$ 8,724,083	\$ 709,608	\$21,842,548
2016-17	1,508,831	297,804	628,668	5,112,132	5,144,093	8,941,471	739,626	22,372,624
2017-18	1,539,376	306,067	642,183	5,220,256	5,271,970	9,163,207	770,244	22,913,303
2018-19	1,570,532	314,496	655,969	5,330,542	5,402,404	9,389,377	801,475	23,464,794
2019-20	1,602,311	323,093	670,030	5,443,035	5,535,447	9,620,071	833,330	24,027,316
2020-21	1,634,725	331,862	684,372	5,557,777	5,671,150	9,855,379	865,822	24,601,088
2021-22	1,667,788	340,807	699,001	5,674,814	5,809,568	10,095,393	898,965	25,186,335
2022-23	1,701,512	349,931	713,923	5,794,191	5,950,754	10,340,207	932,770	25,783,288
2023-24	1,735,910	359,237	729,143	5,915,956	6,094,764	10,589,917	967,251	26,392,179
2024-25	1,770,997	368,729	744,668	6,040,157	6,241,654	10,844,622	1,002,422	27,013,248
2025-26	1,806,785	378,411	760,503	6,166,841	6,391,482	11,104,421	1,038,296	27,646,739
2026-27	1,843,289	388,287	776,655	6,296,060	6,544,306	11,369,416	1,074,888	28,292,899
2027-28	1,880,523	398,360	793,130	6,427,862	6,700,187	11,639,710	1,112,212	28,951,983
2028-29	1,918,501	408,634	809,934	6,562,301	6,859,185	11,915,411	1,150,282	29,624,248
2029-30	1,957,240	419,115	827,074	6,699,428	7,021,364	12,196,625	1,189,113	30,309,959
2030-31	--	429,804	844,557	6,839,298	7,186,786	12,483,464	1,228,721	29,012,631
2031-32	--	440,708	862,390	6,981,966	7,355,516	12,776,040	1,269,121	29,685,741
2032-33	--	--	--	7,127,486	7,527,621	13,074,467	1,310,330	29,039,904
2033-34	--	--	--	7,275,917	7,703,168	13,378,863	1,352,362	29,710,310
2034-35	--	--	--	--	7,882,226	13,689,346	1,395,235	22,966,808
2035-36	--	--	--	--	--	14,006,039	1,438,966	15,445,005
2036-37	--	--	--	--	--	14,329,067	1,483,571	15,812,637
2037-38	--	--	--	--	--	14,658,554	1,529,068	16,187,622
2038-39	--	--	--	--	--	14,994,632	1,575,475	16,570,107

- (1) Available Tax Revenues based on Fiscal Year 2015-16 Assessed Valuation provided by Los Angeles County Auditor-Controller, with projected 2% annual growth thereafter.
- (2) As a conservative measure, the projected Available Tax Revenues continue to reflect the impact of certain plan limits on the Tax Revenues, due to uncertainty regarding how the County Auditor-Controller and the State Department of Finance will implement certain provisions added to the Dissolution Act by SB 107 stating that the Agency is not subject to such limits for the sole purposes of the payment of certain enforceable obligations. See "TAX REVENUES – Projected Taxable Valuation and Tax Revenues" and "RISK FACTORS – Implementation of Dissolution Act Changes to Limits on Receiving Tax Increment Revenues." See also "THE PROJECT AREAS – Dissolution Act Changes to Certain Limitations and Requirements of the Redevelopment Plan."

Source: *Urban Futures, Inc.*; see also "APPENDIX G – FINANCIAL ADVISOR'S REPORT."

Bonds and Parity Bonds Annual Debt Service

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

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

Bond Year Ending (February 1 of)	Parity Bonds Debt Service	Bonds Debt Service*	Total Non-Housing Bonds Debt Service*
2017	\$1,297,306	\$ 3,853,922	\$ 5,151,228
2018	1,297,213	4,026,600	5,323,813
2019	1,292,888	4,044,050	5,336,938
2020	915,675	4,119,550	5,035,225
2021	--	4,858,550	4,858,550
2022	--	4,880,150	4,880,150
2023	--	4,881,750	4,881,750
2024	--	5,193,950	5,193,950
2025	--	4,714,150	4,714,150
2026	--	4,743,350	4,743,350
2027	--	4,751,350	4,751,350
2028	--	4,766,350	4,766,350
2029	--	4,767,600	4,767,600
2030	--	4,770,350	4,770,350
2031	--	4,144,100	4,144,100
2032	--	4,124,850	4,124,850
2033	--	4,133,375	4,133,375
2034	--	3,947,675	3,947,675
2035	--	3,150,700	3,150,700
2036	--	1,777,350	1,777,350
2037	--	1,753,625	1,753,625
2038	--	1,824,938	1,824,938
2039	--	1,836,375	1,836,375
Total:	\$4,803,081	\$91,064,660	\$95,867,741

* Preliminary; subject to change.

Source: Hilltop Securities Inc.

Pledged Tax Revenues and Debt Service Coverage

Set forth below are the estimated Pledged Tax Revenues and debt service coverage of the Parity Bonds and the Bonds using no growth Fiscal Year 2016-17 available Tax Revenues through maturity.

Estimated Debt Service Coverage (No Growth Scenario)

Bond Year Ending (Feb. 1)	No Growth Available Tax Revenues ⁽¹⁾⁽²⁾⁽³⁾	less [Housing] Bonds Debt Service ⁽⁴⁾	Pledged Tax Revenues ⁽³⁾⁽⁵⁾	Non-Housing Debt Service (Parity Bonds and Bonds)*	Non-Housing Debt Service Coverage ^{(6)*}	Combined Coverage ([Housing] & Non-Housing)*
2016-17	\$21,842,548	\$7,864,054	\$29,706,602	\$ 5,151,228	5.77x	1.68x
2017-18	21,842,548	7,858,400	29,700,948	5,323,813	5.58x	1.66x
2018-19	21,842,548	7,855,044	29,697,592	5,336,938	5.56x	1.66x
2019-20	21,842,548	7,848,675	29,691,223	5,035,225	5.90x	1.70x
2020-21	21,842,548	7,840,969	29,683,517	4,858,550	6.11x	1.72x
2021-22	21,842,548	7,846,300	29,688,848	4,880,150	6.08x	1.72x
2022-23	21,842,548	7,835,181	29,677,729	4,881,750	6.08x	1.72x
2023-24	21,842,548	7,828,313	29,670,860	5,193,950	5.71x	1.68x
2024-25	21,842,548	7,825,050	29,667,598	4,714,150	6.29x	1.74x
2025-26	21,842,548	7,814,472	29,657,020	4,743,350	6.25x	1.74x
2026-27	21,842,548	7,815,144	29,657,692	4,751,350	6.24x	1.74x
2027-28	21,842,548	7,804,894	29,647,442	4,766,350	6.22x	1.74x
2028-29	21,842,548	7,800,056	29,642,604	4,767,600	6.22x	1.74x
2029-30	21,842,548	7,791,556	29,634,104	4,770,350	6.21x	1.74x
2030-31	20,363,663	7,789,447	28,153,110	4,144,100	6.79x	1.71x
2031-32	20,363,663	7,425,919	27,789,581	4,124,850	6.74x	1.76x
2032-33	19,458,543	7,417,709	26,876,252	4,133,375	6.50x	1.68x
2033-34	19,458,543	7,269,428	26,727,971	3,947,675	6.77x	1.73x
2034-35	14,452,415	7,070,997	21,523,412	3,150,700	6.83x	1.41x
2035-36	9,433,691	4,691,550	14,125,241	1,777,350	7.95x	1.46x
2036-37	9,433,691	1,714,719	11,148,409	1,753,625	6.36x	2.72x
2037-38	9,433,691	1,713,641	11,147,331	1,824,938	6.11x	2.67x
2038-39	9,433,691	1,706,031	11,139,722	1,836,375	6.07x	2.66x

* Preliminary; subject to change.

- (1) No Growth Available Tax Revenues are Tax Revenues, less County administrative fees and amounts payable pursuant to [senior] Pass-Through Agreements and Statutory Pass-Through Amounts. See "TAX REVENUES – Projected Taxable Valuation and Tax Revenues" and "APPENDIX G – FINANCIAL ADVISOR'S REPORT."
- (2) No Growth Available Tax Revenues are based on Fiscal Year 2015-16 Assessed Valuation provided by Los Angeles County Auditor Controller's office, with no assumed annual growth thereafter. Based on 1% tax rate, and includes \$210,618 of Unitary Revenues with no growth.
- (3) As a conservative measure, the No Growth Available Tax Revenues and Pledged Tax Revenues continue to reflect the impact of certain plan limits on the Tax Revenues, due to uncertainty regarding how the County Auditor-Controller and the State Department of Finance will implement certain provisions added to the Dissolution Act by SB 107 stating that the Agency is not subject to such limits for the sole purposes of the payment of certain enforceable obligations. See "TAX REVENUES – Projected Taxable Valuation and Tax Revenues" and "RISK FACTORS – Implementation of Dissolution Act Changes to Limits on Receiving Tax Increment Revenues."
- (4) Includes the 2003 Housing Bonds, the 2009 [Housing] Bonds, and the 2015 [Housing] Bonds.
- (5) Pledged Tax Revenues are No Growth Available Tax Revenues less [Housing] Bonds Debt Service.
- (6) 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."

Source: Hilltop Securities Inc., based on Available Tax Revenues provided by Urban Futures, Inc.

Set forth below are the estimated Pledged Tax Revenues and debt service coverage of the Parity Bonds and the Bonds using a 2% annual growth scenario for Fiscal Year 2016-17 available Tax Revenues through maturity.

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

Bond Year Ending (Feb. 1)	Available Tax Revenues (1)(2)(3)	less [Housing] Bonds Debt Service⁽⁴⁾	Pledged Tax Revenues⁽³⁾⁽⁵⁾	Non-Housing Debt Service (Parity Bonds and Bonds)*	Non-Housing Debt Service Coverage^{(6)*}	Combined Coverage ([Housing] & Non- Housing)*
2016-17	\$22,372,624	\$7,864,054	\$30,236,678	\$ 5,151,228	5.87x	1.72x
2017-18	22,913,303	7,858,400	30,771,703	5,323,813	5.78x	1.74x
2018-19	23,464,794	7,855,044	31,319,838	5,336,938	5.87x	1.78x
2019-20	24,027,316	7,848,675	31,875,991	5,035,225	6.33x	1.86x
2020-21	24,601,088	7,840,969	32,442,057	4,858,550	6.68x	1.94x
2021-22	25,186,335	7,846,300	33,032,635	4,880,150	6.77x	1.98x
2022-23	25,783,288	7,835,181	33,618,469	4,881,750	6.89x	2.03x
2023-24	26,392,179	7,828,313	34,220,491	5,193,950	6.59x	2.03x
2024-25	27,013,248	7,825,050	34,838,298	4,714,150	7.39x	2.15x
2025-26	27,646,739	7,814,472	35,461,211	4,743,350	7.48x	2.20x
2026-27	28,292,899	7,815,144	36,108,043	4,751,350	7.60x	2.25x
2027-28	28,951,983	7,804,894	36,756,877	4,766,350	7.71x	2.30x
2028-29	29,624,248	7,800,056	37,424,304	4,767,600	7.85x	2.36x
2029-30	30,309,959	7,791,556	38,101,515	4,770,350	7.99x	2.41x
2030-31	29,012,631	7,789,447	36,802,078	4,144,100	8.88x	2.43x
2031-32	29,685,741	7,425,919	37,111,660	4,124,850	9.00x	2.57x
2032-33	29,039,904	7,417,709	36,457,613	4,133,375	8.82x	2.51x
2033-34	29,710,310	7,269,428	36,979,738	3,947,675	9.37x	2.65x
2034-35	22,966,808	7,070,997	30,037,804	3,150,700	9.53x	2.25x
2035-36	15,445,005	4,691,550	20,136,555	1,777,350	11.33x	2.39x
2036-37	15,812,637	1,714,719	17,527,356	1,753,625	9.99x	4.56x
2037-38	16,187,622	1,713,641	17,901,263	1,824,938	9.81x	4.57x
2038-39	16,570,107	1,706,031	18,276,138	1,836,375	9.95x	4.68x

* Preliminary; subject to change.

(1) Available Tax Revenues are Tax Revenues, less County administrative fees and amounts payable pursuant to [senior] Pass-Through Agreements and Statutory Pass-Through Amounts. See "TAX REVENUES – Projected Taxable Valuation and Tax Revenues" and "APPENDIX G – FINANCIAL ADVISOR'S REPORT."

(2) Commencing Fiscal Year 2016-17, assumes 2% projected annual assessed valuation growth over Fiscal Year 2015-16 actual assessed valuation and projected 2% assessed valuation growth annually thereafter. See "TAX REVENUES – Projected Taxable Valuation and Tax Revenues" and "APPENDIX G – FINANCIAL ADVISOR'S REPORT."

(3) As a conservative measure, the Available Tax Revenues and Pledged Tax Revenues continue to reflect the impact of certain plan limits on the Tax Revenues, due to uncertainty regarding how the County Auditor-Controller and the State Department of Finance will implement certain provisions added to the Dissolution Act by SB 107 stating that the Agency is not subject to such limits for the sole purposes of the payment of certain enforceable obligations. See "TAX REVENUES – Projected Taxable Valuation and Tax Revenues" and "RISK FACTORS – Implementation of Dissolution Act Changes to Limits on Receiving Tax Increment Revenues."

(4) Includes the 2003 Housing Bonds, the 2009 [Housing] Bonds, and the 2015 [Housing] Bonds.

(5) Pledged Tax Revenues are Available Tax Revenues less [Housing] Bonds Debt Service.

(6) 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."

Source: Hilltop Securities Inc., based on Available Tax Revenues provided by Urban Futures, Inc.

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 Years 2012-13, 2013-14, and 2014-15, the County's administrative charge to the Agency was \$1,039,893, \$976,331, and \$_____, respectively. The County's administrative charge to the Agency for the Project Areas for Fiscal Year 2015-16 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 B – SUMMARY OF THE INDENTURE") 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. Annually by each February 1, 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.

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" 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 XIIC and XIID 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 XIIC 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 XIIC and Article XIID 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.

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 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 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 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 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 Years 2012-13 and 2013-14, the inflationary value adjustment was 2.00%, which is the maximum permissible increase under Article XIII A. For Fiscal Year 2014-15, the inflationary value adjustment is 0.454%. For Fiscal Year 2015-16, the inflationary value adjustment is 1.998%. 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 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 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 Parity Bonds and the Bonds.

Implementation of Dissolution Act Changes to Limits on Receiving Tax Increment Revenues

As previously required under the Redevelopment Law, the redevelopment plans for the Project Areas contain certain limitations on (i) the time through which the Prior Agency (and, prior to SB 107, the Agency) could receive property taxes and repay indebtedness, and (ii) the maximum amount of tax dollars that may be allocated to the Prior Agency (and, prior to SB 107, the Agency). Prior to the enactment of SB 107, upon the respective termination dates, debt service on the Bonds would become payable solely from tax increment revenues allocated to the remaining Project Areas. SB 107 amended the Dissolution Act with new provisions stating that for the purposes of the payment of enforceable obligations defined by Section 34171(d)(1)(A) through (G) of the Dissolution Act (which include the Bonds and the Parity Bonds), and for no other purpose whatsoever, the Agency is not subject to the limitations relating to time, number of tax dollars, or any other matters set forth in Sections 33333.2, 33333.4, and 33333.6 of the Redevelopment Law (including plan limits on the receipt of property taxes and the repayment of indebtedness, and on the maximum amount of tax dollars that may be allocated to the Agency under the redevelopment plan, but excluding the limit on total bonded indebtedness). It is not known with certainty how the County Auditor-Controller and the State Department of Finance will actually implement this provision. Although the Agency expects, based on these changes to the Dissolution Act, that actual Pledged Tax Revenues, to the extent needed for payment of debt service on the Bonds and the Parity Bonds, will likely not be limited by such plan limits, no assurance can be given that a different outcome would not occur, which could have an adverse effect on the Agency's ability to pay the principal of and interest on the Parity Bonds and the Bonds subsequent to the expiration of the respective time limits stated in the redevelopment plans for the Project Areas.

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, in December 2011, AB X1 27 was found 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. The State's budgets for fiscal years 2013-14 and 2014-15 did not include any additional legislation dealing with dissolution of redevelopment agencies.

In response to the volatility of capital gains tax revenues, which comprise a significant portion of the State's revenues, and the resulting boom-and-bust budget cycles, the State Legislature placed a constitutional amendment on the November 2014 ballot, referred to as Proposition 2, which was passed by the voters. Proposition 2 requires, among other things, beginning in fiscal year 2015-16 and annually thereafter, a transfer of 1.5% of estimated general fund revenues to the state budget stabilization account (the State's "Rainy Day Fund"), and a deposit of personal capital gains tax revenues exceeding 8 percent of General Fund revenues (up to a maximum Rainy Day Fund balance equal to 10 percent of State General Fund revenues). In addition, Proposition 2 requires half of each year's deposit into the Rainy Day Fund for the next 15 years to be used for supplemental payments to reduce the State's long-term debt or other long-term liabilities. The State deposited funds into the Rainy Day Fund previously in fiscal years 2006-07 and 2007-08, for a total rainy-day fund of \$1.5 billion, but the fund was emptied when revenues plummeted during the financial crisis. Since fiscal year 2007-08, governors have suspended the Rainy Day Fund deposit each year. Proposition 2 allows limited use of funds in case of emergency or if there is a State budget deficit.

On June 19, 2015, the Governor signed into law the State budget for fiscal year 2015-16 (the "2015-16 State Budget"). The following information is drawn from the State Department of Finance's summary (the "2015-16 Budget Summary") of the 2015-16 State Budget. The 2015-16 State Budget is based on revenue projections previously included in the Governor's May revision to the proposed budget for fiscal year 2015-16. The 2015-16 State Budget projects total state general fund revenues and transfers for fiscal year 2015-16 of approximately \$115 billion and total State general fund expenditures of approximately \$115 billion, leaving the State with a projected general fund surplus for fiscal year 2015-16 of approximately \$2.09 billion. This amount is approximately \$275 million less than the State general fund balance in fiscal year 2014-15, but the State's Rainy Day Fund balance is projected to increase from approximately \$1.6 billion to \$3.46 billion.

Although no trailer bills affecting or amending the Dissolution Act were passed at or around the time the 2015-16 State Budget was adopted, SB 107 was subsequently approved by both houses of the State Legislature on September 11, 2015 and signed by the Governor into law on September 22, 2015. SB 107 was styled and enacted as a bill related to the State's 2015-16 State Budget.

Governor's Proposed 2016-17 State Budget

On January 7, 2016, California Governor Brown released the proposed fiscal year 2016-17 State budget. The following information is drawn from the State Department of Finance's summary (the "2016-17 Proposed Budget Summary") of the Governor's proposed 2016-17 State Budget. The 2016-17

Proposed Budget Summary projects total state general fund revenues and transfers for fiscal year 2016-17 of approximately \$120.6 billion and total State general fund expenditures of approximately \$122.6 billion, leaving the State with a projected general fund surplus for fiscal year 2016-17 of approximately \$3.2 billion. This amount is approximately \$1.97 billion less than the revised, projected State general fund balance in fiscal year 2015-16. However, the 2016-17 Proposed Budget Summary projects that by the end of fiscal year 2016-17, the State's Rainy Day Fund will have a total balance of \$8.01 billion, increasing from a revised projected balance for the Rainy Day Fund of approximately \$4.46 billion at the end of fiscal year 2015-16. The 2016-17 Proposed Budget Summary states that under Proposition 2, the balance for the Rainy Day Fund would grow to \$6 billion in 2016-17, or 48% of its full amount (being 10 percent of State General Fund revenues). The 2016-17 Proposed Budget Summary further indicates that the Governor's proposed 2016-17 budget, if adopted, would make an additional \$2 billion deposit, bringing the Rainy Day Fund balance to \$8 billion, or 65% of the targeted full amount. However, the 2016-17 Proposed Budget Summary also notes that, since 2000, the State's short periods of balanced budgets have been followed by massive budget shortfalls – the sum of all of the deficits during this period being seven times greater than the sum of all of the surpluses. The 2016-17 Proposed Budget Summary indicates that the State has \$224 billion in long-term costs, debts, and liabilities, with the vast majority (approximately \$220 billion) being related to retirement costs of the State and University of California employees. Therefore, the Governor intends to negotiate with its other bargaining units during fiscal year 2016-17 to implement critical, cost-sharing agreements as part of labor contracts, which are estimated to save \$240 billion statewide over the next 50 years. The Governor's proposed 2016-17 State budget does not propose 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 2015-16 Budget Summary, the current State budget, the 2016-17 Proposed Budget Summary, 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 and the Underwriter make 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 annual 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 an annual 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 semiannually 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 pass-through payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including Statutory Pass-Through Amounts; (ii) second, on each January 2 (with respect to approved enforceable obligations payable during January 1 through June 30) and June 1 (with respect to approved enforceable obligations payable during July 1 through December 31), 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 pass-through 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 distribution date 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:

(i) scheduled debt service on the Bonds and the Parity Bonds and any amount required under the Indenture, the Parity Bonds Indenture, and any Supplemental Indenture to replenish the Reserve Account established thereunder, and

(ii) amounts due to any bond insurer under an insurance or surety bond agreement,

in Recognized Obligation Payment Schedules for each annual period beginning on July 1 of any calendar year and ending on June 30 of the next calendar year, or such other period as provided in the Dissolution Act (a “ROPS Period”), so as to enable the Auditor-Controller of the County of Los Angeles 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 Bonds and Parity Bonds coming due in the respective ROPS Period and to pay amounts owed to any bond insurer, as well as the other amounts set forth above.

In order to accomplish the foregoing, on or before each February 1 (or at such earlier time as may be required by the Dissolution Act), for so long as any Bonds or Parity Bonds are outstanding, the Successor Agency shall submit an Oversight Board-approved Recognized Obligation Payment Schedule to the State Department of Finance and to the Auditor-Controller of the County of Los Angeles that shall include (i) all debt service due on the Bonds and the Parity Bonds coming due during the applicable ROPS Period as well as all amounts due and owing to any bond insurer, and (ii) any amount required to cure any deficiency in the Reserve Account pursuant to the Indenture, the Parity Bonds Indenture, or any Supplemental Indenture (including any amounts required due to a draw on the Qualified Reserve Account Credit Instrument as well as all amounts due and owing to the [Insurer] under the Indenture).

In the event the provisions set forth in the Dissolution Act as of the Closing Date of the Bonds that relate to the filing of Recognized Obligation Payment Schedules are amended or modified in any manner, the Agency agrees in the Indenture to take all such actions as are necessary to comply with such amended or modified provisions so as to ensure the timely payment of debt service on the Bonds and the Parity Bonds and, if the timing of distributions of the Redevelopment Property Tax Trust Fund is changed, the receipt of all debt service due during each calendar year on all Outstanding Bonds and Parity Bonds prior to June 1 of such calendar year

See “APPENDIX B – SUMMARY OF THE INDENTURE.”

The Dissolution Act, as amended by AB 1484, also provides for certain penalties in the event the Agency does not timely submit a Recognized Obligation Payment Schedule for an annual period. Specifically, a Recognized Obligation Payment Schedule is 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 each February 1 (commencing with the Recognized Obligation Payment Schedule for the period from July 1, 2016 through June 30, 2017). 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 Dissolution Act provides that the Agency’s administrative cost allowance is reduced by 25% if the Agency does not submit an annual Recognized Obligation Payment Schedule within 10 days after the February 1 deadline.

For a discussion of the Agency’s history with respect to submittals of Recognized Obligation Payment Schedules, see “SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule – *Amounts Received for Prior ROPS Periods.*”

Last and Final Recognized Obligation Payment Schedule

SB 107 amended the Dissolution Act to permit certain successor agencies with limited remaining obligations to submit a voluntary and optional Last and Final ROPS for approval by the oversight board and DOF. The Last and Final ROPS must list the remaining enforceable obligations of the successor agency, including the total outstanding obligation amount and a schedule of remaining payments for each enforceable obligation to be funded from the Redevelopment Property Tax Trust Fund, bond proceeds, or other legally or contractually dedicated or restricted funding sources. The Last and Final ROPS will also establish the maximum amount of Redevelopment Property Tax Trust Fund to be distributed to the successor agency for each remaining fiscal year until all obligations have been fully paid.

Any revenues, interest, and earnings of the successor agency that are not authorized for use pursuant to the approved Last and Final ROPS shall be remitted to the county auditor-controller for distribution to the affected taxing entities. Notwithstanding provisions in the Dissolution Act concerning disposition of real property pursuant to a successor agency's long-range property management plan, proceeds from the disposition of real property subsequent to the approval of the Last and Final ROPS that are not necessary for the payment of an enforceable obligation shall be remitted to the county auditor-controller for distribution to the affected taxing entities. A successor agency may not expend more than the amount approved for each enforceable obligation listed on the approved Last and Final ROPS, and once the successor agency has received Redevelopment Property Tax Trust Fund moneys equal to the amount of the total outstanding obligations approved in the Last and Final ROPS, the county auditor-controller will not allocate further Redevelopment Property Tax Trust Fund moneys to the successor agency's Redevelopment Property Tax Trust Fund.

Successor agencies may only amend an approved Last and Final ROPS twice. If the Agency receives insufficient funds in any given period after a Last and Final ROPS has been approved, the Dissolution Act provides that the County treasurer may loan, and the City may loan or grant, funds to the Agency for the payment of enforceable obligations. Any such loans may not include an interest component and must be repaid from the source of funds approved for payment of the underlying enforceable obligation once sufficient funds become available. The Dissolution Act further provides that any such loan may not increase the total amount of Redevelopment Property Tax Trust Fund received by the Agency as approved on the Last and Final ROPS. In any event, if the Agency prepares and obtains DOF approval of a Last and Final ROPS and subsequently amends the Last and Final ROPS two times, the Agency may be unable to make unexpected or unscheduled reserve deposits or payments due to any Insurer of Bonds or Parity Bonds.

See "SECURITY FOR THE BONDS—Last and Final Recognized Obligation Payment Schedule – *Optional Last and Final ROPS*."

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 Parity Bonds and the Bonds.

Estimated Revenues

In estimating that Pledged Tax Revenues will be sufficient to pay debt service on the 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 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 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 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 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 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 B – SUMMARY OF THE INDENTURE” 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 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 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 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 Parity Bonds.

CONCLUDING INFORMATION

Underwriting

The 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 Bonds is \$_____. The Underwriter intends to offer the Bonds to the public initially at the respective yields set forth on the inside 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 Bonds and stating that interest on the 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 Bonds at the expense of the Agency. The legal opinions are only as to legality and are not intended to be nor are they to be interpreted or relied upon as a disclosure document or an express or implied recommendation as to the investment quality of the Bonds.

A copy of the proposed form of Bond Counsel's final approving opinion with respect to the Bonds is attached hereto as APPENDIX C.

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. Certain legal matters will also be passed upon for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California, as Underwriter's Counsel. Payment of the fees of Bond Counsel, Disclosure Counsel and Underwriter's Counsel is contingent upon the sale and delivery of the Bonds.

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, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method,

and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

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

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds).

SUBSEQUENT TO THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE BONDS OR THE MARKET VALUE OF THE BONDS. LEGISLATIVE CHANGES HAVE BEEN INTRODUCED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME OR STATE TAX BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the Closing Date. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur.

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

A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX C.

Verification

Grant Thornton LLP, Minneapolis, Minnesota, 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 Grant Thornton LLP 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. Section 34177.5 of the Dissolution Act provides that any bonds authorized under such section (including the Bonds) shall be considered indebtedness incurred by the Prior Agency, with the same legal effect as if the bonds has been issued prior to June 29, 2011, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date.

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 "___" to the Bonds with the understanding that, upon delivery of such Bonds, the Insurance Policy insuring the payment when due of the principal of and interest on the Bonds will be issued by _____. Standard & Poor's has assigned their underlying municipal rating of "___" the 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 among the Agency, Urban Futures, Inc., as Dissemination Agent (the "Dissemination Agent"), and U.S. Bank National Association as trustee (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 "TAX REVENUES – Schedule of Historical Incremental Revenues." See "APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT" for additional information. 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 E – 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.

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, in the opinion of nationally recognized bond counsel, 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; and (3) the proposed amendment or waiver either (i) is approved by Owners in the manner provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners.

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 E – FORM OF CONTINUING DISCLOSURE AGREEMENT."

Presentation of Agency Financial Statements Subsequent to Statutory Dissolution

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. The final seven months of activity of the Prior Agency prior to its February 1, 2012 dissolution were reported in the governmental funds of the City in the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012.

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."

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 are reported 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 March 3, 2015, interpreting Section 34177(n) of the California Health and Safety Code concerning certain successor agency postaudit obligations.

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, commencing in fiscal year ended June 30, 2012, are reported in a special fund (the Housing Authority Special Revenue Fund) in the City's Comprehensive Annual Financial Report.

See "APPENDIX F – Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2015," and in particular Notes 15 and 16 therein regarding "Changes in Legislation Affecting California Redevelopment Agencies" and "Successor Agency Disclosures," respectively.

The State Department of Finance's website is not in any way incorporated into this Official Statement, and the Agency and the Underwriter 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.

Continuing Disclosure History

[update] The Prior Agency previously entered into continuing disclosure agreements with respect to fourteen issues of tax allocation bonds and one lease revenue bond issue which have been outstanding within the past five years (the "Prior Continuing Disclosure Agreements"). Twelve of the Prior Continuing Disclosure Agreements include a January 31 filing date for the annual reports described therein, and three of the Prior Continuing Disclosure Agreements include a December 31 filing date for the annual reports described therein. The annual reports required under each of the Prior Continuing Disclosure Agreements consist of two components: (i) updates as to certain information presented in the official statements with respect to the respective bond issue (the "Updated Operating and Financial Data"), and (ii) annual financial statements.

Pursuant to the Prior Continuing Disclosure Agreements, the Prior Agency and the Agency have timely filed the portion of the annual reports comprised of the Updated Operating and Financial Data for each of the last five years, with one minor exception. The Updated Operating and Financial Data due December 31, 2012 for three of the Prior Continuing Disclosure Agreements was filed one day late, on January 1, 2013.

The portions of the annual reports comprised of the Updated Operating and Financial Data for the past five years were substantially complete, in that information was provided with respect to each category of information specified by the respective Prior Continuing Disclosure Agreements. However, based on a detailed review conducted by the Dissemination Agent in November 2014 of the Prior Agency and Agency's compliance with the Prior Continuing Disclosure Agreements for the prior five years, the Agency discovered that certain of the Updated Operating and Financial Data deviated in presentation format or did not satisfy the technical details within each category of information required by the Prior Continuing Disclosure Agreements. For instance, some of the bonds subject to the Prior Continuing Disclosure Agreements were secured by loan payments from several loan agreements, each pertaining to a separate project area, and the applicable Continuing Disclosure Agreement specified that reserve account balances and the reserve requirement with respect to each loan be provided; however, the Updated Operating and Financial Data only included the aggregate reserve account balance and aggregate reserve requirement with respect to the bonds, and not the components loans contributing to the bonds. As another example, some of the Prior Continuing Disclosure Agreements required a summary of tax increment levies, collections and delinquencies in each of the Project Areas, but the delinquency information was omitted from such summaries in earlier years within the five-year review period. On March 2, 2015, updates to the prior annual reports commencing 2008-09 through 2013-14 were filed with the MRSB to correct such prior disclosure issues concerning Updated Operating and Financial Data under the Prior Continuing Disclosure Agreements, regardless of whether such disclosure issues might be considered immaterial or not in view of the balance of the information provided.

As to the portion of the annual reports consisting of annual financial statements, there were certain failures in complying with the Prior Continuing Disclosure Agreements within the past five years. With respect to the eleven issues of tax allocation bonds with filing dates of January 31, the financial statements were timely filed for the past two years (i.e., by January 31, 2015 and by January 31, 2014), but in prior years (due January 31, 2010 through January 31, 2013), the financial statements were filed late, ranging from 7 days to 74 days after the January 31 deadline. With respect to the three issues of tax

allocation bonds with filing dates of December 31, the financial statements timely filed for the past year (i.e., by December 31, 2014), but in prior years (due December 31, 2010 through December 31, 2013), the financial statements were filed late, ranging from 31 days to 98 days after the December 31 deadline. Also, with respect to the lease revenue bond issue, the Prior Agency as issuer and the City as underlying obligor were both responsible for causing the City's financial statements to be filed by January 31 annually, but the Dissemination Agent inadvertently filed the Prior Agency's financial statements for fiscal years ended June 30, 2010 and June 30, 2011 instead of the City's financial statements; on March 2, 2015, the City's financial statements, which had been filed with the MSRB with respect to other City bonds, were also linked to the lease revenue bonds to remedy this error. The financial statements for fiscal year ended June 30, 2012 involved complications in preparation due to the dissolution of the Prior Agency in such year and therefore were not completed by the Agency until January 30, 2013. Otherwise, the late financial statements filings were due in large part to lapses and coordination issues at the Dissemination Agent, which the Dissemination Agent has addressed by instituting new procedures and changes in its operational practices to be more proactive with clients in preparing and obtaining the various items required for continuing disclosure, including financial statements. These changes at the Dissemination Agent have resulted in the timely filings for the most recent years.

Finally, under the Prior Continuing Disclosure Agreements, the Prior Agency also covenanted to provide notice of certain listed events, if material. Because all of the Prior Continuing Disclosure Agreements were entered into prior to the December 1, 2010 effective date of certain amendments to SEC Rule 15c2-12, the Prior Continuing Disclosure Agreements do not include a time frame within which a notice of listed event must be filed. Through the detailed review conducted by the Dissemination Agent in November 2014 of the Prior Agency and Agency's compliance with the Prior Continuing Disclosure Agreements for the prior five years, the Agency discovered that notices has not been filed with respect to certain rating changes – mostly with respect to changes in the ratings of bond insurers insuring certain of the applicable bond issues. On March 2, 2015, a notice was filed with the MSRB presenting tables of historical ratings changes for the bonds subject to the Prior Continuing Disclosure Agreements, to fill any gaps that had occurred in disclosures regarding these rating changes, regardless of whether such rating changes might be considered immaterial or not in view of the circumstances under which they occurred.

As described above, the Dissemination Agent has instituted new procedures and changes in its operational practices to assure future compliance and coordination with the Agency for complete and timely continuing disclosure filings. In addition, in cooperation with the Dissemination Agent, the City's Finance Department adopted in March 2015 an internal continuing disclosure policy relating to the City and all related entities, including the Agency, to assist compliance with the continuing disclosure undertakings of the City, the Agency, and other related entities of the City. Therefore, the Agency believes that its procedures with the Dissemination Agent will be sufficient in the normal due course to assure substantial compliance with its continuing disclosure undertakings in the future.

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.

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.

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

APPENDIX A

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 as a general law city. On April 13, 2010, the qualified electors within the City voted to convert the City to a charter city. The City maintains a council-manager form of government. The mayor and city council are elected at large for staggered four-year terms.

The City is at an elevation of 2,356 feet and experiences a dry climate. The average annual rainfall is 7.36 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, 2015 was estimated to be 160,784. 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 2006 through 2015⁽¹⁾

<u>Calendar Year</u>	<u>City of Lancaster</u>	<u>County of Los Angeles</u>	<u>State of California</u>
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	159,956	10,054,852	38,357,121
2015	160,784	10,136,559	38,714,725

(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 2014 annual estimated unemployment rate for the City was 9.2 percent, and that for the County was 8.3 percent. The following table shows certain employment statistics for the City, the County, and the State for calendar years 2004 through 2014.

CITY OF LANCASTER
City and County Employment Statistics
Calendar Years 2004 through 2014 ⁽¹⁾

Year	City			County	State
	Labor Force	Employed	Unemployment Rate	Unemployment Rate	Unemployment Rate
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
2014 ⁽²⁾	64,100	58,200	9.2	8.3	7.5

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

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

Source: State of California, Employment Development Department.

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The City serves as a primary commercial center of the Antelope Valley, which covers 3,514.2 square miles of area and includes the City and the cities of Palmdale, Tehachapi, and Ridgecrest. The table below lists the ten largest employers in the Antelope Valley area for 2015. Major private employers in the area include those in the military, health care, and retail industries. Major public sector employers include the County and a local school district.

**ANTELOPE VALLEY AREA
MAJOR EMPLOYERS**

	Name of Company	Employees	Percentage of Total Valley Employment
1.	Edwards Air Force Base	10,647	13.88%
2.	China Lake Navel Weapons Center	6,690	8.72
3.	County of Los Angeles	3,743	4.88
4.	Lockheed Martin	3,700	4.82
5.	Antelope Valley Hospital	2,300	3.00
6.	Northrop Grumman	2,100	2.74
7.	Wal Mart Stores (5)	1,922	2.51
8.	California Correctional Institute	1,915	2.50
9.	Antelope Valley Mall	1,800	2.35
10.	Palmdale School District	1,792	2.34
	Total	36,609	47.74%
	Total Antelope Valley Employment	76,690	100.00%

Source: City of Lancaster Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2015.

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The following table summarizes the civilian labor force in the County for the calendar years 2010 through 2014. 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 2010-2014

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014⁽³⁾</u>
Total Farm	6,200	5,600	5,400	5,500	5,300
Mining and Logging	4,100	4,000	4,300	4,600	4,700
Construction	104,500	105,000	109,100	116,500	120,200
Manufacturing	373,200	366,800	367,200	366,500	364,900
Trade, Transportation and Utilities	739,900	749,900	766,600	780,700	800,700
Information	191,500	191,900	191,400	197,300	195,900
Financial Activities	209,500	208,400	210,700	211,800	209,700
Professional and Business Services	527,500	542,900	570,000	590,300	609,400
Educational and Health Services	637,200	643,100	674,100	713,400	748,000
Leisure and Hospitality	384,800	394,600	415,300	436,700	464,600
Other Services	136,700	136,900	141,600	145,500	151,700
Government	<u>579,600</u>	<u>565,500</u>	<u>556,800</u>	<u>549,200</u>	<u>556,700</u>
Total All Industries ⁽¹⁾	<u>3,894,600</u>	<u>3,914,600</u>	<u>4,012,300</u>	<u>4,118,000</u>	<u>4,231,700</u>
Total Civilian Labor Force ⁽²⁾	4,916,300	4,936,400	4,901,300	4,960,300	5,025,900
Total Unemployment	617,900	604,900	535,500	489,600	415,100
Unemployment Rate	12.6%	12.3	10.9%	9.9%	8.3%

(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 six calendar years.

CITY OF LANCASTER Residential Building Permits and Valuation, 2009-2014

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014⁽¹⁾</u>
Residential						
New Single-Dwelling	\$36,510,555	\$58,272,395	\$42,076,014	\$47,741,219	\$47,326,884	\$25,862,234
New Multi-Dwelling	<u>10,440,777</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Residential	<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>	<u>\$25,862,234</u>
No. of New Dwelling Units						
Single-Dwelling	187	277	175	192	177	93
Multi-Dwelling	<u>80</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Units	<u>267</u>	<u>277</u>	<u>175</u>	<u>192</u>	<u>177</u>	<u>93</u>

(1) Most recent annual information available.
Source: U.S. Census Bureau.

Commercial Activity

The following table summarizes the annual volume of taxable transactions within the City for calendar years 2010 through 2013.

CITY OF LANCASTER Taxable Transactions Calendar Years 2010 through 2013 (in Thousands of Dollars)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013⁽¹⁾</u>
Retail and Food Services				
Motor Vehicle and Parts Dealers	\$ 166,140	\$ 226,895	\$ 266,905	\$ 283,465
Home Furnishings and Appliance Stores	17,116	16,110	16,442	16,672
Bldg. Matrl. and Garden Equip. and Supplies	71,768	76,981	79,791	83,704
Food and Beverage Stores	63,096	64,123	67,154	68,421
Gasoline Stations	140,330	197,750	214,647	205,932
Clothing and Clothing Accessories Stores	33,579	35,643	36,747	38,595
General Merchandise Stores	275,453	280,122	287,678	282,074
Food Services and Drinking Places	144,335	149,233	156,248	159,702
Other Retail Group	86,729	89,160	88,161	91,339
Subtotal (Retail and Food Services)	<u>\$ 998,547</u>	<u>\$1,136,017</u>	<u>\$1,213,772</u>	<u>\$1,229,905</u>
All Other Outlets	315,548	336,774	350,112	356,628
All Outlets	<u>\$1,314,095</u>	<u>\$1,472,791</u>	<u>\$1,563,884</u>	<u>\$1,586,533</u>

(1) 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**

2015-16 Assessed Valuation: \$10,108,446,108

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 2/1/16</u>
Antelope Valley Joint Community College District	33.626%	\$ 46,680,713
Antelope Valley Union High School District	38.198	25,670,917
Eastside Union School District	60.021	4,579,228
Lancaster School District	97.068	43,076,803
Westside Union School District	28.983	19,307,422
Westside Union School District Community Facilities Districts	100.	20,684,866
City of Lancaster Community Facilities Districts	100.	4,563,890
City of Lancaster 1915 Act Bonds	100.	1,370,000
Los Angeles County Regional Park and Open Space Assessment District	0.793	<u>401,337</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$166,335,176
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles County General Fund Obligations	0.793%	\$14,154,604
Los Angeles County Superintendent of Schools Certificates of Participation	0.793	62,999
Antelope Valley Joint Community College District Certificates of Participation	33.626	6,990,845
Eastside Union School District Certificates of Participation	60.021	2,100,735
Lancaster School District Certificates of Participation	97.068	7,658,665
Los Angeles County Sanitation District No. 14 Certificates of Participation	75.547	1,742,436
City of Lancaster Power Authority Revenue Bonds	100.	<u>23,745,000</u> ⁽¹⁾
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$56,455,284
Less: Lancaster Power Authority Revenue Bonds supported by solar utility revenues		<u>23,745,000</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$32,710,284
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>		
City of Lancaster Tax Allocation Bonds	100. %	\$210,915,000
City of Lancaster Lease Revenue Bonds	100.	<u>4,810,000</u>
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$215,725,000
 GROSS COMBINED TOTAL DEBT		\$438,515,460 ⁽²⁾
NET COMBINED TOTAL DEBT		\$414,770,460

(1) Excludes refunding tax allocation bonds to be sold.

(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy bonds are included based on principal due at maturity.

Ratios to 2015-16 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.65%
Total Gross Direct Debt (\$23,745,000).....	0.23%
Total Net Direct Debt (\$0)	0.00%
Gross Combined Total Debt.....	4.34%
Net Combined Total Debt	4.10%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$6,285,876,177):

Total Overlapping Tax Increment Debt.....	3.43%
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Source: California Municipal Statistics.

APPENDIX B
SUMMARY OF THE INDENTURE

APPENDIX C
FORM OF BOND COUNSEL OPINION

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix D 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 E
FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX F

**COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR
FISCAL YEAR ENDED JUNE 30, 2015**

APPENDIX G
FINANCIAL ADVISOR'S REPORT

APPENDIX H
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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, Newport Beach, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. See the caption “CONCLUDING INFORMATION – Tax Exemption” with respect to tax consequences concerning the Bonds.

\$17,760,000*

SUCCESSOR AGENCY TO THE
LANCASTER REDEVELOPMENT AGENCY
Lancaster Redevelopment Project Area No. 5 and Project Area No. 6
(School District Pass-Throughs)
Tax Allocation Refunding Bonds
Series 2016

Dated: Delivery Date

Due: February 1, as shown on inside cover

The above-captioned Series 2016 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, 2016]) 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 Agency’s loan obligation with respect to the portion of the Lancaster Financing Authority’s (the “Authority”) Subordinate Tax Allocation Revenue Bonds (Lancaster Residential, Amargosa, Project No. 5 and Project No. 6 Redevelopment Projects) Issue of 2003 (the “Original 2003 Bonds”), maturing on February 1, 2017 through February 1, 2020 (the “Parity Bonds” or “Existing Bonds”), to the extent such Parity Bonds are payable from and secured by the Pledged Tax Revenues (as defined herein). See “SECURITY FOR THE BONDS – Outstanding Bonds.”

The Bonds are being issued to refinance the Prior Agency’s loan obligations with respect to the following bonds issued by Authority, which will in turn refund such Authority bonds: (i) the portion of the Original 2003 Bonds maturing on or after February 1, 2023 (the “2003 Bonds”), (ii) Tax Allocation Refunding Bonds (Lancaster Redevelopment Project No. 5 and Project No. 6 (School Districts)), Issue of 2004 (the “2004 Bonds”), and (iii) Tax Allocation Bonds (School District Projects) Series 2006 (the “2006 Bonds”). The 2003 Bonds, the 2004 Bonds, and the 2006 Bonds are referred to collectively herein as the “Refunded Bonds.”

The Bonds and the 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 [April 1, 2016] (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 a municipal bond insurance policy (the “Insurance Policy”) to be issued concurrently with the delivery of the Bonds by [Bond Insurer] (“__” or the “Insurer”). See “BOND INSURANCE” and “APPENDIX H – SPECIMEN MUNICIPAL BOND INSURANCE POLICY” herein.

[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. Certain legal matters will be passed upon for the Underwriter by its counsel Norton Rose Fulbright US LLP, Los Angeles, California. It is anticipated that the Bonds will be available for delivery to DTC in New York, New York, on or about April __, 2016.

HILLTOP SECURITIES INC.

Dated: April __, 2016

* Preliminary; subject to change.

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.

\$17,760,000*
SUCCESSOR AGENCY TO THE
LANCASTER REDEVELOPMENT AGENCY
Lancaster Redevelopment Project Area No. 5 and Project Area No. 6
(School District Pass-Throughs)
Tax Allocation Refunding Bonds
Series 2016

MATURITY SCHEDULE
(Base CUSIP[†] 513802)

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

\$ _____ % Term Bonds due February 1, 20__, Priced to Yield __%, CUSIP[†] Suffix ____
 \$ _____ % Term Bonds due February 1, 20__, Priced to Yield __%, CUSIP[†] Suffix ____

* Preliminary; subject to change.

† CUSIP® Copyright 2016, 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*
Raj Malhi, *Agency Member*
Ken Mann, *Agency Member*
Angela Underwood-Jacobs, *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*

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Bond Counsel

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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

Hilltop Securities Inc.
Cardiff by the Sea, California

Verification Agent

Grant Thornton LLP
Minneapolis, Minnesota

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.

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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\$17,760,000*
SUCCESSOR AGENCY TO THE
LANCASTER REDEVELOPMENT AGENCY
Lancaster Redevelopment Project Area No. 5 and Project Area No. 6
(School District Pass-Throughs)
Tax Allocation Refunding Bonds
Series 2016

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. Definitions of certain terms used in this Official Statement are set forth in “APPENDIX B – SUMMARY OF THE INDENTURE.”

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 \$_____ Lancaster Redevelopment Project Area No. 5 and Project Area No. 6 (School District Pass-Throughs), Tax Allocation Refunding Bonds, Series 2016 (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 [April 1, 2016] (the “Indenture”) by and between the Agency and U.S. Bank National Association, as trustee (the “Trustee”) approved by Resolution No. SA 10-15 adopted by the Agency on November 10, 2015 (the “Successor Agency Resolution”), and by Resolution No. OB 19-15 adopted by the Oversight Board for the Agency (the “Oversight Board”) on November 17, 2015, amended by Resolution No. OB 07-16, adopted by the Oversight Board on February 16, 2016 (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 February 17, 2016, and the State Department of Finance requested review within five business days of such written notice. On March 2, 2016, 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 Agency’s loan obligations with respect to the Refunded Bonds (as defined below) is approved by the State Department of Finance, that the approval is based on the understanding that no refunding bonds will be issued unless such bonds meet the limitations outlined in Health and Safety Code Section 34177.5(a)(1), and that the letter constitutes the department’s determination with respect to the Oversight Board action taken pursuant to the Oversight Board Resolution.

The Bonds are being issued to refinance for savings the Prior Agency’s loan obligations with respect to the following bonds issued by Authority, which will in turn refund such Authority bonds: (i) together with proceeds of the Agency’s Combined Redevelopment Project Areas (Non-Housing Programs), Tax Allocation Refunding Bonds, Issue of 2016 being issued concurrently with the Bonds (the “2016 Non-Housing Bonds”), the portion of the Original 2003 Bonds maturing on or after February 1,

* Preliminary; subject to change.

2023 (the “2003 Bonds”), (ii) Tax Allocation Refunding Bonds (Lancaster Redevelopment Project No. 5 and Project No. 6 (School Districts)), Issue of 2004 (the “2004 Bonds”), and (iii) Tax Allocation Bonds (School District Projects) Series 2006 (the “2006 Bonds”). The 2003 Bonds, the 2004 Bonds, and the 2006 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 a municipal bond insurance policy (the “Insurance Policy”) to be issued concurrently with the delivery of the Bonds by [Bond Insurer] (“_____” or the “Insurer”). See “BOND INSURANCE” and “APPENDIX H – SPECIMEN MUNICIPAL BOND INSURANCE POLICY” herein.] **[bond insurance TBD]**

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 staggered four-year terms. 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 24, 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) (the “*California Redevelopment Association* case”), 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 Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State (as amended from time to time, the “Dissolution Act”). The Dissolution Act has been amended several times since its original enactment by AB X1 26, including but not limited to significant amendments that became effective on June 27, 2012 by the enactment of Assembly Bill No. 1484 (“AB 1484”), Chapter 26, Statutes of 2012, and on September 22, 2015, by the enactment of Senate Bill No. 107 (“SB 107”), Chapter 325, Statutes of 2015.

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.

On January 24, 2012, pursuant to Resolution No. 12-08 and Section 34176 of the Dissolution Act, the City Council of the City elected not to retain the responsibility for performing housing functions previously performed by the Prior Agency and selected the Lancaster Housing Authority to retain all of the rights, powers, assets, duties and obligations associated with the housing activities of the Prior Agency. In accordance with Section 34176 of the Dissolution Act, the transfer of housing functions from the Prior Agency to the Lancaster Housing Authority excluded enforceable obligations retained by the Agency and any amounts in the Low and Moderate Income Housing Fund previously required to be established and maintained by the Prior Agency by the Redevelopment Law prior to the enactment of the Dissolution Act.

The Project Areas

The City Council, on behalf of the Prior Agency, established seven redevelopment projects within the City. Of these seven project areas, two generate Pledged Tax Revenues (as defined herein) which are pledged to the repayment of the Bonds, and which are referred to herein collectively as the “Project Areas”:

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

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

As defined in the Indenture, “Pledged Tax Revenues” is equivalent to the amounts payable (a) with respect to Project No. 5, under Pass-Through Agreements between the Prior Agency, as succeeded by the Agency, and each of the Antelope Valley Union High School District, the Lancaster School District, and the Eastside School District; and (b) with respect to Project No. 6, under Pass-Through Agreements between the Prior Agency, as succeeded by the Agency, and each of the Antelope Valley Union High School District, the Lancaster School District, the Eastside School District, and the Westside School District. The Agency expects, but cannot provide any assurance, that monies other than these Pledged Tax Revenues would be available to pay debt service on the Bonds and the Parity Bonds in the event of a shortfall in Pledged Tax Revenues.

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 B – SUMMARY OF THE INDENTURE” 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.

As defined in the Indenture, “Pledged Tax Revenues” is equivalent to the amounts payable (a) with respect to Project No. 5, under Pass-Through Agreements (as defined herein – see “SECURITY FOR THE BONDS – Tax Increment Financing”) between the Prior Agency, as succeeded by the Agency, and each of the Antelope Valley Union High School District, the Lancaster School District, and the Eastside School District; and (b) with respect to Project No. 6, under Pass-Through Agreements between the Prior Agency, as succeeded by the Agency, and each of the Antelope Valley Union High School District, the Lancaster School District, the Eastside School District, and the Westside School District (collectively, the “School District Pass-Throughs”).”

The Bonds and the Agency’s loan obligation with respect to the 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) continued 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 continued 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 by the Agency on a parity basis with the Agency’s loan obligation with respect to the portion of the Original 2003 Bonds, maturing on February 1, 2017 through February 1, 2020, currently outstanding in the principal amount of \$[6,315,000] (the “Parity Bonds” or “Existing Bonds”), to the extent such Parity Bonds (and therefore, such Agency loan obligation) are payable from and secured by the Pledged Tax Revenues. [__%][\$_] of the Parity Bonds are payable from and secured by Pledged Tax Revenues. See “SECURITY FOR THE 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 continued 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. [The Reserve Requirement with respect to the Bonds will be satisfied by the deposit into the Reserve Account of a municipal bond debt service reserve insurance policy (the “Reserve Policy”) to be issued by [Bond Insurer] (“_____” or the “Insurer”).] **[Reserve Surety Bond TBD]**

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 Hilltop 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.

PLAN OF REFUNDING

A portion of the proceeds of the Bonds will be used to refund and defease the following bonds issued by the Authority: (i) together with proceeds of the Agency’s 2016 Non-Housing Bonds, the previously issued 2003 Bonds, currently outstanding in the principal amount of \$[32,090,000], (ii) all of the previously issued 2004 Bonds, currently outstanding in the principal amount of \$[6,635,000], and (iii)

all of the previously issued 2006 Bonds, currently outstanding in the principal amount of \$[11,885,000]. See “SOURCES AND USES OF FUNDS.”

Concurrently with the issuance of the Bonds, the Agency will enter into an Escrow Agreement with respect to each series of Refunded Bonds, each dated as of [April 1, 2016] (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 with respect to each series of Refunded Bonds (collectively, the “Escrow Funds”).

- Amounts in the Escrow Fund for the 2003 Bonds [will be held uninvested] and will be used to pay the redemption price thereon, including any accrued and unpaid interest with respect thereto, on _____, 2016.

- Amounts in the Escrow Fund for the 2004 Bonds [will be held uninvested] and will be used to pay the redemption price thereon, including any accrued and unpaid interest with respect thereto, on _____, 2016.

- Amounts in the Escrow Fund for the 2006 Bonds [will be held uninvested] and will be used to pay the redemption price thereon, including any accrued and unpaid interest with respect thereto, on _____, 2016.

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 respective Refunded Bonds will be verified upon delivery of the Bonds by Grant Thornton LLP, Minneapolis, Minnesota. 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 (or, to the extent applicable, the Agency’s loan obligations with respect thereto) will be discharged, and the Refunded Bonds (or, to the extent applicable, the Agency’s loan obligations with respect thereto) 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 Bonds are summarized as follows:

Sources

Principal Amount of Bonds.....	\$
Net Original Issue [Premium/Discount]	
2003 Bonds Funds and Accounts	
2004 Bonds Funds and Accounts	
2006 Bonds Funds and Accounts	

Total Sources	\$

Uses

Underwriter's Discount	\$
Reserve Account.....	(1)
2003 Bonds Escrow Fund ⁽²⁾	
2004 Bonds Escrow Fund ⁽³⁾	
2006 Bonds Escrow Fund ⁽⁴⁾	
Costs of Issuance Fund ⁽⁵⁾	
Total Uses	\$

-
- (1) The Reserve Policy will be deposited in the Reserve Account in an amount equal to the initial Reserve Requirement for the Bonds. See "SECURITY FOR THE BONDS – Reserve Account."
 - (2) An amount of moneys which, together with proceeds of the 2016 Non-Housing Bonds, will be sufficient to provide for the payment of the principal and interest on the 2003 Bonds through _____, 2016.
 - (3) An amount of moneys sufficient to provide for the payment of the principal and interest on the 2004 Bonds through _____, 2016.
 - (4) An amount of moneys sufficient to provide for the payment of the principal and interest on the 2006 Bonds through _____, 2016.
 - (5) To be used to pay Costs of Issuance (as defined in the Indenture), which include fees and expenses for Bond Counsel, Disclosure Counsel, Financial Advisor, trustee, printing expenses, rating fee, Verification Agent fees and expenses, the premium for the Insurance Policy with respect to the Bonds, the premium for the Reserve Policy, and other costs. [On the Delivery Date, the Underwriter will retain from the purchase price of the Bonds an amount equal to the premiums for the Insurance Policy with respect to the Bonds and the Reserve Policy and pay such premiums to the Insurer on the Delivery Date on behalf of the Agency.]

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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 February 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, 2016], 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 D – 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 [February 1, 2026], 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 Bonds maturing on February 1, 20__ and February 1, 20__ (collectively, the “Term Bonds”) are subject to redemption in part by lot on February 1 in each year shown in the respective following tables 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).

Term Bonds Maturing in 20__	
Year	Amount
(February 1)	
	\$

(maturity)

Term Bonds Maturing in 20__	
Year	Amount
(February 1)	
	\$

(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 January 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 February 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.

General Redemption Provisions

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.

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

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

Transfer or Exchange

Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its trust office in Minneapolis, Minnesota (or such other place as may be designated by the Trustee) (the "Trust Office") for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Bond or Bonds shall be surrendered for registration of transfer, the Agency will execute and the Trustee will authenticate and deliver a new Bond or Bonds, of like series, interest rate, maturity and principal amount of authorized denominations.

Bonds may be exchanged at the Trust Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same series, interest rate and maturity.

The person, firm or corporation requesting the transfer or exchange will pay any tax or other governmental charge on the transfer of any Bonds that may be imposed in connection with the transfer or exchange. The Agency will pay the cost of printing any Bonds and any services rendered or any other expenses incurred by the Trustee in connection with any exchange or transfer. The Indenture provides that the Trustee may refuse to transfer or exchange either (a) any Bonds during the period established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected by the Trustee for redemption pursuant to the Indenture.

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 B – SUMMARY OF THE INDENTURE" 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 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, 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. As defined in the Indenture, “Pledged Tax Revenues” is equivalent to the amounts payable (a) with respect to Project No. 5, under Pass-Through Agreements (as defined herein – see “SECURITY FOR THE BONDS – Tax Increment Financing”) between the Prior Agency, as succeeded by the Agency, and each of the Antelope Valley Union High School District, the Lancaster School District, and the Eastside School District; and (b) with respect to Project No. 6, under Pass-Through Agreements between the Prior Agency, as succeeded by the Agency, and each of the Antelope Valley Union High School District, the Lancaster School District, the Eastside School District, and the Westside School District (i.e., the School District Pass-Throughs).

The Bonds and the Parity Bonds are payable from and secured by the Pledged Tax Revenues to be derived from the Project Areas.

The Bonds and the Parity Bonds are payable from and secured by (i) an irrevocable pledge of the Pledged Tax Revenues to be derived from the Project Areas, and (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. In addition, the Bonds are payable from and secured by 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) continued 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 continued 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 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. Such tax increment revenues deposited from time to time in the Redevelopment Property Tax Trust Fund are defined in the Indenture as "Tax Revenues," and the Pledged Tax Revenues consist of a portion of such Tax Revenues, as described further above under the caption "SECURITY FOR THE BONDS – Redevelopment Property Tax Trust Fund; Pledged Tax Revenues." 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.

As defined in the Indenture, “Pledged Tax Revenues” is equivalent to the amounts payable (a) with respect to Project No. 5, under Pass-Through Agreements between the Prior Agency, as succeeded by the Agency, and each of the Antelope Valley Union High School District, the Lancaster School District, and the Eastside School District; and (b) with respect to Project No. 6, under Pass-Through Agreements between the Prior Agency, as succeeded by the Agency, and each of the Antelope Valley Union High School District, the Lancaster School District, the Eastside School District, and the Westside School District (i.e., the School District Pass-Throughs). The Agency expects, but cannot provide any assurance, that monies other than these Pledged Tax Revenues would be available to pay debt service on the Bonds and the Parity Bonds in the event of a shortfall in Pledged Tax Revenues.

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. However, with respect to the School District Pass-Throughs, since the effectiveness of the Dissolution Act, the County Auditor-Controller has distributed such amounts from the Redevelopment Property Tax Trust Fund to the Agency’s Redevelopment Obligation Retirement Fund, rather than to the respective school districts, due to the pledge of the indentures with respect to the Refunded Bonds on the School District Pass-Throughs.

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.

Recognized Obligation Payment Schedule

ROPS Process Under the Dissolution Act – Commencing Fiscal Year 2016-17

As amended by SB 107, enacted on September 22, 2015 and effective immediately upon its enactment, 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") before each annual fiscal period covered by such schedule (i.e., July 1 through June 30), commencing with the Recognized Obligation Payment Schedule for the period from July 1, 2016 through June 30, 2017. Distributions from the Redevelopment Property Tax Trust Fund are made by the County Auditor-Controller to successor agencies (and tax sharing entities) each January 2 and June 1, within each annual Recognized Obligation Payment Schedule period.

Pursuant to a Recognized Obligation Payment Schedule, "enforceable obligations" of the successor agency coming due and payable in the fiscal period covered by such schedule 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 half of the calendar year (see "APPENDIX B – SUMMARY OF THE INDENTURE").

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). Other than amounts deposited in the Redevelopment Property Tax Trust Fund and amounts held in certain funds and accounts under the Indenture, the Agency does not expect to have any other funds available to pay the Bonds.

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.

Commencing with the Recognized Obligation Payment Schedule for the period from July 1, 2016 through June 30, 2017, the Agency is required to submit each annual Recognized Obligation Payment Schedule, after approval by the Oversight Board, to the County Auditor-Controller and the State Department of Finance no later than February 1, 2016, and each February 1 thereafter for subsequent annual Recognized Obligation Payment Schedules. For each annual Recognized Obligation Payment Schedule, the State Department of Finance must make its determination of the enforceable obligations and the amounts and funding sources of the enforceable obligations no later than April 15 (commencing April 15, 2016 with the Recognized Obligation Payment Schedule for the period from July 1, 2016 through June 30, 2017). 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, except those that are the subject of litigation disputing the department's previous or related determination. The State Department of Finance must notify the Agency and the County Auditor-Controller as to the outcome of its review at least 15 days before the June 1 property tax distribution, with respect to items disputed on the originally submitted annual Recognized Obligation Payment Schedule.

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.

If the Agency does not submit an annual Recognized Obligation Payment Schedule by the February 1 deadline, 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 an annual Recognized Obligation Payment Schedule within 10 days after the February 1 deadline. The Agency timely submitted to the State Department of Finance its Oversight Board-approved Recognized Obligation Payment Schedule for the first annual period of July 1, 2016 through June 30, 2017.

Once per Recognized Obligation Payment Schedule period, and no later than October 1 of the applicable year, the Agency may submit one amendment to the annual Recognized Obligation Payment Schedule previously approved by the State Department of Finance, if the Oversight Board makes a finding that a revision is necessary for the payment of approved enforceable obligations during the second half of the Recognized Obligation Payment Schedule period (i.e., during January 1 through June 30), and the Agency may only amend the amount requested for payment of approved enforceable obligations. The State Department of Finance must notify the Agency and the County Auditor-Controller as to the outcome of its review of a requested amendment to an approved annual Recognized Obligation Payment Schedule at least 15 days before the applicable property tax distribution date.

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 pass-through 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.

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 May 1, 2016 with respect to the Recognized Obligation Payment Schedule for July 1, 2016 through June 30, 2017), 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 pass-through 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.

ROPS Process Under the Dissolution Act – Prior to Fiscal Year 2016-17

With respect to obligations required to be paid prior to July 1, 2016, the Dissolution Act required 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 before each six-month fiscal period covered by such schedule (i.e., January 1 through June 30, or July 1 through December 31).

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 through the six-month period ending June 30, 2016, the Agency was required to submit the Recognized Obligation Payment Schedule, 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 did not submit a Recognized Obligation Payment Schedule by such deadlines, the City would 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 would be 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.

Prior to the enactment of SB 107, the Dissolution Act required 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 could request additional review by the department and an opportunity to meet and confer on disputed items, if any. The State Department of Finance would 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.

Optional Last and Final ROPS

At the option of a successor agency and beginning January 1, 2016, the Dissolution Act allows a successor agency to submit a “Last and Final ROPS” for approval by the oversight board. The following conditions must be met: (i) the remaining debt is limited to administrative costs and payments pursuant to enforceable obligations with defined payment schedules including, but not limited to, debt service, loan agreements and contracts, (ii) all remaining obligations have been previously listed on a Recognized Obligation Payment Schedule and approved by the State Department of Finance, and (iii) the successor agency is not a party to outstanding or unresolved litigation. The State Department of Finance will have 100 days to review a Last and Final ROPS submitted for approval. The State Department of Finance may make changes to the Last and Final ROPS with the successor agency’s agreement or issue a letter denying the Last and Final ROPS. If the State Department of Finance approves the Last and Final ROPS, it will establish the maximum amount of Redevelopment Property Tax Trust Fund to be distributed to the successor agency for each remaining fiscal year until the obligations have been fully paid. The successor agency can submit no more than two requests to amend an approved Last and Final ROPS. The oversight board must first approve each amendment request, and the State Department of Finance will then have 100 days to approve or deny the request. After the State Department of Finance approves Last and Final ROPS, the successor agency will no longer prepare or submit Recognized Obligation Payment Schedules, and the county auditor-controller will make distributions from the Redevelopment Property Tax Trust Fund to the successor agency pursuant to the Last and Final ROPS in a prescribed order of priority until the aggregate amount of property tax allocated to the successor agency equals the total outstanding obligation approved in the Last and Final ROPS. See “RISK FACTORS – Last and Final Recognized Obligation Payment Schedule.”

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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 commencing with ROPS III through ROPS 16-17.

Pursuant to this process, the Agency received the following amounts for its enforceable obligations for the corresponding six-month periods, which include the principal and interest payments on the Parity Bonds, the Agency’s loan obligations with respect to the Refunded Bonds, and other bonds issued by the Prior Agency secured by revenues other than the Pledged Tax Revenues:

<u>ROPS</u>	<u>Six-Month ROPS Period</u>	<u>Distribution to Agency from Redevelopment Property Tax Trust Fund</u>
ROPS I	February 1, 2012 – June 30, 2012	N/A ⁽¹⁾
ROPS II	July 1, 2012 – December 31, 2012	\$ 9,185,581.85
ROPS III	January 1, 2013 – June 30, 2013	7,446,245.81
ROPS 13-14A	July 1, 2013 – December 31, 2013	10,729,972.65
ROPS 13-14B	January 1, 2014 – June 30, 2014	7,198,198.45
ROPS 14-15A	July 1, 2014 – December 31, 2014	11,364,668.00 ⁽²⁾
ROPS 14-15B	January 1, 2015 – June 30, 2015	7,837,529.77
ROPS 15-16A	July 1, 2015 – December 31, 2015	12,189,795.00 ⁽²⁾
ROPS 15-16B	January 1, 2016 – June 30, 2016	8,118,696.30

(1) The Dissolution Act originally contemplated a distribution to be made from the Redevelopment Property Tax Trust Fund to successor agencies, including the Agency, on January 2, 2012 for the ROPS I period. However, due to the pendency of the *California Redevelopment Association* case, a related stay during such pendency, and the extension of related Dissolution Act deadlines by four months pursuant to the California Supreme Court’s December 29, 2011 decision, the County did not make a distribution on January 2, 2012 from the Redevelopment Property Tax Trust Fund to the Agency or other successor agencies within the County. See “INTRODUCTION – The City and the Agency” for additional information regarding the *California Redevelopment Association* case.

(2) Includes the following amounts distributed to the Agency for administrative enforceable obligations: \$329,684 for ROPS 14-15A, and \$339,242 for ROPS 15-16A.

On February 1, 2012, the Agency made an unscheduled draw on the respective debt service reserve accounts for six issues of tax allocation bonds secured by, and payable from, tax increment revenues comprised of monies other than the Pledged Tax Revenues. The four-month extension of Dissolution Act implementation deadlines, described in footnote (1) of the above table, and the County’s related failure to make a distribution on January 2, 2012 from the Redevelopment Property Tax Trust Fund to the Agency, caused cash flow issues for the Agency. These non-pass-through bonds reserve accounts were replenished by monies distributed to the Agency on January 2, 2013, June 1, 2013, and January 2, 2014 through line items for the reserve account replenishments placed by the Agency on the Recognized Obligation Payment Schedules referred to as, respectively, ROPS III, ROPS 13-14A, and ROPS 13-14B.

On February 1, 2013 and February 1, 2014, the Agency withdrew a portion of funds held by the Authority, as conduit issuer, in the bond funds for four of the non-pass-through tax allocation bond issues described in the foregoing paragraph, for making a portion of the debt service payment due on such dates for such bonds, although requisite 125% coverage (i.e., non-pass-through revenues pledged to such bond issues divided annual debt service for the applicable year) required under the bond documents for the utilization of such monies could not be certified. However, the Agency included, as line items on subsequent Recognized Obligation Payment Schedules, replenishment to such bond funds in the respective amounts required to meet the 125% coverage requirement, and these replenishment line items

were approved by the State Department of Finance. On the Recognized Obligation Payment Schedule for the six-month period commencing July 1, 2014 through December 31, 2014 (i.e., ROPS 14-15A), the Agency included a line item in the amount of \$696,372 as a reserve to facilitate the February 1, 2015 debt service payments for its tax allocation bonds and to avert a projected insufficiency in the ROPS 14-15B period; the State Department of Finance approved this reserve amount after a meet and confer request by the Agency. In addition, the assessed valuation of the Project Areas has increased, resulting in an increase in monies deposited into the Redevelopment Property Tax Trust Fund. Therefore, the Agency had sufficient revenues for its scheduled bonds debt service payments on February 1, 2015, without replicating the issues attendant to the February 1, 2013 and February 1, 2014 debt service payments.

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 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. 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:

(i) scheduled debt service on the Bonds and the Parity Bonds and any amount required under the Indenture, the Existing Bonds Indenture[s], and any Supplemental Indenture to replenish the Reserve Account established thereunder, and

(ii) amounts due to any bond insurer under an insurance or surety bond agreement,

in Recognized Obligation Payment Schedules for each annual period beginning on July 1 of any calendar year and ending on June 30 of the next calendar year, or such other period as provided in the Dissolution Act (a “ROPS Period”), so as to enable the Auditor-Controller of the County of Los Angeles 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 Bonds and Parity Bonds coming due in the respective ROPS Period and to pay amounts owed to any bond insurer, as well as the other amounts set forth above.

In order to accomplish the foregoing, on or before each February 1 (or at such earlier time as may be required by the Dissolution Act), for so long as any Bonds or Parity Bonds are outstanding, the Successor Agency shall submit an Oversight Board-approved Recognized Obligation Payment Schedule to the State Department of Finance and to the Auditor-Controller of the County of Los Angeles that shall include (i) all debt service due on the Bonds and the Parity Bonds coming due during the applicable ROPS Period as well as all amounts due and owing to any bond insurer, and (ii) any amount required to cure any deficiency in the Reserve Account pursuant to the Indenture, the Existing Bonds Indenture[s], or

any Supplemental Indenture (including any amounts required due to a draw on the Qualified Reserve Account Credit Instrument as well as all amounts due and owing to the [Insurer] under the Indenture).

In the event the provisions set forth in the Dissolution Act as of the Closing Date of the Bonds that relate to the filing of Recognized Obligation Payment Schedules are amended or modified in any manner, the Agency agrees in the Indenture to take all such actions as are necessary to comply with such amended or modified provisions so as to ensure the timely payment of debt service on the Bonds and the Parity Bonds and, if the timing of distributions of the Redevelopment Property Tax Trust Fund is changed, the receipt of all debt service due during each calendar year on all Outstanding Bonds and Parity Bonds prior to June 1 of such calendar year.

See “APPENDIX B – SUMMARY OF THE INDENTURE.”

Redevelopment Obligation Retirement Fund; Debt Service Fund

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 continued and 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 to the Debt Service Fund held by the Trustee under the Indenture until such time during such Bond Year as the amounts so transferred to the Debt Service Fund under the Indenture 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 for deposit in such Bond Year in the funds and accounts established with respect to any Parity Bonds, as provided in the Existing Bonds Indenture[s] and any Supplemental Indenture. The Agency will segregate all amounts distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Agency’s Redevelopment Obligation Retirement Fund in a separate Agency account in the name of the Agency to be used solely to pay debt service on the Bonds and all other parity obligations. In the event the rating on general fund obligations of the City falls below A- from Standard & Poor’s, the Agency will maintain, or cause the City to maintain, the Redevelopment Obligation Retirement Fund as a separate account with a bank or with the Trustee.

See “APPENDIX B – SUMMARY OF THE INDENTURE.”

Reserve Account

A Reserve Account is maintained in the Debt Service Fund continued and held by the Trustee under the Indenture for the Bonds 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 average Annual Debt Service on all Bonds and Parity Bonds Outstanding. Subject to the Indenture, all money in the Reserve Account shall 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 under the Indenture, 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. The Reserve Requirement may be satisfied by crediting to the Reserve Account moneys or a Qualified Reserve Account Credit Instrument, or any combination thereof, which in the aggregate make funds available in the Reserve Account in an amount equal to the Reserve Account Requirement. See “APPENDIX B - SUMMARY OF THE INDENTURE.”

Under the Indenture, “Qualified Reserve Account Credit Instrument” means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to the Indenture, provided that all of the following requirements are met at the time of acceptance thereof by the Trustee: (a) the long-term credit rating of such bank or insurance company is A+ or better from S&P or A1 or better from Moody's; (b) such letter of credit or surety bond has a term of at least twelve (12) months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released; and (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the amount Interest Account and the Principal Account for the purpose of making payments required pursuant to the Indenture.

[SURETY BOND TBD . . . The Reserve Requirement with respect to the Bonds will be satisfied by the deposit into the Reserve Account of the Reserve Policy to be issued by [Reserve Insurer]. The Reserve Policy constitutes a Qualified Reserve Account Credit Instrument under the Indenture.]

Outstanding Bonds

Parity Bonds. The Bonds are being issued by the Agency on a parity basis with the Agency’s loan obligation with respect to the Parity Bonds, consisting of the portion of the Original 2003 Bonds, maturing on February 1, 2017 through February 1, 2020, currently outstanding in the principal amount of \$[6,315,000], to the extent such Parity Bonds (and therefore, such Agency loan obligation) are payable from the Pledged Tax Revenues. See “SECURITY FOR THE BONDS.”

Additional Parity Bonds

Under the Indenture, in addition to the Bonds and the Parity Bonds and subject to the requirements of the Existing Bonds Indenture[s], 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 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 and the Existing Bonds Indenture[s];

(b) The Oversight Board shall have approved the issuance of the 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 and the Existing Bonds Indenture[s], 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 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 and Parity Bonds reasonably expected to be outstanding following the issuance of each series of 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 rolls; 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, the Parity Bonds, and the Additional 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; and

(f) The Agency shall not issue or incur any bonds, debt or other obligations that are payable from or secured by Pledged Tax Revenues on a basis senior or superior to the Bonds. Unless the Insurer provides its prior written consent, the Agency shall not issue or incur any senior bonds or parity bonds, debt or other obligation except for refunding bonds. Any additional subordinate debt shall be payable on the same dates as the Bonds and shall be in all respects, including security and payment, subordinate and junior to the Bonds and the replenishment of the debt service reserve fund for the Bonds, including the reimbursement of all amounts due and payable to the Insurer relating to the Reserve Policy.

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.

Upon the occurrence of an event of default, the Trustee may, with the consent of a majority of the Owners, by written notice to the Successor Agency, declare the principal of the Bonds to be immediately due and payable, whereupon that portion of the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Indenture in the Bonds to the contrary notwithstanding. 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 Insurance 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.

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]

[The following information has been furnished by the Insurer for use in this Official Statement. No representation is made by the Agency or the Underwriter as to the accuracy or completeness of such information, or the absence of material adverse changes therein at any time subsequent to the date hereof. Reference is made to "APPENDIX H – SPECIMEN MUNICIPAL BOND INSURANCE POLICY" for a specimen of the Insurer's policy.]

[BOND INSURANCE TO BE DETERMINED]

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.

On January 24, 2012, pursuant to Resolution No. 12-08 and Section 34176 of the Dissolution Act, the City Council of the City elected not to retain the responsibility for performing housing functions previously performed by the Prior Agency and selected the Lancaster Housing Authority to retain all of the rights, powers, assets, duties and obligations associated with the housing activities of the Prior Agency. In accordance with Section 34176 of the Dissolution Act, the transfer of housing functions from the Prior Agency to the Lancaster Housing Authority excluded enforceable obligations retained by the Agency and any amounts in the Low and Moderate Income Housing Fund previously required to be established and maintained by the Prior Agency by the Redevelopment Law prior to the enactment of the Dissolution Act.

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
Raj Malhi, <i>Agency Member</i>	April, 2018
Ken Mann, <i>Agency Member</i>	April, 2016
Angela Underwood-Jacobs, <i>Agency Member</i>	April, 2016

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").

THE PROJECT AREAS

General Information

The City Council, on behalf of the Prior Agency, established seven redevelopment projects within the City. Of these seven project areas, two generate Pledged Tax Revenues which are pledged to the repayment of the Bonds, and which are referred to herein collectively as the "Project Areas":

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

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

As defined in the Indenture, "Pledged Tax Revenues" is equivalent to the amounts payable (a) with respect to Project No. 5, under Pass-Through Agreements between the Prior Agency, as succeeded by the Agency, and each of the Antelope Valley Union High School District, the Lancaster School District, and the Eastside School District; and (b) with respect to Project No. 6, under Pass-Through Agreements between the Prior Agency, as succeeded by the Agency, and each of the Antelope Valley Union High School District, the Lancaster School District, the Eastside School District, and the Westside School District. The Agency expects, but cannot provide any assurance, that monies other than these Pledged Tax Revenues would be available to pay debt service on the Bonds and the Parity Bonds in the event of a shortfall in Pledged Tax Revenues.

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	2015-16 Assessed Value (millions)	2015-16 Incremental Value (millions)	2015-16 Estimated Gross Revenues (millions)	Incremental Value as % of Total AV
Project No. 5	11/26/1984	4,523	\$366,873,983	\$1,784.9	\$1,418.0	\$14.290	79.45%
Project No. 6	07/03/1989	12,748	605,741,455	3,054.1	2,448.4	24.513	80.17

Source: Urban Futures, Inc.

Dissolution Act Changes to Certain Limitations and Requirements of the Redevelopment Plans

As previously required under the Redevelopment Law and as in effect until the September 22, 2015 enactment of SB 107, the redevelopment plans for the Project Areas state certain limitations on (i) the time through which the Prior Agency and the Agency could receive property taxes and repay indebtedness, (ii) the maximum amount of tax dollars that may be allocated to the Prior Agency and the Agency, (iii) the time through which the Prior and the Agency could incur indebtedness (unless eliminated in accordance with the Redevelopment Law), (iv) the effectiveness of the redevelopment plan, and (v) the amount of bonded indebtedness that may be outstanding at any one time. These plan limits, as stated in the redevelopment plans for the Project Areas, are summarized in the following Table 2.

**TABLE 2
LANCASTER REDEVELOPMENT PROJECT AREAS
REDEVELOPMENT PLAN LIMITATIONS
(as set forth in the Redevelopment Plans)**

Project Area	Maximum Tax Increment ⁽¹⁾	Maximum Bonded Debt	Last Date to Incur Debt	Plan Termination Date ⁽¹⁾	Last Date to Receive Prop. Taxes/Pay Debt ⁽¹⁾
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

⁽¹⁾ Plan limits affected by SB 107 amendments to the Dissolution Act, as discussed in the narratives preceding and subsequent to this table, under “THE PROJECT AREAS – Dissolution Act Changes to Certain Limitations and Requirements of the Redevelopment Plan.” See also “RISK FACTORS – Implementation of Dissolution Act Changes to Limits on Receiving Tax Increment Revenues.”

Source: Urban Futures, Inc.

SB 107 amended the Dissolution Act to add provisions stating that for the purposes of the payment of enforceable obligations defined by Section 34171(d)(1)(A) through (G) of the Dissolution Act (which include the Bonds and the Parity Bonds), and for no other purpose whatsoever, the Agency is not subject to the limitations relating to time, number of tax dollars, or any other matters set forth in Sections 33333.2, 33333.4, and 33333.6 of the Redevelopment Law (including plan limits on the receipt of property taxes and the repayment of indebtedness, and on the maximum amount of tax dollars that may be allocated to the Agency under the redevelopment plan, but excluding the limit on total bonded indebtedness). It is not known with certainty how the County Auditor-Controller and the State Department of Finance will actually implement this provision. As a conservative measure, the projections set forth in this Official Statement and in the Financial Advisor's Report attached to this Official Statement as Appendix G continue to reflect the impact of these plan limits on the revenues projected to be available to pay debt service on the Bonds and the Parity Bonds. However, actual Pledged Tax Revenues, to the extent needed for payment of debt service on the Bonds and the Parity Bonds, will likely not be limited by such plan limits. See "PLEDGED TAX REVENUES – Projected Taxable Valuation and Pledged Tax Revenues" and "RISK FACTORS – Implementation of Dissolution Act Changes to Limits on Receiving Tax Increment Revenues."

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.

Land use for fiscal year 2015-16 in Project No. 5 is shown in the following table.

TABLE 3
LANCASTER REDEVELOPMENT PROJECT NO. 5
Secured Assessed Valuation and Parcels by Land Use
Fiscal Year 2015-16

Land Use	Number of Parcels	2015-16 Secured Assessed Valuation	Percent of Total Secured Assessed Valuation ⁽¹⁾
Single Family Residential	10,280	\$1,243,909,323	70.93%
Commercial	318	211,293,084	12.05
Multi-Family Residential	622	200,121,873	11.41
Industrial	65	39,730,557	2.27
Governmental/Institutional/Other	163	22,815,450	1.30
Vacant Residential	202	11,448,147	0.65
Vacant Industrial	91	10,923,821	0.62
Vacant Commercial	60	8,807,332	0.50
Vacant Governmental/Institutional/Other	83	4,460,832	0.25
Recreational	4	182,499	0.01
Total:	<u>11,888</u>	<u>\$ 1,753,692,918</u>	<u>100.00%</u>

(1) Based on fiscal year 2015-16 secured assessed valuation: \$1,753,692,918.

Source: *Urban Futures, Inc.*, with information from the *Los Angeles County 2015-16 Secured Property Tax Roll*.

The 2015-16 assessed value of property within Project No. 5, as well as incremental revenues, are shown in the following table.

TABLE 4
LANCASTER REDEVELOPMENT PROJECT NO. 5
Assessed Valuation and Tax Increment Revenues
Fiscal Year 2015-16

	Values
2015-16 Assessed Value	\$1,784,882,052
Base Year Value	366,873,983
Base Year as % of Current Assessed Value	20.55%
Incremental Value	\$1,418,008,069
Increment Revenues	14,180,081
Pledged Tax Revenues (School District Pass-Throughs)	\$ 749,773

Source: *Urban Futures, Inc.*

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

TABLE 5
LANCASTER REDEVELOPMENT PROJECT NO. 5
Largest Property Tax Payers
Fiscal Year 2015-16

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2015-16 Taxable Secured Assessed Value</u>	<u>% of Total Secured A.V.⁽¹⁾</u>
1.	Wal Mart Real Estate	Commercial	\$ 20,594,407	1.17%
2.	Front Gate Plaza LLC	Commercial	15,577,520	0.89
3.	30th Street West Apt Associates	Multi-Family Residential	12,752,264	0.73
4.	How Bout Them Apples LP	Multi-Family Residential	12,577,155	0.72
5.	20th Street Trust	Multi-Family Residential	12,293,670	0.70
6.	I Yam What I Yam LP	Multi-Family Residential	8,783,987	0.50
7.	Lancaster Avenue Lllc	Commercial	8,313,802	0.47
8.	Purely Storage Partners LLC	Industrial	8,241,438	0.47
9.	Mgp Xvii LLC	Multi-Family Residential	7,490,533	0.43
10.	Ring Trading Corp	Multi-Family Residential	7,271,916	0.41
	Totals		\$113,896,692	6.49%

(1) Based on fiscal year 2015-16 secured assessed valuation: \$1,753,692,918.

Source: Urban Futures, Inc., with information from the Los Angeles County 2015-16 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.

In 2014, Antelope Valley Hospital partnered with the City to develop the “Medical Main Street” concept within Project No. 6. The concept is intended to foster development of the vacant land surrounding the existing Antelope Valley Hospital to enhance connectivity, increase the availability of medical and fitness-oriented facilities, and establish an atmosphere that cultivates healthy choices and active lifestyles. The City is planning to reconfigure the public right-of-way in the “Medical Main Street” announced in 2014. Mixed use development is expected to be designed in Medical Main Street to achieve maximum accessibility and connectivity throughout the health-oriented village, to promote a state-of-the-art, pedestrian-friendly environment. It is estimated that the project will create 275 construction jobs and many new development opportunities for medical office and mixed-use development.

Land use for fiscal year 2015-16 in Project No. 6 is shown in the following table.

TABLE 6
LANCASTER REDEVELOPMENT PROJECT NO. 6
Secured Assessed Valuation and Parcels by Land Use
Fiscal Year 2015-16

Land Use	Number of Parcels	2015-16 Secured Assessed Valuation	Percent of Total Secured Assessed Valuation ⁽¹⁾
Single Family Residential	13,677	\$2,409,162,601	80.54%
Commercial	146	178,050,707	5.95
Vacant Residential	1,809	118,825,515	3.97
Industrial	58	92,414,010	3.09
Multi-Family Residential	142	73,313,851	2.45
Governmental/Institutional/Other	142	42,971,251	1.44
Vacant Governmental/Institutional/Other	396	34,971,940	1.17
Vacant Industrial	431	28,860,748	0.96
Vacant Commercial	38	6,949,621	0.23
Vacant Agricultural	40	4,779,433	0.16
Recreational	4	629,761	0.02
Agricultural	1	186,079	0.01
Total:	<u>16,884</u>	<u>\$2,991,115,518</u>	<u>100.00%</u>

(1) Based on fiscal year 2015-16 secured assessed valuation: \$2,991,115,518.

Source: *Urban Futures, Inc.*, with information from the Los Angeles County 2015-16 Secured Property Tax Roll.

The 2015-16 assessed value of property within Project No. 6, as well as incremental revenues, are shown in the following table.

TABLE 7
LANCASTER REDEVELOPMENT PROJECT NO. 6
Assessed Valuation and Tax Increment Revenues
Fiscal Year 2015-16

	Values
2015-16 Assessed Value	\$3,054,136,617
Base Year Value	605,741,455
Base Year as % of Current Assessed Value	19.83%
Incremental Value	\$2,448,395,162
Increment Revenues	24,483,952
Pledged Tax Revenues (School District Pass-Throughs)	\$ 1,746,966

Source: *Urban Futures, Inc.*

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

TABLE 8
LANCASTER REDEVELOPMENT PROJECT NO. 6
Largest Property Tax Payers
Fiscal Year 2015-16

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2015-16 Taxable Secured Assessed Value</u>	<u>% of Total Secured A.V.⁽¹⁾</u>
1.	Usir II-Lancaster LLC	Industrial	\$ 45,284,000	1.51%
2.	Wells Fargo Bank 2006-C4	Commercial	22,889,406	0.77
3.	Unified Investments V LLC	Institutional	17,034,831	0.57
4.	Vallarta Properties LLC	Commercial	14,264,432	0.48
5.	Caesars Plaza LLC	Commercial	10,087,518	0.34
6.	Ap Lancaster LLC	Commercial	8,575,314	0.29
7.	Antelope Valley Residential	Single Family Residential	7,542,091	0.25
8.	Lido Estates Mhc LLC	Multi-Family Residential	7,111,229	0.24
9.	Ih2 Property West LP	Single Family Residential	6,899,921	0.23
10.	Hollingsworth Betty R Tr	Commercial	6,282,421	0.21
	Totals		\$145,971,163	4.88%

(1) Based on fiscal year 2015-16 secured assessed valuation: \$\$2,991,115,518.

Source: Urban Futures, Inc., with information from the Los Angeles County 2015-16 Secured Property Tax Roll.

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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 November 10, 2015.

**TABLE 9
LANCASTER REDEVELOPMENT PROJECT AREAS
Recent Appeals – as of November 10, 2015**

HISTORICAL APPEALS – Closed Appeals Reviewed from January 1, 2010 through November 10, 2015							
<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>
Project No. 5	537	171	\$531,811,238	\$228,777,170	\$303,034,068	\$35,695,304	11.78%
Project No. 6	1,399	534	715,483,722	360,744,046	354,739,676	66,905,987	18.86
PENDING/OUTSTANDING APPEALS – as of November 10, 2015							
<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>	
Project No. 5	133	\$266,915,398	\$91,022,185	\$175,893,213	11.78%	\$20,718,996	
Project No. 6	364	204,541,833	103,622,958	100,918,875	18.86	19,033,893	

Source: Urban Futures, Inc., with information 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 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 that have been available to pay debt service for fiscal years 2006-07 through 2015-16.

Fiscal Year	Assessed Value	Tax Increment Revenues ⁽¹⁾	Pledged Tax Revenues ⁽²⁾
2006-07	\$7,427,561,936	\$79,659,173	\$2,462,805
2007-08	8,401,684,545	90,082,285	3,081,644
2008-09	8,812,256,087	94,475,400	3,083,083
2009-10	7,576,463,943	66,204,939	2,454,390
2010-11	6,409,536,314	55,395,291	1,877,240
2011-12	6,392,661,204	53,209,699	1,911,074
2012-13	6,338,285,012	53,335,938	1,856,196
2013-14	6,539,684,775	54,555,224	2,234,358
2014-15	7,177,362,052	58,365,800	2,491,383
2015-16 ⁽³⁾	7,646,654,047	63,058,720	2,496,739

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

(2) School District Pass-Throughs from Project No. 5 and Project No. 6.

(3) Fiscal Year 2015-16 Tax Increment Revenues and Pledged Tax Revenues are estimated.

Source: *Urban Futures, Inc.*

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 G – 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.

As previously required under the Redevelopment Law and as in effect until the September 22, 2015 enactment of SB 107, the redevelopment plans for the Project Areas state certain limitations on (i) the time through which the Prior Agency and the Agency could receive property taxes and repay indebtedness, and (ii) the maximum amount of tax dollars that may be allocated to the Prior Agency and the Agency, among other things. These plan limits, as stated in the redevelopment plans for the Project Areas, are summarized in the Table 2 under the caption “THE PROJECT AREAS – Dissolution Act Changes to Certain Limitations and Requirements of the Redevelopment Plans.” As a conservative measure, the following projections continue to reflect the impact of these plan limits on the Pledged Tax Revenues. SB 107 amended the Dissolution Act to add provisions stating that for the purposes of the

payment of enforceable obligations defined by Section 34171(d)(1)(A) through (G) of the Dissolution Act (which include the Bonds and the Parity Bonds), and for no other purpose whatsoever, the Agency is not subject to the limitations relating to time, number of tax dollars, or any other matters set forth in Sections 33333.2, 33333.4, and 33333.6 of the Redevelopment Law (including plan limits on the receipt of property taxes and the repayment of indebtedness, and on the maximum amount of tax dollars that may be allocated to the Agency under the redevelopment plan). It is not known with certainty how the County Auditor-Controller and the State Department of Finance will actually implement this provision. However, actual Pledged Tax Revenues, to the extent needed for payment of debt service on the Bonds and the Parity Bonds, will likely not be limited by such plan limits. See “RISK FACTORS – Implementation of Dissolution Act Changes to Limits on Receiving Tax Increment Revenues.”

A summary of the projected taxable valuation and Pledged Tax Revenues for the Project Areas combined is as follows:

Fiscal Year Ended	Assessed Valuation ⁽¹⁾	Gross Tax Increment ⁽²⁾	Pledged Tax Revenues
2016	\$4,839,018,669	\$38,803,674	\$2,496,739
2017	4,935,799,042	39,771,478	2,559,000
2018	5,034,515,023	40,758,638	2,622,506
2019	5,135,205,324	41,765,541	2,687,282
2020	5,237,909,430	42,792,582	2,753,354
2021	5,342,667,619	43,840,164	2,820,747
2022	5,449,520,971	44,908,697	2,889,487
2023	5,558,511,391	45,998,602	2,959,603
2024	5,669,681,618	47,110,304	3,031,121
2025	5,783,075,251	48,244,240	3,104,069
2026	5,898,736,756	49,400,855	3,178,477
2027	6,016,711,491	50,580,603	3,254,372
2028	6,137,045,721	51,783,945	3,331,786
2029	6,259,786,635	53,011,354	3,410,747
2030	6,384,982,368	54,263,311	3,491,288
2031	6,512,682,015	55,540,308	3,573,440
2032	6,642,935,655	56,842,844	3,657,234
2033	6,775,794,369	58,171,431	3,742,705
2034	6,911,310,256	59,526,590	3,829,885
2035	7,049,536,461	60,908,852	3,918,809
2036	4,538,286,353	39,354,849	2,804,659
2037	4,629,052,080	40,262,506	2,869,344

(1) Fiscal Year 2015-16 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 \$139,642 of Unitary Revenues with no growth.

Source: *Urban Futures, Inc.*; see also “APPENDIX G – FINANCIAL ADVISOR’S REPORT.”

The projected Pledged Tax Revenues, by Project Area and in the aggregate for both Project Areas, are shown in the following table:

Fiscal Year	Project No. 5 Pledged Tax Revenues	Project No. 6 Pledged Tax Revenues	Combined Pledged Tax Revenues
2015-16	\$ 749,773	\$1,746,966	\$2,496,739
2016-17	768,503	1,790,497	2,559,000
2017-18	787,607	1,834,899	2,622,506
2018-19	807,093	1,880,189	2,687,282
2019-20	826,969	1,926,384	2,753,354
2020-21	847,243	1,973,504	2,820,747
2021-22	867,922	2,021,566	2,889,487
2022-23	889,014	2,070,589	2,959,603
2023-24	910,528	2,120,593	3,031,121
2024-25	932,473	2,171,596	3,104,069
2025-26	954,857	2,223,620	3,178,477
2026-27	977,688	2,276,684	3,254,372
2027-28	1,000,976	2,330,810	3,331,786
2028-29	1,024,729	2,386,018	3,410,747
2029-30	1,048,958	2,442,330	3,491,288
2030-31	1,073,671	2,499,769	3,573,440
2031-32	1,098,879	2,558,356	3,657,234
2032-33	1,124,590	2,618,115	3,742,705
2033-34	1,150,816	2,679,069	3,829,885
2034-35	1,177,567	2,741,242	3,918,809
2035-36	--	2,804,659	2,804,659
2036-37	--	2,869,344	2,869,344

- (1) Pledged Tax Revenues based on Fiscal Year 2015-16 Assessed Valuation provided by Los Angeles County Auditor-Controller, with projected 2% annual growth thereafter.
- (2) As a conservative measure, the projected Pledged Tax Revenues continue to reflect the impact of certain plan limits on the Pledged Tax Revenues, due to uncertainty regarding how the County Auditor-Controller and the State Department of Finance will implement certain provisions added to the Dissolution Act by SB 107 stating that the Agency is not subject to such limits for the sole purposes of the payment of certain enforceable obligations. See “PLEGGED TAX REVENUES – Projected Taxable Valuation and Pledged Tax Revenues” and “RISK FACTORS – Implementation of Dissolution Act Changes to Limits on Receiving Tax Increment Revenues.” See also “THE PROJECT AREAS – Dissolution Act Changes to Certain Limitations and Requirements of the Redevelopment Plan.”

Source: *Urban Futures, Inc.*; see also “APPENDIX G – FINANCIAL ADVISOR’S REPORT.”

Bonds and Parity Bonds Annual Debt Service

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

**Lancaster Redevelopment Project Area No. 5 and Project Area No. 6
(School District Pass-Throughs)
Annual Debt Service
(Parity Bonds and Bonds Annual Debt Service)**

Bond Year Ending (February 1 of)	Parity Bonds Debt Service	Bonds Debt Service*	Total Parity Bonds and Bonds Debt Service*
2017	\$238,856	\$ 942,457	\$ 1,181,313
2018	238,863	1,144,285	1,383,148
2019	238,100	1,146,535	1,384,635
2020	236,813	1,148,335	1,385,148
2021	--	1,360,135	1,360,135
2022	--	1,362,735	1,362,735
2023	--	1,364,135	1,364,135
2024	--	1,364,335	1,364,335
2025	--	1,368,335	1,368,335
2026	--	1,400,935	1,400,935
2027	--	1,402,185	1,402,185
2028	--	1,406,185	1,406,185
2029	--	1,402,685	1,402,685
2030	--	1,406,935	1,406,935
2031	--	1,403,435	1,403,435
2032	--	1,402,435	1,402,435
2033	--	1,404,248	1,404,248
2034	--	1,402,938	1,402,938
2035	--	1,405,875	1,405,875
2036	--	731,938	731,938
2037	--	731,438	731,438
Total:	\$952,631	\$26,702,517	\$27,655,148

* Preliminary; subject to change.

Source: Hilltop Securities Inc.

Debt Service Coverage

Set forth below is the estimated debt service coverage of the Parity Bonds and the Bonds using no growth Fiscal Year 2016-17 Pledged Tax Revenues through maturity.

Estimated Debt Service Coverage (No Growth Scenario)

Bond Year Ending (February 1)	No Growth Pledged Tax Revenues ⁽¹⁾	Combined Debt Service (Parity Bonds and Bonds)*	Debt Service Coverage ^{(2)*}
2016-17	\$2,496,739	\$1,181,313	2.11x
2017-18	2,496,739	1,383,148	1.81x
2018-19	2,496,739	1,384,635	1.80x
2019-20	2,496,739	1,385,148	1.80x
2020-21	2,496,739	1,360,135	1.84x
2021-22	2,496,739	1,362,735	1.83x
2022-23	2,496,739	1,364,135	1.83x
2023-24	2,496,739	1,364,335	1.83x
2024-25	2,496,739	1,368,335	1.82x
2025-26	2,496,739	1,400,935	1.78x
2026-27	2,496,739	1,402,185	1.78x
2027-28	2,496,739	1,406,185	1.78x
2028-29	2,496,739	1,402,685	1.78x
2029-30	2,496,739	1,406,935	1.77x
2030-31	2,496,739	1,403,435	1.78x
2031-32	2,496,739	1,402,435	1.78x
2032-33	2,496,739	1,404,248	1.78x
2033-34	2,496,739	1,402,938	1.78x
2034-35	2,496,739	1,405,875	1.78x
2035-36	1,746,966	731,938	2.39x
2036-37	1,746,966	731,438	2.39x

* Preliminary; subject to change.

- (1) Based on Fiscal Year 2015-16 Assessed Valuation provided by Los Angeles County Auditor-Controller's office, with no projected annual growth thereafter. As a conservative measure, the No Growth Pledged Tax Revenues continue to reflect the impact of certain plan limits on the Pledged Tax Revenues, due to uncertainty regarding how the County Auditor-Controller and the State Department of Finance will implement certain provisions added to the Dissolution Act by SB 107 stating that the Agency is not subject to such limits for the sole purposes of the payment of certain enforceable obligations. See "PLEDGED TAX REVENUES – Projected Taxable Valuation and Pledged Tax Revenues" and "RISK FACTORS – Implementation of Dissolution Act Changes to Limits on Receiving Tax Increment Revenues."
- (2) 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."

Source: Hilltop Securities Inc., based on Pledged Tax Revenues provided by Urban Futures, Inc.

Set forth below is the estimated debt service coverage of the Parity Bonds and the Bonds using a 2% annual growth scenario for Fiscal Year 2016-17 Pledged Tax Revenues through maturity.

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

Bond Year Ending (February 1)	Pledged Tax Revenues ⁽¹⁾⁽²⁾	Combined Debt Service (Parity Bonds and Bonds) *	Debt Service Coverage ^{(3)*}
2016-17	\$2,559,000	\$1,181,313	2.17x
2017-18	2,622,506	1,383,148	1.90x
2018-19	2,687,282	1,384,635	1.94x
2019-20	2,753,354	1,385,148	1.99x
2020-21	2,820,747	1,360,135	2.07x
2021-22	2,889,487	1,362,735	2.12x
2022-23	2,959,603	1,364,135	2.17x
2023-24	3,031,121	1,364,335	2.22x
2024-25	3,104,069	1,368,335	2.27x
2025-26	3,178,477	1,400,935	2.27x
2026-27	3,254,372	1,402,185	2.32x
2027-28	3,331,786	1,406,185	2.37x
2028-29	3,410,747	1,402,685	2.43x
2029-30	3,491,288	1,406,935	2.48x
2030-31	3,573,440	1,403,435	2.55x
2031-32	3,657,234	1,402,435	2.61x
2032-33	3,742,705	1,404,248	2.67x
2033-34	3,829,885	1,402,938	2.73x
2034-35	3,918,809	1,405,875	2.79x
2035-36	2,804,659	731,938	3.83x
2036-37	2,869,344	731,438	3.92x

* Preliminary; subject to change.

(1) Commencing Fiscal Year 2016-17, assumes 2% projected annual assessed valuation growth over Fiscal Year 2015-16 actual assessed valuation and projected 2% assessed valuation growth annually thereafter. See "PLEDGED TAX REVENUES – Projected Taxable Valuation and Pledged Tax Revenues."

(2) As a conservative measure, the No Growth Pledged Tax Revenues continue to reflect the impact of certain plan limits on the Pledged Tax Revenues, due to uncertainty regarding how the County Auditor-Controller and the State Department of Finance will implement certain provisions added to the Dissolution Act by SB 107 stating that the Agency is not subject to such limits for the sole purposes of the payment of certain enforceable obligations. See "PLEDGED TAX REVENUES – Projected Taxable Valuation and Pledged Tax Revenues" and "RISK FACTORS – Implementation of Dissolution Act Changes to Limits on Receiving Tax Increment Revenues."

(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."

Source: Hilltop Securities Inc., based on Pledged Tax Revenues provided by Urban Futures, Inc.

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 Years 2012-13, 2013-14, and 2014-15, the County's administrative charge to the Agency was \$1,039,893, \$976,331, and \$_____, respectively. The County's administrative charge to the Agency for the Project Areas for Fiscal Year 2015-16 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 B – SUMMARY OF THE INDENTURE") 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. With respect to the School District Pass-Throughs, since the effectiveness of the Dissolution Act, the County Auditor-Controller has distributed such amounts from the Redevelopment Property Tax Trust Fund to the Agency's Redevelopment Obligation Retirement Fund, rather than to the respective school districts, due to the pledge of the indentures with respect to the Refunded Bonds on the School District Pass-Throughs. 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. Annually by each February 1, 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.

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" 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 XIIC and XIID 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 XIIC 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 XIIC and Article XIID 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.

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 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 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 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 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 Years 2012-13 and 2013-14, the inflationary value adjustment was 2.00%, which is the maximum permissible increase under Article XIII A. For Fiscal Year 2014-15, the inflationary value adjustment is 0.454%. For Fiscal Year 2015-16, the inflationary value adjustment is 1.998%. 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 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 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 Parity Bonds and the Bonds.

Implementation of Dissolution Act Changes to Limits on Receiving Tax Increment Revenues

As previously required under the Redevelopment Law, the redevelopment plans for the Project Areas contain certain limitations on (i) the time through which the Prior Agency (and, prior to SB 107, the Agency) could receive property taxes and repay indebtedness, and (ii) the maximum amount of tax dollars that may be allocated to the Prior Agency (and, prior to SB 107, the Agency). Prior to the enactment of SB 107, upon the respective termination dates, debt service on the Bonds would become payable solely from tax increment revenues allocated to the remaining Project Areas. SB 107 amended the Dissolution Act with new provisions stating that for the purposes of the payment of enforceable obligations defined by Section 34171(d)(1)(A) through (G) of the Dissolution Act (which include the Bonds and the Parity Bonds), and for no other purpose whatsoever, the Agency is not subject to the limitations relating to time, number of tax dollars, or any other matters set forth in Sections 33333.2, 33333.4, and 33333.6 of the Redevelopment Law (including plan limits on the receipt of property taxes and the repayment of indebtedness, and on the maximum amount of tax dollars that may be allocated to the Agency under the redevelopment plan, but excluding the limit on total bonded indebtedness). It is not known with certainty how the County Auditor-Controller and the State Department of Finance will actually implement this provision. Although the Agency expects, based on these changes to the Dissolution Act, that actual Pledged Tax Revenues, to the extent needed for payment of debt service on the Bonds and the Parity Bonds, will likely not be limited by such plan limits, no assurance can be given that a different outcome would not occur, which could have an adverse effect on the Agency's ability to

pay the principal of and interest on the Parity Bonds and the Bonds subsequent to the expiration of the respective time limits stated in the redevelopment plans for the Project Areas.

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, in December 2011, AB X1 27 was found 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. The State's budgets for fiscal years 2013-14 and 2014-15 did not include any additional legislation dealing with dissolution of redevelopment agencies.

In response to the volatility of capital gains tax revenues, which comprise a significant portion of the State's revenues, and the resulting boom-and-bust budget cycles, the State Legislature placed a constitutional amendment on the November 2014 ballot, referred to as Proposition 2, which was passed by the voters. Proposition 2 requires, among other things, beginning in fiscal year 2015-16 and annually thereafter, a transfer of 1.5% of estimated general fund revenues to the state budget stabilization account (the State's "Rainy Day Fund"), and a deposit of personal capital gains tax revenues exceeding 8 percent of General Fund revenues (up to a maximum Rainy Day Fund balance equal to 10 percent of State General Fund revenues). In addition, Proposition 2 requires half of each year's deposit into the Rainy Day Fund for the next 15 years to be used for supplemental payments to reduce the State's long-term debt or other long-term liabilities. The State deposited funds into the Rainy Day Fund previously in fiscal years 2006-07 and 2007-08, for a total rainy-day fund of \$1.5 billion, but the fund was emptied when revenues plummeted during the financial crisis. Since fiscal year 2007-08, governors have suspended the Rainy Day Fund deposit each year. Proposition 2 allows limited use of funds in case of emergency or if there is a State budget deficit.

On June 19, 2015, the Governor signed into law the State budget for fiscal year 2015-16 (the "2015-16 State Budget"). The following information is drawn from the State Department of Finance's summary (the "2015-16 Budget Summary") of the 2015-16 State Budget. The 2015-16 State Budget is based on revenue projections previously included in the Governor's May revision to the proposed budget for fiscal year 2015-16. The 2015-16 State Budget projects total state general fund revenues and transfers for fiscal year 2015-16 of approximately \$115 billion and total State general fund expenditures of approximately \$115 billion, leaving the State with a projected general fund surplus for fiscal year 2015-16 of approximately \$2.09 billion. This amount is approximately \$275 million less than the State general fund balance in fiscal year 2014-15, but the State's Rainy Day Fund balance is projected to increase from approximately \$1.6 billion to \$3.46 billion.

Although no trailer bills affecting or amending the Dissolution Act were passed at or around the time the 2015-16 State Budget was adopted, SB 107 was subsequently approved by both houses of the State Legislature on September 11, 2015 and signed by the Governor into law on September 22, 2015. SB 107 was styled and enacted as a bill related to the State's 2015-16 State Budget.

Governor's Proposed 2016-17 State Budget

On January 7, 2016, California Governor Brown released the proposed fiscal year 2016-17 State budget. The following information is drawn from the State Department of Finance's summary (the "2016-17 Proposed Budget Summary") of the Governor's proposed 2016-17 State Budget. The 2016-17 Proposed Budget Summary projects total state general fund revenues and transfers for fiscal year 2016-17 of approximately \$120.6 billion and total State general fund expenditures of approximately \$122.6 billion, leaving the State with a projected general fund surplus for fiscal year 2016-17 of approximately \$3.2 billion. This amount is approximately \$1.97 billion less than the revised, projected State general fund balance in fiscal year 2015-16. However, the 2016-17 Proposed Budget Summary projects that by the end of fiscal year 2016-17, the State's Rainy Day Fund will have a total balance of \$8.01 billion, increasing from a revised projected balance for the Rainy Day Fund of approximately \$4.46 billion at the end of fiscal year 2015-16. The 2016-17 Proposed Budget Summary states that under Proposition 2, the balance for the Rainy Day Fund would grow to \$6 billion in 2016-17, or 48% of its full amount (being 10 percent of State General Fund revenues). The 2016-17 Proposed Budget Summary further indicates that the Governor's proposed 2016-17 budget, if adopted, would make an additional \$2 billion deposit, bringing the Rainy Day Fund balance to \$8 billion, or 65% of the targeted full amount. However, the 2016-17 Proposed Budget Summary also notes that, since 2000, the State's short periods of balanced budgets have been followed by massive budget shortfalls – the sum of all of the deficits during this period being seven times greater than the sum of all of the surpluses. The 2016-17 Proposed Budget Summary indicates that the State has \$224 billion in long-term costs, debts, and liabilities, with the vast majority (approximately \$220 billion) being related to retirement costs of the State and University of California employees. Therefore, the Governor intends to negotiate with its other bargaining units during fiscal year 2016-17 to implement critical, cost-sharing agreements as part of labor contracts, which are estimated to save \$240 billion statewide over the next 50 years. The Governor's proposed 2016-17 State budget does not propose 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 2015-16 Budget Summary, the current State budget, the 2016-17 Proposed Budget Summary, 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 and the Underwriter make 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 annual 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 an annual 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 semiannually 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 pass-through payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including Statutory Pass-Through Amounts; (ii) second, on each January 2 (with respect to approved enforceable obligations payable during January 1 through June 30) and June 1 (with respect to approved enforceable obligations payable during July 1 through December 31), 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 pass-through obligations that were established under the Redevelopment Law). However, with respect to the School District Pass-Throughs, since the effectiveness of the Dissolution Act, the County Auditor-Controller has distributed such amounts from the Redevelopment Property Tax Trust Fund to the Agency's Redevelopment Obligation Retirement Fund, rather than to the

respective school districts, due to the pledge of the indentures with respect to the Refunded Bonds on the School District Pass-Throughs.

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 distribution date 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:

(i) scheduled debt service on the Bonds and the Parity Bonds and any amount required under the Indenture, the Existing Bonds Indenture[s], and any Supplemental Indenture to replenish the Reserve Account established thereunder, and

(ii) amounts due to any bond insurer under an insurance or surety bond agreement,

in Recognized Obligation Payment Schedules for each annual period beginning on July 1 of any calendar year and ending on June 30 of the next calendar year, or such other period as provided in the Dissolution Act (a “ROPS Period”), so as to enable the Auditor-Controller of the County of Los Angeles 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 Bonds and Parity Bonds coming due in the respective ROPS Period and to pay amounts owed to any bond insurer, as well as the other amounts set forth above.

In order to accomplish the foregoing, on or before each February 1 (or at such earlier time as may be required by the Dissolution Act), for so long as any Bonds or Parity Bonds are outstanding, the Successor Agency shall submit an Oversight Board-approved Recognized Obligation Payment Schedule to the State Department of Finance and to the Auditor-Controller of the County of Los Angeles that shall include (i) all debt service due on the Bonds and the Parity Bonds coming due during the applicable ROPS Period as well as all amounts due and owing to any bond insurer, and (ii) any amount required to cure any deficiency in the Reserve Account pursuant to the Indenture, the Existing Bonds Indenture[s], or any Supplemental Indenture (including any amounts required due to a draw on the Qualified Reserve Account Credit Instrument as well as all amounts due and owing to the [Insurer] under the Indenture).

In the event the provisions set forth in the Dissolution Act as of the Closing Date of the Bonds that relate to the filing of Recognized Obligation Payment Schedules are amended or modified in any manner, the Agency agrees in the Indenture to take all such actions as are necessary to comply with such amended or modified provisions so as to ensure the timely payment of debt service on the Bonds and the Parity Bonds and, if the timing of distributions of the Redevelopment Property Tax Trust Fund is changed, the receipt of all debt service due during each calendar year on all Outstanding Bonds and Parity Bonds prior to June 1 of such calendar year.

See “APPENDIX B – SUMMARY OF THE INDENTURE.”

The Dissolution Act, as amended by AB 1484, also provides for certain penalties in the event the Agency does not timely submit a Recognized Obligation Payment Schedule for an annual period. Specifically, a Recognized Obligation Payment Schedule is 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 each February 1 (commencing with the Recognized Obligation Payment Schedule for the period from July 1, 2016 through June 30,

2017). 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 Dissolution Act provides that the Agency's administrative cost allowance is reduced by 25% if the Agency does not submit an annual Recognized Obligation Payment Schedule within 10 days after the February 1 deadline.

For a discussion of the Agency's history with respect to submittals of Recognized Obligation Payment Schedules, see "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule – *Amounts Received for Prior ROPS Periods.*"

Last and Final Recognized Obligation Payment Schedule

SB 107 amended the Dissolution Act to permit certain successor agencies with limited remaining obligations to submit a voluntary and optional Last and Final ROPS for approval by the oversight board and DOF. The Last and Final ROPS must list the remaining enforceable obligations of the successor agency, including the total outstanding obligation amount and a schedule of remaining payments for each enforceable obligation to be funded from the Redevelopment Property Tax Trust Fund, bond proceeds, or other legally or contractually dedicated or restricted funding sources. The Last and Final ROPS will also establish the maximum amount of Redevelopment Property Tax Trust Fund to be distributed to the successor agency for each remaining fiscal year until all obligations have been fully paid.

Any revenues, interest, and earnings of the successor agency that are not authorized for use pursuant to the approved Last and Final ROPS shall be remitted to the county auditor-controller for distribution to the affected taxing entities. Notwithstanding provisions in the Dissolution Act concerning disposition of real property pursuant to a successor agency's long-range property management plan, proceeds from the disposition of real property subsequent to the approval of the Last and Final ROPS that are not necessary for the payment of an enforceable obligation shall be remitted to the county auditor-controller for distribution to the affected taxing entities. A successor agency may not expend more than the amount approved for each enforceable obligation listed on the approved Last and Final ROPS, and once the successor agency has received Redevelopment Property Tax Trust Fund moneys equal to the amount of the total outstanding obligations approved in the Last and Final ROPS, the county auditor-controller will not allocate further Redevelopment Property Tax Trust Fund moneys to the successor agency's Redevelopment Property Tax Trust Fund.

Successor agencies may only amend an approved Last and Final ROPS twice. If the Agency receives insufficient funds in any given period after a Last and Final ROPS has been approved, the Dissolution Act provides that the County treasurer may loan, and the City may loan or grant, funds to the Agency for the payment of enforceable obligations. Any such loans may not include an interest component and must be repaid from the source of funds approved for payment of the underlying enforceable obligation once sufficient funds become available. The Dissolution Act further provides that any such loan may not increase the total amount of Redevelopment Property Tax Trust Fund received by the Agency as approved on the Last and Final ROPS. In any event, if the Agency prepares and obtains DOF approval of a Last and Final ROPS and subsequently amends the Last and Final ROPS two times, the Agency may be unable to make unexpected or unscheduled reserve deposits or payments due to any Insurer of Bonds or Parity Bonds.

See "SECURITY FOR THE BONDS—Last and Final Recognized Obligation Payment Schedule – *Optional Last and Final ROPS.*"

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 Parity Bonds and the Bonds.

Estimated Revenues

In estimating that Pledged Tax Revenues will be sufficient to pay debt service on the 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 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 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 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 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 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 B – SUMMARY OF THE INDENTURE" 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 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 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 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 Parity Bonds.

CONCLUDING INFORMATION

Underwriting

The 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 Bonds is \$_____. The Underwriter intends to offer the Bonds to the public initially at the respective yields set forth on the inside 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 reallow 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 Bonds and stating that interest on the 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 Bonds at the expense of the Agency. The legal opinions are only as to legality and are not intended to be nor are they to be interpreted or relied upon as a disclosure document or an express or implied recommendation as to the investment quality of the Bonds.

A copy of the proposed form of Bond Counsel's final approving opinion with respect to the Bonds is attached hereto as APPENDIX C.

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. Certain legal matters will also be passed upon for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California, as Underwriter's Counsel. Payment of the fees of Bond Counsel, Disclosure Counsel and Underwriter's Counsel is contingent upon the sale and delivery of the Bonds.

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, and

assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations.

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

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

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

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds).

SUBSEQUENT TO THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE BONDS OR THE MARKET VALUE OF THE BONDS. LEGISLATIVE CHANGES HAVE BEEN INTRODUCED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME OR STATE TAX BEING

IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the Closing Date. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur.

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

A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX C.

Verification

Grant Thornton LLP, Minneapolis, Minnesota, 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 Grant Thornton LLP 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. Section 34177.5 of the

Dissolution Act provides that any bonds authorized under such section (including the Bonds) shall be considered indebtedness incurred by the Prior Agency, with the same legal effect as if the bonds has been issued prior to June 29, 2011, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date.

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 "___" to the Bonds with the understanding that, upon delivery of such Bonds, the Insurance Policy insuring the payment when due of the principal of and interest on the Bonds will be issued by _____. Standard & Poor's has assigned their underlying municipal rating of "___" the 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 among the Agency, Urban Futures, Inc., as Dissemination Agent (the "Dissemination Agent"), and U.S. Bank National Association as trustee (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." See "APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT" for additional information. 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 E – 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.

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, in the opinion of nationally recognized bond counsel, 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; and (3) the proposed amendment or waiver either (i) is approved by Owners in the manner provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners.

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 E – FORM OF CONTINUING DISCLOSURE AGREEMENT."

Presentation of Agency Financial Statements Subsequent to Statutory Dissolution

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. The final seven months of activity of the Prior Agency prior to its February 1, 2012 dissolution were reported in the governmental funds of the City in the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012.

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."

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 are reported 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 March 3, 2015, interpreting Section 34177(n) of the California Health and Safety Code concerning certain successor agency postaudit obligations.

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, commencing in fiscal year ended June 30, 2012, are reported in a special fund (the Housing Authority Special Revenue Fund) in the City's Comprehensive Annual Financial Report.

See "APPENDIX F – Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2015," and in particular Notes 15 and 16 therein regarding "Changes in Legislation Affecting California Redevelopment Agencies" and "Successor Agency Disclosures," respectively.

The State Department of Finance's website is not in any way incorporated into this Official Statement, and the Agency and the Underwriter 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.

Continuing Disclosure History

[update] The Prior Agency previously entered into continuing disclosure agreements with respect to fourteen issues of tax allocation bonds and one lease revenue bond issue which have been outstanding within the past five years (the "Prior Continuing Disclosure Agreements"). Twelve of the Prior Continuing Disclosure Agreements include a January 31 filing date for the annual reports described therein, and three of the Prior Continuing Disclosure Agreements include a December 31 filing date for the annual reports described therein. The annual reports required under each of the Prior Continuing Disclosure Agreements consist of two components: (i) updates as to certain information presented in the official statements with respect to the respective bond issue (the "Updated Operating and Financial Data"), and (ii) annual financial statements.

Pursuant to the Prior Continuing Disclosure Agreements, the Prior Agency and the Agency have timely filed the portion of the annual reports comprised of the Updated Operating and Financial Data for each of the last five years, with one minor exception. The Updated Operating and Financial Data due December 31, 2012 for three of the Prior Continuing Disclosure Agreements was filed one day late, on January 1, 2013.

The portions of the annual reports comprised of the Updated Operating and Financial Data for the past five years were substantially complete, in that information was provided with respect to each category of information specified by the respective Prior Continuing Disclosure Agreements. However, based on a detailed review conducted by the Dissemination Agent in November 2014 of the Prior Agency and Agency's compliance with the Prior Continuing Disclosure Agreements for the prior five years, the Agency discovered that certain of the Updated Operating and Financial Data deviated in presentation format or did not satisfy the technical details within each category of information required by the Prior Continuing Disclosure Agreements. For instance, some of the bonds subject to the Prior Continuing Disclosure Agreements were secured by loan payments from several loan agreements, each pertaining to a separate project area, and the applicable Continuing Disclosure Agreement specified that reserve account balances and the reserve requirement with respect to each loan be provided; however, the Updated Operating and Financial Data only included the aggregate reserve account balance and aggregate reserve requirement with respect to the bonds, and not the components loans contributing to the bonds. As another example, some of the Prior Continuing Disclosure Agreements required a summary of tax increment levies, collections and delinquencies in each of the Project Areas, but the delinquency information was omitted from such summaries in earlier years within the five-year review period. On March 2, 2015, updates to the prior annual reports commencing 2008-09 through 2013-14 were filed with the MRSB to correct such prior disclosure issues concerning Updated Operating and Financial Data under

the Prior Continuing Disclosure Agreements, regardless of whether such disclosure issues might be considered immaterial or not in view of the balance of the information provided.

As to the portion of the annual reports consisting of annual financial statements, there were certain failures in complying with the Prior Continuing Disclosure Agreements within the past five years. With respect to the eleven issues of tax allocation bonds with filing dates of January 31, the financial statements were timely filed for the past two years (i.e., by January 31, 2015 and by January 31, 2014), but in prior years (due January 31, 2010 through January 31, 2013), the financial statements were filed late, ranging from 7 days to 74 days after the January 31 deadline. With respect to the three issues of tax allocation bonds with filing dates of December 31, the financial statements timely filed for the past year (i.e., by December 31, 2014), but in prior years (due December 31, 2010 through December 31, 2013), the financial statements were filed late, ranging from 31 days to 98 days after the December 31 deadline. Also, with respect to the lease revenue bond issue, the Prior Agency as issuer and the City as underlying obligor were both responsible for causing the City's financial statements to be filed by January 31 annually, but the Dissemination Agent inadvertently filed the Prior Agency's financial statements for fiscal years ended June 30, 2010 and June 30, 2011 instead of the City's financial statements; on March 2, 2015, the City's financial statements, which had been filed with the MSRB with respect to other City bonds, were also linked to the lease revenue bonds to remedy this error. The financial statements for fiscal year ended June 30, 2012 involved complications in preparation due to the dissolution of the Prior Agency in such year and therefore were not completed by the Agency until January 30, 2013. Otherwise, the late financial statements filings were due in large part to lapses and coordination issues at the Dissemination Agent, which the Dissemination Agent has addressed by instituting new procedures and changes in its operational practices to be more proactive with clients in preparing and obtaining the various items required for continuing disclosure, including financial statements. These changes at the Dissemination Agent have resulted in the timely filings for the most recent years.

Finally, under the Prior Continuing Disclosure Agreements, the Prior Agency also covenanted to provide notice of certain listed events, if material. Because all of the Prior Continuing Disclosure Agreements were entered into prior to the December 1, 2010 effective date of certain amendments to SEC Rule 15c2-12, the Prior Continuing Disclosure Agreements do not include a time frame within which a notice of listed event must be filed. Through the detailed review conducted by the Dissemination Agent in November 2014 of the Prior Agency and Agency's compliance with the Prior Continuing Disclosure Agreements for the prior five years, the Agency discovered that notices has not been filed with respect to certain rating changes – mostly with respect to changes in the ratings of bond insurers insuring certain of the applicable bond issues. On March 2, 2015, a notice was filed with the MSRB presenting tables of historical ratings changes for the bonds subject to the Prior Continuing Disclosure Agreements, to fill any gaps that had occurred in disclosures regarding these rating changes, regardless of whether such rating changes might be considered immaterial or not in view of the circumstances under which they occurred.

As described above, the Dissemination Agent has instituted new procedures and changes in its operational practices to assure future compliance and coordination with the Agency for complete and timely continuing disclosure filings. In addition, in cooperation with the Dissemination Agent, the City's Finance Department adopted in March 2015 an internal continuing disclosure policy relating to the City and all related entities, including the Agency, to assist compliance with the continuing disclosure undertakings of the City, the Agency, and other related entities of the City. Therefore, the Agency believes that its procedures with the Dissemination Agent will be sufficient in the normal due course to assure substantial compliance with its continuing disclosure undertakings in the future.

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.

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.

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

APPENDIX A

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 as a general law city. On April 13, 2010, the qualified electors within the City voted to convert the City to a charter city. The City maintains a council-manager form of government. The mayor and city council are elected at large for staggered four-year terms.

The City is at an elevation of 2,356 feet and experiences a dry climate. The average annual rainfall is 7.36 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, 2015 was estimated to be 160,784. 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 2006 through 2015⁽¹⁾

<u>Calendar Year</u>	<u>City of Lancaster</u>	<u>County of Los Angeles</u>	<u>State of California</u>
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	159,956	10,054,852	38,357,121
2015	160,784	10,136,559	38,714,725

(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 2014 annual estimated unemployment rate for the City was 9.2 percent, and that for the County was 8.3 percent. The following table shows certain employment statistics for the City, the County, and the State for calendar years 2004 through 2014.

CITY OF LANCASTER
City and County Employment Statistics
Calendar Years 2004 through 2014 ⁽¹⁾

Year	City			County	State
	Labor Force	Employed	Unemployment Rate	Unemployment Rate	Unemployment Rate
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
2014 ⁽²⁾	64,100	58,200	9.2	8.3	7.5

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

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

Source: State of California, Employment Development Department.

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The City serves as a primary commercial center of the Antelope Valley, which covers 3,514.2 square miles of area and includes the City and the cities of Palmdale, Tehachapi, and Ridgecrest. The table below lists the ten largest employers in the Antelope Valley area for 2015. Major private employers in the area include those in the military, health care, and retail industries. Major public sector employers include the County and a local school district.

**ANTELOPE VALLEY AREA
MAJOR EMPLOYERS**

	Name of Company	Employees	Percentage of Total Valley Employment
1.	Edwards Air Force Base	10,647	13.88%
2.	China Lake Navel Weapons Center	6,690	8.72
3.	County of Los Angeles	3,743	4.88
4.	Lockheed Martin	3,700	4.82
5.	Antelope Valley Hospital	2,300	3.00
6.	Northrop Grumman	2,100	2.74
7.	Wal Mart Stores (5)	1,922	2.51
8.	California Correctional Institute	1,915	2.50
9.	Antelope Valley Mall	1,800	2.35
10.	Palmdale School District	1,792	2.34
	Total	36,609	47.74%
	Total Antelope Valley Employment	76,690	100.00%

Source: City of Lancaster Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2015.

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The following table summarizes the civilian labor force in the County for the calendar years 2010 through 2014. 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 2010-2014

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014⁽³⁾</u>
Total Farm	6,200	5,600	5,400	5,500	5,300
Mining and Logging	4,100	4,000	4,300	4,600	4,700
Construction	104,500	105,000	109,100	116,500	120,200
Manufacturing	373,200	366,800	367,200	366,500	364,900
Trade, Transportation and Utilities	739,900	749,900	766,600	780,700	800,700
Information	191,500	191,900	191,400	197,300	195,900
Financial Activities	209,500	208,400	210,700	211,800	209,700
Professional and Business Services	527,500	542,900	570,000	590,300	609,400
Educational and Health Services	637,200	643,100	674,100	713,400	748,000
Leisure and Hospitality	384,800	394,600	415,300	436,700	464,600
Other Services	136,700	136,900	141,600	145,500	151,700
Government	<u>579,600</u>	<u>565,500</u>	<u>556,800</u>	<u>549,200</u>	<u>556,700</u>
Total All Industries ⁽¹⁾	<u>3,894,600</u>	<u>3,914,600</u>	<u>4,012,300</u>	<u>4,118,000</u>	<u>4,231,700</u>
Total Civilian Labor Force ⁽²⁾	4,916,300	4,936,400	4,901,300	4,960,300	5,025,900
Total Unemployment	617,900	604,900	535,500	489,600	415,100
Unemployment Rate	12.6%	12.3	10.9%	9.9%	8.3%

(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 six calendar years.

CITY OF LANCASTER Residential Building Permits and Valuation, 2009-2014

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014⁽¹⁾</u>
Residential						
New Single-Dwelling	\$36,510,555	\$58,272,395	\$42,076,014	\$47,741,219	\$47,326,884	\$25,862,234
New Multi-Dwelling	<u>10,440,777</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Residential	<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>	<u>\$25,862,234</u>
No. of New Dwelling Units						
Single-Dwelling	187	277	175	192	177	93
Multi-Dwelling	<u>80</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Units	<u>267</u>	<u>277</u>	<u>175</u>	<u>192</u>	<u>177</u>	<u>93</u>

(1) Most recent annual information available.
Source: U.S. Census Bureau.

Commercial Activity

The following table summarizes the annual volume of taxable transactions within the City for calendar years 2010 through 2013.

CITY OF LANCASTER Taxable Transactions Calendar Years 2010 through 2013 (in Thousands of Dollars)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013⁽¹⁾</u>
Retail and Food Services				
Motor Vehicle and Parts Dealers	\$ 166,140	\$ 226,895	\$ 266,905	\$ 283,465
Home Furnishings and Appliance Stores	17,116	16,110	16,442	16,672
Bldg. Matrl. and Garden Equip. and Supplies	71,768	76,981	79,791	83,704
Food and Beverage Stores	63,096	64,123	67,154	68,421
Gasoline Stations	140,330	197,750	214,647	205,932
Clothing and Clothing Accessories Stores	33,579	35,643	36,747	38,595
General Merchandise Stores	275,453	280,122	287,678	282,074
Food Services and Drinking Places	144,335	149,233	156,248	159,702
Other Retail Group	86,729	89,160	88,161	91,339
Subtotal (Retail and Food Services)	<u>\$ 998,547</u>	<u>\$1,136,017</u>	<u>\$1,213,772</u>	<u>\$1,229,905</u>
All Other Outlets	315,548	336,774	350,112	356,628
All Outlets	<u>\$1,314,095</u>	<u>\$1,472,791</u>	<u>\$1,563,884</u>	<u>\$1,586,533</u>

(1) 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**

2015-16 Assessed Valuation: \$10,108,446,108

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 2/1/16</u>
Antelope Valley Joint Community College District	33.626%	\$ 46,680,713
Antelope Valley Union High School District	38.198	25,670,917
Eastside Union School District	60.021	4,579,228
Lancaster School District	97.068	43,076,803
Westside Union School District	28.983	19,307,422
Westside Union School District Community Facilities Districts	100.	20,684,866
City of Lancaster Community Facilities Districts	100.	4,563,890
City of Lancaster 1915 Act Bonds	100.	1,370,000
Los Angeles County Regional Park and Open Space Assessment District	0.793	<u>401,337</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$166,335,176
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles County General Fund Obligations	0.793%	\$14,154,604
Los Angeles County Superintendent of Schools Certificates of Participation	0.793	62,999
Antelope Valley Joint Community College District Certificates of Participation	33.626	6,990,845
Eastside Union School District Certificates of Participation	60.021	2,100,735
Lancaster School District Certificates of Participation	97.068	7,658,665
Los Angeles County Sanitation District No. 14 Certificates of Participation	75.547	1,742,436
City of Lancaster Power Authority Revenue Bonds	100.	<u>23,745,000</u> ⁽¹⁾
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$56,455,284
Less: Lancaster Power Authority Revenue Bonds supported by solar utility revenues		<u>23,745,000</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$32,710,284
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>		
City of Lancaster Tax Allocation Bonds	100. %	\$210,915,000
City of Lancaster Lease Revenue Bonds	100.	<u>4,810,000</u>
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$215,725,000
 GROSS COMBINED TOTAL DEBT		\$438,515,460 ⁽²⁾
NET COMBINED TOTAL DEBT		\$414,770,460

- (1) Excludes refunding tax allocation bonds to be sold.
- (2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy bonds are included based on principal due at maturity.

Ratios to 2015-16 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.65%
Total Gross Direct Debt (\$23,745,000).....	0.23%
Total Net Direct Debt (\$0)	0.00%
Gross Combined Total Debt.....	4.34%
Net Combined Total Debt	4.10%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$6,285,876,177):

Total Overlapping Tax Increment Debt.....	3.43%
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Source: California Municipal Statistics.

APPENDIX B
SUMMARY OF THE INDENTURE

APPENDIX C
FORM OF BOND COUNSEL OPINION

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix D 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 E
FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX F

**COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR
FISCAL YEAR ENDED JUNE 30, 2015**

APPENDIX G
FINANCIAL ADVISOR'S REPORT

APPENDIX H
SPECIMEN MUNICIPAL BOND INSURANCE POLICY