

NEW ISSUE – BOOK-ENTRY ONLY

RATING: S&P: “\_\_”  
(See “RATING”)

*In the opinion of Goodwin Procter LLP, Los Angeles, California, Bond Counsel to the Commission, based upon an analysis of existing laws, regulations, rulings, and judicial decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants and requirements, interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See “TAX MATTERS.”*

**§[PRINCIPAL AMOUNT]\***  
**OXNARD COMMUNITY DEVELOPMENT COMMISSION**  
**Historic Enhancement and Revitalization of Oxnard (HERO) Project Area**  
**Tax Allocation Bonds, Series 2011**

**Dated: Date of Delivery****Due: September 1, as shown on the inside cover**

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Oxnard Community Development Commission Historic Enhancement and Revitalization of Oxnard (HERO) Project Area Tax Allocation Bonds, Series 2011 (the “Bonds”), are being issued in the aggregate principal amount of §[PRINCIPAL AMOUNT]\* by the Oxnard Community Development Commission (the “Commission”) pursuant to the California Constitution and under authority granted to the Commission by the California Community Redevelopment Law, constituting Part 1 and Part 1.7 of Division 24 of the California Health and Safety Code, as amended, Resolution No. \_\_, adopted by the Commission on June 14, 2011, and the provisions of an Indenture of Trust, dated as of July 1, 2011 (the “Indenture”), by and between the Commission and Wells Fargo Bank, National Association, as trustee (the “Trustee”).

Proceeds from the sale of the Bonds will be used (i) to finance redevelopment activities within the Project Area (as defined herein), including the construction and improvement of a City-owned park located within the Project Area, (ii) to fund the reserve fund established for the Bonds, and (iii) to pay certain costs of issuance related to the Bonds. See “ESTIMATED SOURCES AND USES OF BOND PROCEEDS,” “SECURITY FOR THE BONDS,” and “THE PROJECT AREA.”

The Bonds will be delivered in fully registered form without coupons and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Individual purchases of Bonds may be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof for each maturity. Purchasers will not receive certificates representing their interest in the Bonds purchased. See “THE BONDS – Book-Entry Only System.”

Payments of interest on the Bonds will be made by the Trustee to DTC, which will in turn remit such interest to its participants for subsequent dispersal to beneficial owners of the Bonds as described herein. Interest on the Bonds is payable semiannually on each March 1 and September 1, commencing September 1, 2011, until the maturity or the earlier redemption thereof. Principal and any redemption premiums with respect to each Bond will be paid upon surrender of such Bond at the principal corporate trust office of the Trustee upon maturity or the earlier redemption thereof.

The Bonds are subject to optional and mandatory sinking account redemption prior to their stated maturities as described herein.

\* Preliminary; subject to change.

The Official Statement is delivered in 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 prior to registration or qualification under the securities laws of any such jurisdiction.

THE BONDS ARE LIMITED OBLIGATIONS OF THE COMMISSION PAYABLE SOLELY FROM AND SECURED SOLELY BY THE AMOUNTS PLEDGED THEREFOR UNDER THE INDENTURE, WHICH AMOUNTS ARE COMPRISED OF TAX REVENUES AND MONEYS HELD IN CERTAIN OF THE FUNDS ESTABLISHED UNDER THE INDENTURE. NEITHER THE BONDS NOR THE OBLIGATIONS OF THE COMMISSION UNDER THE INDENTURE REPRESENT DEBTS OF THE CITY, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION OF THE STATE (OTHER THAN THE COMMISSION), AND NONE OF THE CITY, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE (OTHER THAN THE COMMISSION) IS LIABLE FOR THE BONDS. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE COMMISSION NOR ANY PERSONS EXECUTING THE BONDS ARE LIABLE PERSONALLY ON THE BONDS BY REASON OF THEIR ISSUANCE. THE COMMISSION HAS NO TAXING POWER.

**[SEE MATURITY SCHEDULE ON INSIDE COVER]**

*The Bonds are offered when, as, and if delivered to and received by the Underwriter, subject to the approval of legality by Goodwin Procter LLP, Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon for the Commission by the City Attorney, acting as General Counsel to the Commission, and by Disclosure Counsel, Goodwin Procter LLP, Los Angeles, California. It is anticipated that the Bonds in book-entry form will be available for delivery to DTC in New York, New York, on or about July \_\_, 2011.*

**Stone & Youngberg LLC**

Dated: \_\_\_\_\_, 2011.

**MATURITY SCHEDULE**

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP <sup>(1)</sup> No.</u>	<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP <sup>(1)</sup> No.</u>
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\$ \_\_\_\_\_ % Term Bonds due September 1, 20\_\_ Yield \_\_\_\_\_ % CUSIP <sup>(1)</sup> No. \_\_\_\_\_

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No dealer, broker, salesperson, or other person has been authorized by the Commission or Stone & Youngberg LLC (the "Underwriter"), to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds, nor shall there be any sale of the Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

This Official Statement is not to be construed to be a contract with the purchasers of the Bonds. Statements contained in this Official Statement that involve estimates, forecasts, or matters of opinion, whether or not expressly described as such herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth in this Official Statement has been obtained from the Commission and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness and it is not to be construed as a representation by the Commission. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Commission or the City of Oxnard, California, since the date hereof.

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.

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

## **OXNARD COMMUNITY DEVELOPMENT COMMISSION**

### **COMMISSION AND CITY COUNCIL**

Dr. Thomas E. Holden, Chairman and Mayor  
Dr. Irene G. Pinkard, Vice Chair and Mayor Pro Tem,  
Bryan A. MacDonald, Commissioner and Councilman  
Timothy B. Flynn, Commissioner and Councilman  
Carmen Ramirez, Commissioner and Councilmember

### **COMMISSION AND CITY STAFF**

Edmund F. Sotelo, City Manager and Executive Director and Secretary of Commission  
Alan Holmberg, City Attorney and General Counsel of the Commission  
Danielle Navas, City and Commission Treasurer  
James Cameron, Chief Financial Officer  
Curtis Cannon, Community Development Director  
Kymberly Horner, Management Analyst  
Michael J. More, Financial Services Manager

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Los Angeles, California

**Fiscal Consultant**  
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**\$(PRINCIPAL AMOUNT)\***  
**OXNARD COMMUNITY DEVELOPMENT COMMISSION**  
**Historic Enhancement and Revitalization of Oxnard (HERO) Project Area**  
**Tax Allocation Bonds, Series 2011**

**INTRODUCTION**

This Official Statement, which includes the cover page, Table of Contents, and Appendices (the "Official Statement"), provides certain information concerning the issuance of the Oxnard Community Development Commission Historic Enhancement and Revitalization of Oxnard (HERO) Project Area Tax Allocation Bonds, Series 2011 (the "Bond"), in the aggregate principal amount of \$(PRINCIPAL AMOUNT)\*. Descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each such document for complete details of all terms and conditions therein. All statements in this Official Statement are qualified in their entirety by reference to the applicable documents.

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, and the offering of the Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Selected Definitions."

**Authorization**

The Bonds are being issued by the Oxnard Community Development Commission, a public body corporate and politic (the "Commission"), duly organized and existing under the California Community Redevelopment Law (Part 1 and Part 1.7 of Division 24 of the California Health and Safety Code, commencing with Section 33000) (the "Redevelopment Law"). The Commission is successor-in-interest to the Redevelopment Agency of the City of Oxnard (the "Agency"), a redevelopment agency that was formed and formerly existed under the Redevelopment Law. The Commission is issuing the Bonds pursuant to the Redevelopment Law, Resolution No. \_\_\_\_, adopted by the Commission on June 14, 2011 (the "Bond Resolution"), and the provisions of an Indenture of Trust, dated as of July 1, 2011 (the "Indenture"), by and between the Commission and Wells Fargo Bank, National Association, as trustee (the "Trustee"). Capitalized terms used within this Official Statement not otherwise defined herein shall have the meanings set forth in the Indenture. See "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Selected Definitions."

**Purpose of Issuance**

Proceeds from the sale of the Bonds will be used (i) to finance redevelopment activities within the Project Area (as defined herein), including the construction of the Facilities (as defined herein), (ii) to fund the reserve fund established for the Bonds, and (iii) to pay certain costs of issuance related to the Bonds. See "ESTIMATED SOURCES AND USES OF BOND PROCEEDS," "THE PROJECT AREA," and "FACILITIES TO BE FINANCED WITH BOND PROCEEDS."

**Registration, Maturity, and Payment of Bonds**

The Bonds will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, which will act as securities depository for the Bonds. The Bonds will be dated the date of their initial delivery and will mature on the dates and in the principal amounts set forth on the cover

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\* Preliminary; subject to change.

page hereof. See "THE BONDS – Authorization and Registration of Bonds" and "– Book-Entry Only System."

Interest on the Bonds is payable semiannually on March 1 and September 1, commencing September 1, 2011, until the maturity or earlier redemption thereof, and will be paid by check, mailed by first class mail to the registered owners thereof (each, an "Owner") as of the applicable Record Date; provided, however, that any Owner of \$1,000,000 or more in aggregate principal amount of Bonds may request in writing payment of such interest by wire transfer in immediately available funds to a designated account. Principal and any redemption premium with respect to each Bond will be paid upon surrender of such Bond at the principal corporate trust office of the Trustee in Los Angeles, California (the "Corporate Trust Office of the Trustee"), upon the maturity or earlier redemption thereof. See "THE BONDS – Description of the Bonds."

### **Redemption of the Bonds**

***Optional Redemption.*** Bonds maturing on or before September 1, 2016\*, are not subject to optional redemption prior to maturity. The Bonds maturing on or after September 1, 2017\*, shall be subject to redemption as a whole or in part, as determined by the Commission and by lot within a maturity, at the option of the Commission, on any date on or after September 1, 2016\*, without premium, from any available source of funds. See "THE BONDS – Redemption Provisions – Optional Redemption."

***Mandatory Sinking Account Redemption.*** The Bonds maturing on September 1, 20\_\_ (the "Term Bonds"), are subject to redemption prior to their stated maturity, in part by lot, from mandatory sinking account payments made by the Commission on each September 1, commencing September 1, 20\_\_, at the principal thereof plus accrued interest thereon to the date fixed for redemption, without premium. Pursuant to the Indenture, the Commission may purchase Term Bonds in lieu of such mandatory sinking account redemption at a public or private sale, when and at such prices (including brokerage and other charges and including accrued interest) as the Commission may in its discretion determine; provided, however, that the principal amount of any Bonds so purchased by the Commission and surrendered to the Trustee in any twelve-month period ending on September 1 in any year shall be credited towards and shall reduce the par amount of the Bonds otherwise required to be redeemed following September 1 of such year pursuant to the Indenture. See "THE BONDS – Redemption Provisions – Mandatory Sinking Account Redemption" and "– Purchase of Bonds in Lieu of Mandatory Redemption."

### **Security for the Bonds**

The Bonds and all Parity Debt (as defined herein) are equally secured by a first pledge of and lien on all of the Tax Revenues (as defined herein) and all of the moneys in the Special Fund (as such fund is defined in the Indenture), and the Bonds shall be equally secured by a first and exclusive pledge of and lien upon all of the moneys in the Debt Service Fund and the Reserve Fund (as such funds are established under and defined in the Indenture), without preference or priority for series, issue, number, dated date, sale date, date of execution, or date of delivery. Except for the Tax Revenues and such moneys, no funds or properties of the Commission shall be pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Bonds. See "SECURITY FOR THE BONDS" herein.

On January 5, 2007, the Commission issued \$11,490,000 aggregate principal amount of its Historic Enhancement and Revitalization of Oxnard (HERO) Project Area Tax Allocation Bonds, Series 2006 (the "2006 Tax Allocation Bonds"). On July 1, 2008, the Commission issued \$11,790,000

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\* Preliminary; subject to change.

aggregate principal amount of its Historic Enhancement and Revitalization of Oxnard (HERO) Project Area Tax Allocation Bonds, Series 2008 (the "2008 Tax Allocation Bonds"). The 2006 Tax Allocation Bonds and the 2008 Tax Allocation Bonds are secured by and payable from Tax Revenues on a parity with the Bonds and therefore constitute parity debt (collectively, "Parity Debt"). The Commission may, by Supplemental Indenture, issue or incur additional Parity Debt payable from Tax Revenues on a parity with the Bonds to finance redevelopment activities within the Project Area in such principal amount as shall be determined by the Commission, subject to the satisfaction of specific conditions precedent to the issuance and delivery of such Parity Debt. In addition, notwithstanding the funds that are pledged pursuant to the Indenture, Owners of the Bonds are not guaranteed that sufficient Tax Revenues will be available to pay the Bonds. See "SECURITY FOR THE BONDS – Issuance of Parity Debt" and "RISK FACTORS – Parity Debt."

### **The Project Area**

The City Council of the City of Oxnard (the "City Council") approved the original redevelopment plan for the Project Area pursuant to Ordinance No. 2462, adopted April 7, 1998, and amended such redevelopment plan on February 3, 2004, pursuant to Ordinance No. 2645. Pursuant to Ordinance No. 2653, adopted March 23, 2004, the City Council approved the Amended and Restated Redevelopment Plan for the HERO Redevelopment Project (the "Redevelopment Plan"). In addition to adopting the Redevelopment Plan, Ordinance No. 2653 approved the addition of 84.52 acres (the "Added Area") to the original approximately 2,117 acres in the Project Area (the "Original Project Area"). The Original Project Area and the Added Area are collectively referred to herein as the "Project Area."

The Project Area is comprised of a number of non-contiguous parcels located in the north, south, east, and west areas of the City of Oxnard, California (the "City"), covering approximately 2,202 acres. All real property in the Project Area that is owned or acquired by the Commission is subject to the controls and restrictions of the Redevelopment Plan. The Redevelopment Plan requires that new construction shall comply with all applicable statutes of the State of California (the "State") and local laws and codes in effect from time to time. In addition to applicable codes, ordinances, or other requirements governing development in the Project Area, the Commission may adopt additional specific performance and development standards to control and direct redevelopment activities in the Project Area. No new improvement shall be constructed in the Project Area, and no existing improvements therein shall be substantially modified, altered, repaired, or rehabilitated, except in accordance with the Redevelopment Plan and with the development and design controls contained therein or imposed in accordance therewith. In addition, notwithstanding the redevelopment activities undertaken in connection with the Redevelopment Plan, the total number of buildings and the total number of dwelling units in the Project Area may not exceed the limitations imposed on buildings and dwelling units under the City's General Plan. See "THE PROJECT AREA."

### **Continuing Disclosure**

In connection with the issuance of the Bonds, the Commission will covenant in the Continuing Disclosure Agreement, dated the date of delivery of the Bonds (the "Continuing Disclosure Agreement"), by and between the Commission and Wells Fargo Bank, National Association, acting as dissemination agent, to provide certain financial information and operating data relating to the Commission and the Facilities to be financed with the proceeds of the Bonds, as well as notices of certain events listed therein. See "CONTINUING DISCLOSURE" and "APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT."

### **Limited Obligations**

The Bonds are limited obligations of the Commission payable solely from and secured solely by the amounts pledged therefor under the Indenture, which amounts are comprised of Tax Revenues and

moneys held in certain of the funds established under the Indenture. Neither the Bonds nor the obligations of the Commission under the Indenture are a debt of the City, the State, or any political subdivision of the State (other than the Commission) and neither the City, the State, nor any political subdivision of the State (other than the Commission) is liable for the Bonds. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the members of the Commission nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance. The Commission has no taxing power.

#### **Termination of Purchase Due to Proposals by Governor or Proposed Legislation**

If after execution by the Commission, the City of Oxnard Financing Authority (the "Authority"), and Stone & Youngberg LLC (the "Underwriter"), of the contract of purchase relating to the Bonds, the Commission or the Underwriter shall determine in good faith (and provide written notice to the other party) that legislation has been introduced or proposals made by the Governor of the State or if legislation is enacted that would impose additional materially adverse limitations or burdens on the Commission, the Authority, or the City by reason of the issuance of the Bonds or that purports to prohibit the issuance of the Bonds, each of the Commission and the Underwriter has the right under such contract of purchase to not proceed with the issuance or purchase, as applicable, of the Bonds. See "RISK FACTORS – State Fiscal Issues – Proposed 2011-12 Budget and Redevelopment Agencies."

#### **Forward-Looking Statements**

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "intend," "expect," "propose," "estimate," "project," "budget," "anticipate," or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, or achievements described to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. No updates or revisions to these forward-looking statements are expected to be issued if or when the expectations, events, conditions, or circumstances on which such statements are based change. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such forward-looking statements. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON SUCH FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF.

#### **References Qualified**

The summaries of and references to all documents, statutes, reports, and other instruments referred to in this Official Statement do not purport to be complete, comprehensive, or definitive, and each such summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

## ESTIMATED SOURCES AND USES OF BOND PROCEEDS

### Sources of Funds

Principal Amount of Bonds  
[Less/Plus]: Net Original Issue [Discount/Premium]  
Less: Underwriter's Discount  
**Total Sources of Funds**

### Uses of Funds

Costs of Issuance Fund <sup>(1)</sup>  
Redevelopment Fund <sup>(2)</sup>  
Reserve Fund  
**Total Uses of Funds**

- (1) Moneys in the Costs of Issuance Fund will be used to pay costs of issuance with respect to the Bonds, including Bond Counsel, Disclosure Counsel, Fiscal Consultant, and Trustee fees, as well as printing and other costs.
- (2) Moneys in the Redevelopment Fund will be used to pay for redevelopment activities in the Project Area as described herein. See "THE PROJECT AREA."

## FACILITIES TO BE FINANCED WITH BOND PROCEEDS

A portion of the proceeds from the sale of the Bonds will be used to finance the acquisition, construction, and improvement of Phases I and II of the Campus Park development project, an approximately 30 acre City-owned park located within the Project Area at 937 West Fifth Street, inclusive of appurtenances and appurtenant work (the "Facilities"). The site of the Facilities is the former Oxnard High School property, which the City purchased in 2002. A gymnasium, locker room wings, and two-story building are located on the site. The improvements are expected to include the construction or provision of soccer fields, baseball fields, a lighted skate park, two lighted basketball courts, parking lots, a walking track, new walkways inside and around perimeter of the site, a lighted synthetic football and soccer field, restrooms, snack bars, and maintenance facilities, plus irrigation, landscaping, and other miscellaneous appurtenances.

The following table summarizes the estimated construction budget for the Facilities. All costs of the Facilities are expected to be paid from Bond proceeds. Any costs of the Facilities not paid from Bond proceeds will be paid by the City from available City moneys.

**Table 1**  
**Estimated Construction Budget for Facilities**  
**(All Costs Are Expected to be Paid from Bond Proceeds)**

<u>Description of Work</u>	<u>Estimated Cost</u>
<i><b>Phase I</b></i>	
Baseball and Sports Fields	\$ 970,000
Snack Bar and Restrooms	500,000
Irrigation	900,000
Utilities	300,000
Exercise Trail	250,000
Playground and Appurtenances	600,000
Contingency, Permits, and Administrative Charges	<u>874,000</u>
<i><b>Total Phase I Estimated Costs</b></i>	<i><b>\$4,394,000</b></i>
<i><b>Phase II</b></i>	
Snack Bar and Restrooms	\$ 600,000
Utilities	700,000
Sports Stadium (Turf, Lighting, Bleachers)	3,600,000
Parking Lot (Including Lighting)	2,200,000
Skate Park	1,116,667
Basketball Courts	150,000
Landscaping and Appurtenances	1,300,000
Maintenance Facilities	645,000
Contingency, Permits, and Administrative Charges	<u>2,062,333</u>
<i><b>Total Estimated Costs of Phase II</b></i>	<i><b>\$12,374,000</b></i>
<i><b>Total Estimated Costs of Facilities</b></i>	<i><b>\$16,768,000</b></i>

Source: City.

## THE BONDS

### Authority for Issuance; Limited Obligations

The Bonds are issued pursuant to the California Constitution and under authority granted to the Commission by the Redevelopment Law, the Bond Resolution, and the provisions of the Indenture. The Bonds are limited obligations of the Commission payable solely from and secured solely by the amounts pledged therefor under the Indenture, which amounts are comprised of Tax Revenues and moneys held in certain of the funds established under the Indenture. Neither the Bonds nor the obligations of the Commission under the Indenture are a debt of the City, the State, or any political subdivision of the State (other than the Commission), and none of the City, the State, or any political subdivision of the State (other than the Commission) is liable for the Bonds. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the members of the Commission nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance. The Commission has no taxing power. For a discussion of some of the risks associated with the purchase of the Bonds, see "RISK FACTORS." See also "SECURITY FOR THE BONDS" and "LIMITATIONS ON TAX REVENUES."

### Description of the Bonds

The Bonds are being issued in an aggregate principal amount of \$[PRINCIPAL AMOUNT]\* in denominations of \$5,000 each or integral multiples thereof and will be dated the date of their original issuance. Subject to a possible redemption prior to maturity as provided in the Indenture, the Bonds will mature on the respective dates and bear interest in the respective amounts set forth on the cover page hereof. Interest is payable semiannually on each March 1 and September 1, commencing September 1, 2011.

The Bonds will be issued in fully registered form without coupons and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases of Bonds may be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof for each maturity. Purchasers will not receive certificates representing their interest in the Bonds purchased. Payments of principal of and interest on the Bonds will be made by the Trustee to DTC, which will in turn remit such principal and interest to its participants for subsequent dispersal to beneficial owners of the Bonds as described herein. See "THE BONDS – Book-Entry Only System" herein.

### Redemption Provisions

**Optional Redemption.** Bonds maturing on or before September 1, 2016\*, are not subject to optional redemption prior to maturity. The Bonds maturing on or after September 1, 2017\*, shall be subject to redemption as a whole or in part, as determined by the Commission and by lot within a maturity, at the option of the Commission, on any date on or after September 1, 2016\*, without premium, from any available source of funds.

Pursuant to the Indenture, the Commission is required to give the Trustee written notice of its intention to redeem Bonds as described in the preceding paragraph, which notice must include the date of such redemption and the maturities of the Bonds to be so redeemed, at least 45 days prior to the date fixed for such redemption, and is further required to transfer to the Trustee for deposit into the Debt Service Fund all amounts required for such redemption not later than the date fixed for such redemption.

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\* Preliminary; subject to change.

**Mandatory Sinking Account Redemption.** The Term Bonds maturing on September 1, 20\_\_, are subject to mandatory redemption (or purchase in lieu of such redemption, as described below), in part by lot, at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, without premium, in the aggregate principal amounts and on the dates as set forth in the following table:

Redemption Date (September 1)	Principal Amount To Be <u>Redeemed or Purchased</u>
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\$

(maturity)

If some but not all of the Term Bonds have been optionally redeemed, as described above, the total amount of all future sinking account payments shall be reduced *pro rata* by the aggregate principal amount of Term Bonds so redeemed, as set forth in the Indenture.

**Purchase in Lieu of Mandatory Redemption.** In lieu of the mandatory sinking account redemption of Term Bonds as described above, amounts on deposit in the Debt Service Fund as sinking account payments may also be used and withdrawn by the Trustee, at the written direction of the Commission received prior to the selection of Term Bonds for mandatory sinking account redemption, and used to purchase Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Commission may in its discretion determine. The principal amount of any of the Term Bonds so purchased by the Commission and surrendered to the Trustee in any twelve-month period ending on September 1 in any year shall be credited towards and shall reduce the principal amount of the Bonds otherwise required to be redeemed on the following September 1 of such year pursuant to the Indenture. At the option of the Commission, any or all of the Bonds so purchased by the Commission shall be either (i) surrendered to the Trustee for cancellation or (ii) provided that the Commission shall have first obtained an Opinion of Counsel that the exclusion from gross income of interest with respect to the Bonds will not be adversely affected for federal income tax purposes, surrendered to the Trustee, which shall promptly deliver such Bonds to, and shall register such Bonds in the name of, the Commission or its assignee, in which case such Bonds shall remain outstanding and shall not be cancelled or retired, notwithstanding any other provisions of the Indenture to the contrary.

**Notice of Redemption.** Notice of redemption shall be mailed first-class mail by the Trustee, not less than 30 nor more than 60 days prior to the redemption date, to (i) the respective Owners of the Bonds designated for redemption at their addresses appearing on the Bond Register, (ii) the Securities Depositories, and (iii) the Information Services. Notice of redemption to the Securities Depositories and the Information Services shall be given by certified or registered mail, overnight delivery, or confirmed facsimile transmission. Each notice of redemption shall state the redemption date, the redemption price, if any, that (if appropriate) such redemption is conditioned upon the timely delivery of the redemption price by the Commission to the Trustee for deposit in the Debt Service Fund on or before the redemption date, the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Bonds of such maturity to be redeemed, and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there shall become due and payable on the Bonds to be redeemed all of the principal amount thereof on the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such

Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure by the Trustee to give notice as described in this paragraph to any one or more of the respective Owners of any Bonds designated for redemption, the Information Services, or the Securities Depositories, or the insufficiency of any such notice, will not affect the sufficiency of the proceedings for redemption.

Upon the occurrence of any contingent or other unscheduled Bond redemption under the Indenture, notice thereof shall be given to the Municipal Securities Rulemaking Board pursuant to the Continuing Disclosure Agreement.

**Effect of Redemption.** If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the Bonds called for redemption is held by the Trustee in the Debt Service Fund or in any other fund or account established for such purpose, then on the redemption date designated in such notice, Bonds shall become due and payable, and from and after the date so designated interest on the Bonds so called for redemption shall cease to accrue, and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof. All Bonds redeemed, or purchased in lieu of redemption, pursuant to the provisions of the Indenture shall be cancelled by the Trustee and shall be delivered to, or upon the order of, the Commission and shall not be reissued.

### **Book-Entry Only System**

*The following information regarding DTC and its book-entry system has been provided by DTC and has not been verified for accuracy or completeness by the Commission, and the Commission shall not have any liability with respect thereto. The Commission shall not have any responsibility or liability for any aspects of the records maintained by DTC relating to, or payments made on account of, beneficial ownership, or for maintaining, supervising, or reviewing any records maintained by DTC relating to beneficial ownership, of interests in the Bonds.*

DTC 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 Bond 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 ("MMI") (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard &

Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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 Indenture or other 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 or, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

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

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 Commission 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments with respect to the Bond 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 Commission or the Trustee, on the 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 or its nominee, the Trustee, or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest 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 Commission 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 securities depository with respect to the Bonds at any time by giving reasonable notice to the Commission or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE COMMISSION BELIEVES TO BE RELIABLE, BUT THE COMMISSION TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. THE COMMISSION GIVES NO ASSURANCES THAT DTC WILL DISTRIBUTE PAYMENTS TO DTC PARTICIPANTS OR THAT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS WITH RESPECT TO THE BONDS RECEIVED BY DTC OR ITS NOMINEES AS THE REGISTERED OWNER, ANY REDEMPTION NOTICES, OR OTHER NOTICES TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

**DEBT SERVICE SCHEDULE**

<b><u>Date</u></b> <b><u>(September 1)</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
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**Totals**

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Source: Underwriter.

## SECURITY FOR THE BONDS

### The Bonds are Limited Obligations

THE BONDS ARE LIMITED OBLIGATIONS OF THE COMMISSION PAYABLE SOLELY FROM AND SECURED SOLELY BY THE AMOUNTS PLEDGED THEREFOR UNDER THE INDENTURE, WHICH AMOUNTS ARE COMPRISED OF TAX REVENUES AND MONEYS HELD IN CERTAIN OF THE FUNDS ESTABLISHED UNDER THE INDENTURE. NEITHER THE BONDS NOR THE OBLIGATIONS OF THE COMMISSION UNDER THE INDENTURE ARE A DEBT OF THE CITY, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE (OTHER THAN THE COMMISSION) AND NONE OF THE CITY, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE (OTHER THAN THE COMMISSION) IS LIABLE FOR THE BONDS. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE COMMISSION NOR ANY PERSONS EXECUTING THE BONDS ARE LIABLE PERSONALLY ON THE BONDS BY REASON OF THEIR ISSUANCE. THE COMMISSION HAS NO TAXING POWER.

### Tax Revenues

*Pledge of Tax Revenues.* The Bonds are limited obligations of the Commission, equally secured by a first pledge of and lien on all of the Tax Revenues and by a first and exclusive pledge of and lien on all of the moneys in the Special Fund, the Debt Service Fund, and the Reserve Fund, without preference or priority for series, issue, number, dated date, sale date, date of execution, or date of delivery. Except for the Tax Revenues and the moneys in such funds, no moneys or properties of the Commission have are pledged to the payment of principal of or interest or redemption premium (if any) on the Bonds.

The term "Tax Revenues" is defined in the Indenture, subject to the exceptions described in this paragraph, as moneys allocated within the Plan Limitations (as defined herein) and paid to the Commission derived from:

- (a) that portion of taxes levied on assessable property within the Project Area allocated to the Commission pursuant to Article 6 of Chapter 6 of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State of California, or pursuant to other applicable State laws;
- (b) reimbursements, subventions (but excluding payments to the Commission with respect to personal property within the Project Area pursuant to Section 16110 et seq. of the California Government Code), or other payments made by the State with respect to any property taxes that would otherwise be due on real or personal property but for an exemption of such property from such taxes; and
- (c) all amounts of such taxes required to be deposited in the Commission's Low and Moderate Income Housing Fund in any fiscal year pursuant to Section 33334.3 of the Redevelopment Law, to the extent permitted to be applied to the payment of principal, interest, and premium, if any, with respect to the Bonds and any Parity Debt, but excluding amounts of such taxes required to be deposited in the Low and Moderate Income Housing Fund in any fiscal year pursuant to Section 33334.3 of the Redevelopment Law, to the extent not permitted to be applied to the payment of principal, interest, and premium, if any, with respect to the Bonds and any such Parity Debt.

Tax Revenues do not include any payments made pursuant to any existing pass-through agreements entered into with any Taxing Agency (as defined herein) or any statutorily required payments, including, without limitation, any payments required under Section 33607.5 of the California Health and Safety Code ("Section 33607.5") or 33676(a)(2) of the California Health and Safety Code, or any payments made to the Education Revenue Augmentation Fund created and held by the County of Ventura

(the "County") pursuant to Article 3 (commencing with Section 97) of Chapter 6 of Part 0.5 of Division 1 of the California Revenue and Taxation Code.

The term "Plan Limitations" is defined in the Indenture as the limitations contained in the redevelopment plan for the Project Area (the "Redevelopment Plan") on (i) the aggregate principal amount of bonded indebtedness payable from taxes that may be divided and allocated to the Commission pursuant to the Redevelopment Plan that may be outstanding at any time, (ii) the expiration date of the Redevelopment Plan, and (iii) the period of time for establishing, incurring, or repaying indebtedness payable from taxes that may be divided and allocated to the Commission pursuant to the Redevelopment Plan. See "LIMITATIONS ON TAX REVENUES – Redevelopment Plan Limitations."

***Allocation and Application of Tax Revenues.*** As provided in the Redevelopment Plan and in Article 6 of Chapter 6 of the Redevelopment Law and Section 16 of Article XVI of the California Constitution, taxes levied on taxable property in the Project Area each year by or for the benefit of the State, cities, counties, districts, or other public corporations (collectively, the "Taxing Agencies"), for fiscal years beginning after the effective date of the Redevelopment Plan, will be divided as follows:

1. **To Taxing Agencies:** The portion of the taxes that would be produced by the rate upon which the tax is levied each year by or for each of the Taxing Agencies on the total sum of the assessed value of the taxable property in the Project Area as shown on the assessment roll used in connection with the taxation of such property by such Taxing Agency last equalized before the effective date of the Redevelopment Plan will be allocated to, and when collected will be paid into the funds of, the respective Taxing Agencies as taxes by or for those Taxing Agencies.

2. **To the Commission:** The portion of such levied taxes each year in excess of such amount will be allocated to, and when collected will be paid into a special fund of, the Commission to the extent necessary to pay indebtedness of the Commission, including but not limited to its obligation to pay the principal of, prepayment premium (if any), and interest on the Bonds.

Pursuant to the Indenture, the Commission will deposit all of the Tax Revenues received in any Bond Year (as defined below) in the Special Fund promptly upon receipt thereof by the Commission, until such time during such Bond Year as the amounts on deposit in the Special Fund equal the aggregate amounts required (i) to be transferred to the Trustee for deposit into the Debt Service Fund in such Bond Year pursuant to the Indenture and (ii) to be transferred to the Trustee or such other applicable entity for deposit in the funds and accounts established with respect to any applicable Parity Debt (including, without limitation, the 2006 Tax Allocation Bonds and the 2008 Tax Allocation Bonds) and as provided in any Supplemental Indenture (as such term is defined in the Indenture). The term "Bond Year" is defined in the Indenture as the period of 12 consecutive months commencing on September 2 and ending on September 1 in any year during which the Bonds are or will be outstanding; provided, however, that the first Bond Year shall commence on the date of issuance of the Bonds and end on September 1, 2011, and that the final Bond Year shall end on the date on which the Bonds are fully paid or redeemed.

All Tax Revenues received by the Commission during any Bond Year in excess of the amount required to be deposited in the Special Fund during such Bond Year as described in the preceding paragraph shall be released from the pledge and lien under the Indenture for the security of the Bonds and may be applied by the Commission for any lawful purposes of the Commission, including, without limitation, the payment of Subordinate Debt or any amounts due and owing to the United States of America pursuant to the Indenture. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the Bonds, the 2006 Tax Allocation Bonds, the 2008 Tax Allocation Bonds, and any other Parity Debt, and the payment in full of all other amounts payable under the Indenture and under any Supplemental Indenture, the Commission shall not have any beneficial right or

interest in the moneys on deposit in the Special Fund, except as may be provided in the Indenture and in any Supplemental Indenture.

**Limitations on Tax Revenues.** The Commission has no power to levy and collect property taxes. The amount of Tax Revenues that would otherwise be available to pay the Commission's obligations, including the principal of, premium, if any, and interest on the Bonds, could be reduced by (i) any property tax limitation, legislative measure, voter initiative, or provisions of additional sources of income to Taxing Agencies that have the effect of reducing the property tax rate, (ii) broadened property tax exemptions, or (iii) changes in economic conditions within the Project Area. See "LIMITATIONS ON TAX REVENUES" and "RISK FACTORS" herein.

### **Reserve Fund**

Pursuant to the Indenture, the Reserve Fund is to be maintained by the Trustee in an amount that will be equal to the "Reserve Requirement," which is defined in the Indenture as, as of any date of calculation, an amount equal to the least of (i) 10% of the aggregate principal amount of the Bonds originally issued, (ii) Maximum Annual Debt Service (as defined below), or (iii) 125% of the Average Annual Debt Service (as defined below). In the event that the amount on deposit in the Reserve Fund on any date becomes less than the Reserve Requirement, the Trustee shall promptly notify the Commission of such fact. Promptly upon receipt of any such notice, the Commission shall withdraw from the Special Fund and transfer to the Trustee an amount sufficient to increase the amount on deposit in the Reserve Fund to the amount of the Reserve Requirement. If there shall then not be sufficient moneys in the Special Fund to transfer such required amount to the Reserve Fund, the Commission shall be obligated to continue to make such transfers to the Reserve Fund as Tax Revenues become available in the Special Fund until there is an amount equal to the Reserve Requirement on deposit in the Reserve Fund. No such transfer and deposit need be made to the Reserve Fund so long as there shall be on deposit therein a sum at least equal to the Reserve Requirement.

The term "Maximum Annual Debt Service" is defined in the Indenture as the maximum Annual Debt Service for any Bond Year prior to the maturity of the Bonds; provided, however, that, for purposes of calculating such maximum Annual Debt Service, there shall be excluded a pro rata portion of each installment of principal of the Bonds, together with the interest to accrue thereon, in the event and to the extent that a portion of the proceeds of such Bonds are deposited into and remain in any escrow fund from which amounts may not be released to the Commission unless and until the escrow release test set forth in the applicable Supplemental Indenture has been satisfied. The term "Annual Debt Service" is defined in the Indenture as, for any Bond Year, the sum of (1) the interest payable on all Outstanding Bonds in such Bond Year, assuming that all Outstanding serial Bonds are retired as scheduled and that all Outstanding term Bonds, if any, are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of the sale of any Bonds), and (2) the principal amount of all Outstanding Bonds maturing by their terms in such Bond Year.

All money in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Debt Service Fund in the event of any deficiency at any time in any of the Debt Service Fund or for the retirement of all the Bonds then Outstanding. All interest income received by the Trustee on investment of moneys in the Reserve Fund shall be retained in the Reserve Fund so long as amounts on deposit in the Reserve Fund are less than the Reserve Requirement. So long as the Commission is not in default under the Indenture, any amount in the Reserve Fund in excess of the Reserve Requirement shall be withdrawn from the Reserve Fund by the Trustee semiannually on the second Business Day preceding each Interest Payment Date and deposited in the Debt Service Fund. All amounts in the Reserve Fund on the final Interest Payment Date shall be withdrawn from the Reserve Fund and shall be transferred either (i) to the Debt Service Fund, to the extent required to make the

deposits then required to be made pursuant to the Indenture, or (ii) if the Commission shall have caused to be deposited in the Debt Service Fund an amount sufficient to make the deposits required by the Indenture, then the Trustee shall transfer the remaining amount to the Commission.

Upon prior written notice to Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), the Commission reserves the right to substitute, at any time and from time to time, (a) an irrevocable, unconditional letter of credit issued by a bank or other financial institution whose long-term uncollateralized debt obligations are rated in one of the two highest rating categories by S&P or Moody's, or, if the Bonds are not then rated, by any nationally recognized rating agency, or (b) a Qualified Reserve Fund Policy (as defined below) or any other form of guarantee, in substitution for or in place of all or any portion of the Reserve Requirement, under the terms of which the Trustee is unconditionally entitled to draw amounts when required for the purposes hereof. Upon deposit by the Commission with the Trustee of any such letter of credit, Qualified Reserve Fund Policy, or other form of guarantee, the Trustee shall withdraw from the Reserve Fund and transfer to the Commission for deposit in the Redevelopment Fund an amount equal to the principal amount of such letter of credit, surety bond, bond insurance policy or other form of guarantee. "Qualified Reserve Fund Policy" means an insurance policy or surety bond issued by a company licensed to issue an insurance or surety, the claim-paying ability of which is rated in one of the two highest rating categories by A.M. Best & Company, S&P, or Moody's Investors Service.

The Reserve Fund established for the Bonds does not secure payment of the 2006 Tax Allocation Bonds or the 2008 Tax Allocation Bonds. Separate reserve funds have been established for each of the 2006 Tax Allocation Bonds and the 2008 Tax Allocation Bonds; neither of those reserve funds secures payment of the Bonds. The holders of the 2006 Tax Allocation Bonds and the 2008 Tax Allocation Bonds have no claim on the Reserve Fund for the Bonds and the Owners of the Bonds have no claim on the respective reserve funds established for each of the 2006 Tax Allocation Bonds and the 2008 Tax Allocation Bonds.

### **Issuance of Parity Debt**

In addition to the Bonds, the Commission may, by Supplemental Indenture, issue or incur Parity Debt payable from Tax Revenues on a parity with the Bonds to finance redevelopment activities within the Project Area in such principal amount as shall be determined by the Commission. The Commission may issue or incur any such other Parity Debt subject to the following specific conditions, all of which are, pursuant to the Indenture, conditions precedent to the issuance and delivery of such Parity Debt:

(a) The Commission shall be in compliance with all covenants set forth in the Indenture and all Supplemental Indentures related thereto, and (i) no Event of Default (or any event that, once all notice or grace periods have passed, would constitute an Event of Default) shall exist and (ii) the Reserve Fund shall be fully funded at the Reserve Requirement for the Bonds (exclusive of such Parity Debt to be issued under the Indenture);

(b) The Tax Revenues estimated to be received by the Commission for the then current fiscal year based on the most recent assessed valuation of property in the Project Area (excluding taxes attributable to a tax rate levied by a Taxing Agency after January 1, 1989, for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of and interest on any bonded indebtedness of such Taxing Agency), as evidenced in written documentation from an appropriate official of the County, plus, at the option of the Commission, Additional Revenues, shall be at least equal to 150% of Maximum Annual Debt Service on all of the Bonds and Parity Debt that will be outstanding immediately following the issuance of such Parity Debt;

(c) The Supplemental Indenture providing for the issuance of such Parity Debt shall provide that interest thereon shall be payable on March 1 and September 1, and principal thereof shall be payable on March 1 or September 1 in any year in which principal is payable;

(d) The Supplemental Indenture providing for the issuance of such Parity Debt shall provide for the deposit into a reserve account for such Parity Debt of the full amount of the Reserve Requirement for such Parity Debt (which may be maintained in whole or in part in the form of an irrevocable, unconditional letter of credit, surety bond, insurance, or any other form of guarantee, as permitted under the Commission);

(e) The aggregate amount of the principal of and interest on all outstanding Bonds and Parity Debt coming due and payable following the issuance of such Parity Debt shall not exceed any of the Plan Limitations applicable to the Tax Revenues to be allocated and paid to the Commission following the issuance of such Parity Debt; and

(f) The Commission shall deliver to the Trustee a Certificate of the Commission certifying that the conditions precedent to the issuance of such Parity Debt set forth above have been satisfied.

In addition, on January 5, 2007, the Commission issued \$11,490,000 aggregate principal amount of its 2006 Tax Allocation Bonds, and on July 1, 2008, the Commission issued \$11,790,000 aggregate principal amount of 2008 Tax Allocation Bonds. The 2006 Tax Allocation Bonds and the 2008 Tax Allocation Bonds are secured by and payable from Tax Revenues on a parity with the Bonds and therefore constitute Parity Debt. See "THE PROJECT AREA – Projected Tax Revenues and Debt Service Coverage."

#### **Issuance of Subordinate Debt**

The Commission may incur Subordinate Debt in such principal amount as shall be determined by the Commission. The Commission may issue or incur such Subordinate Debt subject to the following specific conditions precedent:

(a) The Commission shall be in compliance with all covenants set forth in the Indenture and all Supplemental Indentures;

(b) If, and to the extent, such Subordinate Debt is payable from Tax Revenues within the Plan Limitations, then all outstanding Bonds, Parity Debt, and all Subordinate Debt coming due and payable following the issuance of such Subordinate Debt shall not exceed any of the Plan Limitations applicable to the Tax Revenues to be allocated and paid to the Commission following the issuance of such Subordinate Debt; and

(c) The Commission shall deliver to the Trustee a Certificate of the Commission certifying that the conditions precedent to the issuance of such Subordinate Debt set forth above have been satisfied.

No Subordinate Debt of the Commission is currently outstanding.

### **THE PROJECT AREA**

#### **The Redevelopment Plan**

The City Council approved the Redevelopment Plan pursuant to Ordinance No. 2462, adopted April 7, 1998, and amended the Redevelopment Plan on February 3, 2004, pursuant to Ordinance No. 2645. Pursuant to Ordinance No. 2653, adopted March 23, 2004, the City Council approved an amendment to the Redevelopment Plan that added the approximately 84.52 acres of the Added Area to the approximately 2,117 acres in the Original Project Area. The Redevelopment Plan is currently effective (i) with respect to the Original Project Area, until April 7, 2029, which date is 31 years after the

date of original adoption of the Redevelopment Plan, and (ii) with respect to the Added Area, until March 23, 2034, which date is 30 years after the date of adoption of the Redevelopment Plan amendment that incorporated the Added Area into the Project Area. Pursuant to the Redevelopment Plan, (i) the last date on which the Commission may repay indebtedness with tax increment generated within the original portion of the Project Area is April 7, 2044, which date is 46 years after the date of original adoption of the Redevelopment Plan, and (ii) the last date on which the Commission may repay indebtedness with tax increment generated within the Added Area is March 23, 2049, which date is 45 years after the date of the Redevelopment Plan amendment incorporating the Added Area into the Project Area.

### **Description of Project Area**

The Project Area is comprised of a number of non-contiguous parcels located in the north, south, east, and west areas of the City, covering approximately 2,202 acres. All real property in the Project Area that is owned or acquired by the Commission is subject to the controls and restrictions of the Redevelopment Plan. The Redevelopment Plan requires that new construction shall comply with all applicable State statutes and local laws and codes in effect from time to time. In addition to applicable codes, ordinances, or other requirements governing development in the Project Area, additional specific performance and development standards may be adopted by the Commission to control and direct redevelopment activities in the Project Area. No new improvement shall be constructed in the Project Area, and no existing improvements therein shall be substantially modified, altered, repaired, or rehabilitated, except in accordance with the Redevelopment Plan and with the development and design controls contained therein or imposed in accordance therewith. In addition, notwithstanding the redevelopment activities undertaken in connection with the Redevelopment Plan, the total number of buildings and the total number of dwelling units in the Project Area may not exceed the limitations imposed on buildings and dwelling units under the City's General Plan.

During the last 50 years, development in the Project Area has included commercial office, retail, industrial, and residential development, as well as improvements along portions of major arterials streets, including Oxnard Boulevard, Saviers Road, Rose Avenue, Ventura Road, and Ventura Boulevard. Some of the prominent developments within the Project Area include a number of older shopping centers, such as Wagon Wheel, Carriage Square, Pleasant Valley, Channel Islands, College Park, and the former Levitz site. Many of these shopping centers are in various stages of redevelopment. The Esplanade, originally an indoor regional shopping mall built in 1969, was recently redeveloped into a 500,000 square foot power center. The Marketplace, originally built in the early 1990s, was recently remodeled to feature Fry's Electronics. Rose Park and Blackstock North are residential neighborhoods located within the Project Area that were built during the period from 1950 through the 1970s. The Cypress neighborhood, built in the same period as Rose Park and Blackstock, primarily consists of residential and agribusiness uses and recently experienced significant residential redevelopment.

### **Land Use in Project Area**

The Project Area is primarily zoned for residential uses, but also includes sizeable commercial and industrial components. The following table summarizes current land use in the Project Area, including the number of acres for each type of land use and the assessed value of such acres for fiscal year 2010-11.

**Table 2**  
**Summary of Land Use in Project Area**  
**Fiscal Year 2010-11**

<u>Category <sup>(1)</sup></u>	<u>Number of Parcels</u>	<u>Net Taxable Value</u>	<u>Percentage of Total Taxable Value</u>
Residential	2,633	\$ 625,737,960	35.43%
Commercial	349	641,280,792	36.31
Industrial	165	228,616,500	12.94
Government/Exempt	130	0	0.00
Institutional	27	3,371,169	0.19
Irrigated	2	431,822	0.02
Miscellaneous	39	6,496,672	0.37
Recreational	3	2,693,609	0.15
Vacant	<u>231</u>	<u>100,909,127</u>	<u>5.71</u>
Subtotal	3,579	\$1,609,537,651	91.12%
SBE Non Unitary	(2)	94,990	0.01%
Unsecured	(2)	<u>156,733,520</u>	<u>8.87</u>
Subtotal		\$ 156,828,510	8.88%
<b>Totals</b>	<b>3,579</b>	<b>\$1,766,366,161</b>	<b>100.00%</b>

(1) Based on County land use designations.

(2) Already included in prior land use categories.

Source: HdL Coren & Cone.

## Assessed Values in Project Area

The base year for the approximately 2,117 acres in the Original Project Area is fiscal year 1997-98, and the base year for the approximately 84.52 acres in the Added Area is fiscal year 2005-06. The collection of Tax Revenues was initially inhibited due to the inadvertent inclusion by the County Assessor of 362 parcels within the Project Area in fiscal years 1999-00 and 2000-01 that did not belong in the Project Area. Consequently, the Commission was allocated approximately \$2.14 million in tax increment revenues for those fiscal years to which it was not entitled. The Commission discovered the error after it was credited for such tax increment revenues and notified the County. The County corrected the error by withholding all Tax Revenues from the Commission until the overpayment was recovered. The recovery was completed in January 2004, and the Commission has received allocations of Tax Revenues since that time.

During the ten-year period from fiscal year 2001-02 to fiscal year 2010-11, the assessed values of the property within the Project Area increased by approximately \$948,917,039 (approximately 129.94%), with more than 10% growth in assessed value in six out of ten fiscal years during that period. The Commission has attributed such increase in assessed value in part to the growth in residential and commercial values within the Project Area during such period. Assessed values of property within the Project Area during fiscal year 2005-06 were approximately \$240,377,146 (24.36%) higher than assessed values for such property during fiscal year 2004-05. Of such increase, approximately \$177,113,223 (17.95%) was attributable to growth within the Original Project Area, and approximately \$63,300,000 (6.41%) was attributable to growth within the Added Area. The fiscal year 2006-07 tax roll indicated an increase in assessed value of the property within the Project Area of approximately \$145,879,096 (11.89%) over fiscal year 2005-06. This resulted in an increase in incremental value of approximately 27.37%. Unsecured values within the Project Area decreased by approximately \$22,196,795 from 2005-06 to 2006-07, which decrease was primarily the result of a reassignment of cogeneration facility fixture value from the unsecured roll to the secured roll. Assessed values of property within the Added Area have decreased in fiscal years 2007-08 (-1.10%), 2009-10 (-6.35%), and 2010-11 (-9.77%). The Commission has attributed such decreases in assessed value in fiscal years 2009-10 and 2010-11 to reductions in the assessed value of property owned by the top taxpayer in the Added Area, Upside Oxnard LLC, which entity owns the property within the Added Area known as the Carriage Square Shopping Center located on the north side of Gonzales Road between Oxnard Boulevard and North C Street (the "Upside Oxnard Property"). Assessed values for the Upside Oxnard Property were reduced by \$7.9 million (28.59%) in fiscal year 2009-10, and by \$6.1 million (29.98%) in fiscal year 2010-11.

Assessed values of the property within the Project Area have benefitted from the construction of the RiverPark Development located west of Vineyard Avenue and north of U.S. Highway 101 within the Project Area. The RiverPark Development includes both residential and commercial components, and the subdivision and sale of portions of the RiverPark Development have resulted in increases in assessed value during the past ten years.

The following table sets forth the actual assessed values for the Project Area for fiscal years 2001-02 through 2010-11.

**Table 3**  
**Assessed Values for Project Area**  
**Fiscal Years 2001-02 through 2010-11**

<u>Fiscal Years</u>	<u>Secured Assessed Values</u>	<u>Unsecured Assessed Values</u>	<u>Total Assessed Values</u>
2001-02	\$ 643,811,599	\$ 86,452,003	\$ 730,263,602
2002-03	743,274,363	79,019,778	822,294,141
2003-04	787,721,871	81,938,084	869,659,955
2004-05	897,139,109	89,475,908	986,615,017
2005-06 <sup>(1)</sup>	1,085,421,568	141,570,595	1,226,992,163
2006-07 <sup>(1)</sup>	1,253,497,459	119,373,800	1,372,871,259
2007-08 <sup>(1)</sup>	1,456,049,619	120,868,791	1,576,918,410
2008-09 <sup>(1)</sup>	1,567,775,454	133,434,733	1,701,210,187
2009-10 <sup>(1)</sup>	1,572,804,799	153,331,153	1,726,135,952
2010-11 <sup>(1)</sup>	1,609,632,641	156,733,520	1,766,366,161

(1) Values reflect the addition of the Added Area.  
Source: HdL Coren & Cone.

**Assessment Appeals**

Four owners of property within the Added Area have filed a total of six assessment appeals with respect to fiscal year 2010-11 assessed values, which assessment appeals are currently pending. The assessed values under appeal total \$30,243,261 and the property owners who filed the appeals are seeking reductions of assessed value totaling \$8,963,126.

The following table describes the number of appeals that are pending, the assessed values under appeal, and the property owner's opinion of value for assessed values related to fiscal years 2006-07 through 2010-11.

**Table 4**  
**Pending Assessment Appeals**

<u>Fiscal Year</u>	<u>Number of Pending Appeals</u>	<u>Total Value Under Appeal</u>	<u>Owner's Opinion of Value</u>	<u>Maximum Potential Value Loss</u>
2006-07	3	\$ 2,998,728	\$ 920,850	\$ 2,077,878
2007-08	1	619,684	309,842	309,842
2008-09	8	6,523,349	1,740,579	4,782,770
2009-10 <sup>(1)</sup>	69	77,741,860	21,080,772	56,661,138
2010-11	253	336,888,794	119,270,651	217,618,143

(1) Pending appeals for fiscal year 2009-10 included 141 appeals on parcels for which there were also appeals in fiscal year 2010-11. Since successful appeals are not cumulative, the pending appeals listed for 2009-10 include only appeals on parcels for which there were no appeals filed in other fiscal years.

Source: HdL Coren & Cone.

A significant number of the pending appeals related to fiscal years 2009-10 and 2010-11 shown in the preceding table relate to the same property within the Project Area; if such appeals are successful, the resulting decrease in assessed value will not be cumulative, but will result in a single decrease of assessed value with respect to such property. RiverPark Collection LLC ("RiverPark"), the top taxpayer in the Project Area, has filed assessment appeals with respect to all of its ten properties for both 2009-10 and 2010-11. RiverPark is seeking a reduction of \$37.4 million (65.1%) on the assessed value of \$57.5 million for fiscal year 2009-10, and a reduction of \$79.8 million (89.9%) on the assessed value of \$88.7 million for fiscal year 2010-11. Centro Watt Properties Owner 1 LLC ("Centro Watt"), the owner of the Esplanade Shopping Center and the third largest taxpayer in the Project Area, is seeking a reduction of

\$15.3 million (29.4%) on the assessed value of \$51.98 million for fiscal year 2010-11. Four other entities listed among the top ten taxpayers in the Project Area are also seeking reductions of their fiscal year 2010-11 assessed values. The following table describes the pending assessment appeals for the top six taxpayers in the Project Area.

**Table 5  
Pending Assessment Appeals Among Top Six Taxpayers  
Fiscal Year 2010-11**

<u>Owner</u>	<u>No. of Parcels</u>	<u>Value Appealed</u>	<u>Owner's Opinion of Value</u>	<u>Potential Reduction in Value</u>
RiverPark Collection LLC	9	\$ 88,715,141	\$ 8,873,549	\$ 79,841,592
Centro Watt Properties Owner 1 LLC	3	51,980,623	36,695,737	15,284,886
Oxnard Village Investment LLC	20	35,642,200	6,038,624	29,603,576
Macy's California Realty LLC	1	3,990,000	2,820,000	1,170,000
Home Depot Development of Maryland Inc.	1	21,570,713	0	21,570,713
1000 Town Center LLC	1	<u>21,725,000</u>	<u>10,999,000</u>	<u>10,726,000</u>
<b>Total</b>	<b>35</b>	<b>\$223,623,677</b>	<b>\$65,426,910</b>	<b>\$158,196,767</b>

Source: HdL Coren & Cone.

### Major Taxpayers in Project Area

The combined assessed value of the property owned by the top 10 property tax payers in the Project Area for fiscal year 2010-11 is approximately \$410,252,407, which represents approximately 23.23% of the total assessed value of the Project Area for such tax year. The following table details the ranking, by assessed value, of the top 10 taxpayers in the Project Area.

**Table 6  
Ten Largest Property Tax Payers  
in Project Area  
Fiscal Year 2010-11**

<u>Taxpayer</u>	<u>Assessed Value</u>	<u>Percentage of Total Assessed Value <sup>(1)</sup></u>	<u>Percentage of Total Incremental Assessed Value <sup>(2)</sup></u>	<u>Use of Property</u>
RiverPark Collection LLC	\$88,715,141	5.02%	8.27%	Commercial Shopping Center/Vacant Land
Capri of KW Serenade LLC	66,869,817	3.79	6.24	Multifamily Residential
Centro Watt Properties Owner 1 LLC	51,980,623	2.94	4.85	Esplanade Shopping Center
EF Oxnard LLC	37,832,379	2.14	3.53	Electrical Generation Facility
Oxnard Village Investments LLC	35,563,495	2.01	3.32	Commercial Uses At Wagon Wheel Area
Gills Onions LLC	32,613,100	1.85	3.04	Produce Packing and Distribution
Oxnard Center Company	26,217,144	1.48	2.44	Commercial Shopping Center
Macy's California Realty LLC	24,415,295	1.38	2.28	Esplanade Shopping Center
HD Development of Maryland Inc.	24,320,413	1.38	2.27	Home Depot Store at Esplanade Shopping Center
1000 Town Center LLC	<u>21,725,000</u>	<u>1.23</u>	<u>2.03</u>	Neighborhood Shopping Center
<b>Totals <sup>(3)</sup></b>	<b>\$410,252,407</b>	<b>23.23%</b>	<b>38.26%</b>	

(1) Total assessed value in the Project Area is approximately \$1,766,366,161.

(2) Total incremental assessed value represents the assessed value of the property in the Project Area in excess of the base year assessed value of such property. The base year assessed value for the Project Area is \$693,977,969, and the 2010-11 incremental value is \$1,072,388,192.

(3) Total may not add due to rounding.

Source: HdL Coren & Cone.

HdL Coren & Cone, Diamond Bar, California, as fiscal consultant (the "Fiscal Consultant"), has prepared a report (the "Fiscal Consultant's Report") containing projections of Tax Revenues and other information pertaining to the Project Area. The following information regarding the top taxpayers in the Project Area is taken from the Fiscal Consultant's Report. See "APPENDIX F – Fiscal Consultant's Report." The top taxpayer, RiverPark Collection LLC owns ten parcels that are in the process of being developed as a commercial shopping center located on the west side of Vineyard Avenue and north of State Highway 101. This center is partially constructed. Capri KW Serenade LLC, the second largest taxpayer, purchased its 400 unit apartment complex from RP Apartment Ventures LLC in September 2010. This complex is located at 700 Forest Park Boulevard and is connected with the RiverPark project. Sales records indicate that this property was purchased by Capri of KW Serenade LLC for \$20.3 million. The result of this sale is that this property will be reassessed at the sale price for 2011-12, a reduction of approximately \$46.5 million. This will likely drop this property out of the top owners listing for 2011-12. The anticipated reduction in value has been incorporated into the projections contained in the Fiscal Consultant's Report.

The number three property owner, Centro Watt Properties Owner 1 LLC is the owner of five parcels that make up the Esplanade Shopping Center located on the south side of State Highway 101 and north of Vineyard Boulevard. The properties make up a major shopping center with major anchor tenants. The number ten taxpayer, HD Development of Maryland Inc., owns the Home Depot home improvement warehouse store located within the Esplanade Shopping Center. The number seven taxpayer, Macy's California Realty LLC, is also the owner of property within this shopping center.

The number four taxpayer, EF Oxnard LLC, is the owner of an electrical generation facility that produces electricity using a cogeneration process. The facility is located south of E. 5th Street and west of Pacific Avenue. The number five taxpayer is Oxnard Village Investments LLC. This taxpayer owns 24 parcels in and around the development known locally at Wagon Wheel. These properties contain a variety of commercial uses and they are located south of State Highway 101 between Oxnard Boulevard and Ventura Road. Gills Onions LLC, the number six taxpayer, operates a business involving vegetable packing and distribution. The Oxnard Center Company owns 13 properties that make up the Centerpointe Mall shopping center located at the northwest corner of Saviers Road and West Channel Islands Boulevard. 1000 Town Center LLC, the number ten taxpayer, owns an office building located at the northeast corner of N. Ventura Road and Town Center Drive, just north of State Highway 101. The office building is approximately 89,000 square feet.

### **Tax Rates in Project Area**

The Project Area includes a total of 77 tax rate areas ("TRAs"), of which 71 TRAs contain taxable assessed value and/or base year assessed value. Among the 77 TRAs, there are four different secured tax rates levied for fiscal year 2010-11. These tax rates are set forth in the table below.

**Table 7  
2010-11 Secured Tax Rates  
in Project Area**

Number of Applicable TRAs	17	19	40	1
Secured Incremental Value	\$87,574,462	\$261,075,725	\$646,754,130	\$595,665
Percentage of Secured Incremental Value	8.79%	26.21%	64.94%	0.06%
General Levy	1.0000	1.0000	1.0000	1.0000
City of Oxnard District 1	<u>0.0766</u>	0.0766	0.0766	0.0766
Metropolitan Water District		0.0037	<u>0.0037</u>	
Oxnard Elementary School District		<u>0.0273</u>		<u>0.0273</u>
Total Applicable Secured Tax Rate	1.0766	1.1076	1.0803	1.1039

Source: HdL Coren & Cone.

The following table describes the four tax rates applicable to unsecured property within the Project Area for fiscal year 2010-11. The fiscal year 2009-10 secured tax rates are the unsecured tax rates for fiscal year 2010-11. It should be noted that not all of the TRAs in the Project Area contain unsecured assessed value. See “– Assessed Values in Project Area” above.

**Table 8  
2010-11 Unsecured Tax Rates  
in Project Area**

Number of Applicable TRAs	19	19	39	1
Secured Incremental Value	\$6,927,713	\$52,040,538	\$17,294,424	\$52,500
Percentage of Unsecured Incremental Value	9.08%	68.19%	22.66%	0.07%
General Levy	1.000000	1.000000	1.000000	1.000000
City of Oxnard District 1	<u>0.076637</u>	0.076637	0.076637	0.076637
Metropolitan Water District		0.004300	<u>0.004300</u>	
Oxnard Elementary School District		<u>0.022100</u>		<u>0.022100</u>
Total Applicable Unsecured Tax Rate	1.076637	1.103037	1.080937	1.098737

Source: HdL Coren & Cone.

### Redevelopment Plan Limitations

The current redevelopment plan limits for the Project Area are summarized in the following table. See also “LIMITATIONS ON TAX REVENUES – Redevelopment Plan Limitations.”

**Table 9  
Redevelopment Plan Limitations  
for Project Area**

<u>Project Area Component</u>	<u>Last Date to Incur New Debt</u>	<u>Expiration Date of Redevelopment Plan</u>	<u>Last Date to Repay Debt</u>	<u>Cumulative Tax Increment Limit</u>	<u>Limit on Bonded Debt Outstanding</u>
Original Project Area	April 7, 2018	April 7, 2029	April 7, 2044	None	
Added Area	March 23, 2024	March 23, 2034	March 23, 2049	None	\$360 million (1)

(1) This figure is the limit on bonded debt outstanding for both the Original Project Area and the Added Area combined.  
Source: HdL Coren & Cone.

## **Tax Sharing Obligations in Project Area**

***Tax Sharing Obligations in Original Project Area.*** The Redevelopment Plan was adopted after January 1, 1994, and is therefore subject to the statutory tax sharing payments mandated under Section 33607.5. A prescribed portion of the Tax Revenues attributable to the Original Project Area (the "Original Tax Revenues") must be shared with all applicable Taxing Agencies. The portion of Original Tax Revenues that must be shared with such Taxing Agencies is determined based on three tiers, as described below. See "APPENDIX F – Fiscal Consultant's Report" and "LIMITATIONS ON TAX REVENUES."

The first tier tax sharing payment amount for the Original Project Area (the "Original First Tier Amount") is 25% of the Original Tax Revenues less amounts set aside for low and moderate income housing. The Original First Tier Amount began in the first fiscal year that the Project Area received tax increment revenue (i.e., fiscal year 1999-00) and continues for the life of the Project Area. The projections of Tax Revenues set forth herein reflect that the City has elected to receive its share of the Original First Tier Amount.

The second tier tax sharing payment amount for the Original Project Area (the "Original Second Tier Amount") began in fiscal year 2009-10, which was the eleventh year after the Commission first receives Original Tax Revenues. The Original Second Tier Amount is 21% of the Original Tax Revenues, as derived from the incremental increase in value between the current year value and the assessed values of the tenth year after the Commission first receives Original Tax Revenues (i.e., fiscal year 2008-09) less amounts set aside for low and moderate income housing. The City is not entitled to receive any portion of the Original Second Tier Amount.

The third tier tax sharing payment amount for the Original Project Area (the "Original Third Tier Amount") begins in fiscal year 2029-30, which is the thirty-first year after the Commission first receives applicable Original Tax Revenues. The Original Third Tier Amount is 14% of the Original Tax Revenues, as derived from the incremental increase in assessed value between the current year value and the assessed values in the thirtieth year after the Commission first receives applicable Original Tax Revenues (i.e., fiscal year 2028-29) less amounts set aside for low and moderate income housing. The City is not entitled to receive any portion of the Original Third Tier Amount.

***Tax Sharing Obligations in Added Area.*** The Added Area was annexed into the Project Area on March 23, 2004. Although the Added Area is an addition to the Project Area, the Added Area is subject to separate project area limitations and tax sharing obligations. A prescribed portion of the Tax Revenues attributable to the Added Area (the "Added Area Tax Revenues") must be shared with all applicable Taxing Agencies. The portion of the Added Area Tax Revenues that must be shared with such Taxing Agencies is determined based on three tiers, as described below. See "APPENDIX F – Fiscal Consultant's Report" and "LIMITATIONS ON TAX REVENUES."

The first tier tax sharing payments for the Added Area (the "Added Area First Tier Amount") are calculated in the same manner as are the Original Project Area First Tier Amount. See "– Tax Sharing Obligations in Original Project Area" above. The projections of Tax Revenues set forth herein reflect that the City has elected to receive its share of the First Tier Amount.

The second tier tax sharing payment amount for the Added Area (the "Added Area Second Tier Amount") begins in fiscal year 2015-16 and will be calculated using the assessed values for fiscal year 2014-15 as an adjusted base year value.

The third tier tax sharing payment amount for the Added Area (the “Added Area Third Tier Amount”) begins in fiscal year 2035-36 and will be calculated using the assessed values for fiscal year 2034-35 as the adjusted base year value.

Section 33607.5(e) of the Redevelopment Law specifies a procedure whereby the Commission may request subordination of the statutory tax sharing payments to payment of debt service on the Bonds by all of the Project Area’s taxing entities that are entitled to a portion of the tax sharing payments required under Section 33607.7 of the Redevelopment Law. As part of this request, the Commission must provide substantial evidence to the taxing entities that it will have sufficient funds to make the debt service payments on the Bonds as well as making the required statutory tax sharing payments. The taxing entities may respond and agree to the subordination request, they may do nothing and after 45 days be deemed to have agreed to the subordination, or they may disapprove the subordination request. A taxing entity may disapprove a subordination request only if it believes based on substantial evidence that the Commission’s financial estimates are incorrect and that the Commission will not be able to make debt service and the tax sharing payments. The Commission has not requested such subordination from the affected taxing entities.

**Proposed Facilities to be Financed with Bond Proceeds**

The Commission intends to utilize a portion of the proceeds from the sale of the Bonds and any moneys available in the Redevelopment Fund established under the Indenture, including an amount of Tax Revenues available to the Commission for such purpose, to finance various infrastructure improvements in the Project Area. The Commission currently expects that such improvements will be comprised primarily of the Facilities. See “FACILITIES TO BE FINANCED WITH BOND PROCEEDS.”

**Historical Tax Revenues; Tax Increment Limits**

The Auditor-Controller does not currently maintain records of the cumulative amount of Tax Revenues. As project areas adopted after January 1, 1994, however, the Original Project Area and the Added Project Area are not required to establish limits on the amount of tax increment revenue they may be allocated. See “LIMITATIONS ON TAX REVENUES – Redevelopment Plan Limitations.”

The following table details the historical Tax Revenues generated within the Project Area from fiscal year 2005-06 through fiscal year 2009-10.

**Table 10**  
**Historical Tax Revenues**  
**in Project Area**  
**Fiscal Years 2005-06 through 2009-10**

<u>Fiscal Year</u>	<u>Total Tax Revenues</u>
2005-06	\$ 7,228,726
2006-07	8,615,318
2007-08	11,035,874
2008-09	11,896,166
2009-10	10,781,659

Source: HdL Coren & Cone.

**Projected Tax Revenues and Debt Service Coverage**

The following table details the projected Tax Revenues for Fiscal Years 2010-11 through 2019-20, as well as the projected debt service coverage for the Bonds, the 2006 Tax Allocation Bonds, and the

2008 Tax Allocation Bonds for the same period. The Fiscal Consultant's Report contains projections of Tax Revenues and other information pertaining to the Project Area. See "APPENDIX F – Fiscal Consultant's Report." The Commission believes that the assumptions on which the projections contained in the Fiscal Consultant's Report are based are reasonable; however, some such assumptions may not materialize and unanticipated events and circumstances may occur. See "RISK FACTORS." Therefore, the actual Tax Revenues received during the forecast period for the Project Area may vary from the projections and the variations may be material. Investors should read the entire Fiscal Consultant's Report set forth in Appendix F.

**Table 11**  
**Projected Tax Revenues and Debt Service Coverage**  
**for Project Area**  
**Fiscal Years 2010-11 through 2019-20**  
**(000s omitted)**

	1997-98	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	(Base Year)										
<b>Taxable Values</b> <sup>(1)</sup>											
Real Property <sup>(2)</sup>		\$1,678,142	\$1,648,387	\$1,681,355	\$1,714,982	\$1,749,282	\$1,784,268	\$1,819,953	\$1,856,352	\$1,893,479	\$1,931,349
Personal Property <sup>(3)</sup>		88,224	88,224	88,224	88,224	88,224	88,224	88,224	88,224	88,224	88,224
<b>Total Projected Value</b>		<b>\$1,766,366</b>	<b>\$1,736,611</b>	<b>\$1,769,579</b>	<b>\$1,803,206</b>	<b>\$1,837,506</b>	<b>\$1,872,491</b>	<b>\$1,908,177</b>	<b>\$1,944,576</b>	<b>\$1,981,703</b>	<b>\$2,019,572</b>
<b>Taxable-Value over Base</b>	\$693,978	\$1,072,388	\$1,042,633	\$1,075,601	\$1,109,228	\$1,143,528	\$1,178,513	\$1,214,199	\$1,250,598	\$1,287,725	\$1,325,594
Gross Tax Increment Revenue <sup>(4)</sup>		\$11,672	\$11,327	\$11,676	\$12,032	\$12,395	\$12,765	\$13,142	\$13,526	\$13,917	\$14,316
Unitary Tax Revenue <sup>(5)</sup>		8	8	8	8	8	8	8	8	8	8
<b>Gross Revenues</b>		<b>\$11,680</b>	<b>\$11,335</b>	<b>\$11,685</b>	<b>\$12,041</b>	<b>\$12,404</b>	<b>\$12,773</b>	<b>\$13,150</b>	<b>\$13,534</b>	<b>\$13,926</b>	<b>\$14,324</b>
<b>LESS:</b>											
SB 2557 Admin. Fee <sup>(6)</sup>		\$(134)	\$(130)	\$(134)	\$(138)	\$(142)	\$(147)	\$(151)	\$(155)	\$(160)	\$(164)
Housing Set Aside Requirement <sup>(7)</sup>		(2,336)	(2,267)	(2,337)	(2,408)	(2,481)	(2,555)	(2,630)	(2,707)	(2,785)	(2,865)
County Collection Charge <sup>(8)</sup>		(29)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)
<b>Statutory Tax Sharing</b>											
Statutory Tax Sharing Tier 1 <sup>(9)</sup>		(2,336)	(2,267)	(2,337)	(2,408)	(2,481)	(2,555)	(2,630)	(2,707)	(2,785)	(2,865)
Statutory Tax Sharing Tier 2 <sup>(9)</sup>		(148)	(93)	(150)	(208)	(267)	(330)	(395)	(461)	(528)	(596)
Statutory Tax Sharing Tier 3 <sup>(9)</sup>		0	0	0	0	0	0	0	0	0	0
<b>Tax Revenues</b>		<b>\$6,696</b>	<b>\$6,550</b>	<b>\$6,698</b>	<b>\$6,848</b>	<b>\$7,002</b>	<b>\$7,155</b>	<b>\$7,311</b>	<b>\$7,471</b>	<b>\$7,633</b>	<b>\$7,798</b>
<b>Debt Service:</b>											
2006 Tax Allocation Bonds		\$ 780	\$ 781	\$ 777	\$ 773	\$ 778	\$ 783	\$ 782	\$ 786	\$ 779	\$ 777
2008 Tax Allocation Bonds		714	712	714	721	712	709	713	708	711	716
2011 Tax Allocation Bonds*		179	1,436	1,433	1,433	1,433	1,434	1,435	1,435	1,434	1,435
<b>Total Debt Service*</b>		<b>\$1,672</b>	<b>\$2,928</b>	<b>\$2,925</b>	<b>\$2,927</b>	<b>\$2,924</b>	<b>\$2,926</b>	<b>\$2,930</b>	<b>\$2,929</b>	<b>\$2,924</b>	<b>\$2,929</b>
<b>Debt Service Coverage*</b>		<b>4.00%</b>	<b>2.24%</b>	<b>2.29%</b>	<b>2.34%</b>	<b>2.39%</b>	<b>2.45%</b>	<b>2.50%</b>	<b>2.55%</b>	<b>2.61%</b>	<b>2.66%</b>

\* Preliminary; subject to change. Based upon an aggregate Bond principal amount of \$18,360,000.

- (1) Taxable values as reported by County.
  - (2) Real property consists of land and improvements. Increased for inflation at 0.753% in fiscal year 2011-12, and thereafter annually at 2%.
  - (3) Personal property is held constant at 2010-11 level.
  - (4) Projected Gross Tax Increment is based upon incremental taxable values factored against an assumed Project Area tax rate and adjusted for indebtedness approved by voters after 1988. The assumed future tax rate declines to \$1.08023 per \$100 of taxable value over a 10 year period and remains constant thereafter.
  - (5) Unitary Revenue as reported by County for 2009-10.
  - (6) SB 2557 Administrative cost is estimated at 1.15% of Gross Revenue.
  - (7) Housing Set Aside calculated at 20% of Gross Revenue.
  - (8) County collection fee is calculated at 0.25% of Gross Revenue.
  - (9) Statutory tax sharing payments made to all taxing entities pursuant to Section 33607.5 of the California Health and Safety Code. These payments are not subordinate to debt service on the Bonds.
- Source: HDL Coren & Cone (except for the information in the rows entitled "2006 Tax Allocation Bonds," "2008 Tax Allocation Bonds," "2011 Tax Allocation Bonds," and "Debt Service Coverage," which has been provided by the Underwriter.)

The following table details the total incremental values within the Project Area and the projected Tax Revenues for Fiscal Years 2010-11 through 2040-41.

**Table 12**  
**Projected Taxable Assessed Values Within Project Area**  
**and Projected Tax Revenues**  
**Fiscal Years 2010-11 through 2040-41**  
**(000s omitted)**

Fiscal Year	Projected Taxable Assessed Value	Projected Taxable Assessed Value Over Base (\$693,978)	Projected Gross Tax Revenue	Less: Housing Set-Aside	Less: SB 2557 and County Collection Charges	Statutory Tax Sharing			Projected Total Tax Revenues
						Tier 1	Tier 2	Tier 3	
2010-11	\$1,766,366	\$1,072,388	\$11,680	\$(2,336)	\$(163)	\$ (2,336)	\$ (148)	\$ 0	\$ 6,696
2011-12	1,736,611	1,042,633	11,335	(2,267)	(158)	(2,267)	(93)	0	6,550
2012-13	1,769,579	1,075,601	11,685	(2,337)	(163)	(2,337)	(150)	0	6,698
2013-14	1,803,206	1,109,228	12,041	(2,408)	(168)	(2,408)	(208)	0	6,848
2014-15	1,837,506	1,143,528	12,404	(2,481)	(173)	(2,481)	(267)	0	7,002
2015-16	1,872,491	1,178,513	12,773	(2,555)	(179)	(2,555)	(330)	0	7,155
2016-17	1,908,177	1,214,199	13,150	(2,630)	(184)	(2,630)	(395)	0	7,311
2017-18	1,944,576	1,250,598	13,534	(2,707)	(189)	(2,707)	(461)	0	7,471
2018-19	1,981,703	1,287,725	13,926	(2,785)	(195)	(2,785)	(528)	0	7,633
2019-20	2,019,572	1,325,594	14,324	(2,865)	(200)	(2,865)	(596)	0	7,798
2020-21	2,058,199	1,364,221	14,741	(2,948)	(206)	(2,948)	(666)	0	7,972
2021-22	2,097,599	1,403,621	15,166	(3,033)	(212)	(3,033)	(738)	0	8,150
2022-23	2,137,786	1,443,808	15,600	(3,120)	(218)	(3,120)	(811)	0	8,331
2023-24	2,178,778	1,484,800	16,043	(3,209)	(224)	(3,209)	(885)	0	8,516
2024-25	2,220,589	1,526,611	16,494	(3,299)	(231)	(3,299)	(961)	0	8,705
2025-26	2,263,236	1,569,258	16,955	(3,391)	(237)	(3,391)	(1,038)	0	8,898
2026-27	2,306,736	1,612,758	17,424	(3,485)	(244)	(3,485)	(1,117)	0	9,094
2027-28	2,351,106	1,657,128	17,903	(3,581)	(250)	(3,581)	(1,198)	0	9,294
2028-29	2,396,364	1,702,386	18,392	(3,678)	(257)	(3,678)	(1,280)	0	9,498
2029-30	2,442,527	1,748,549	18,890	(3,778)	(264)	(3,778)	(1,363)	(53)	9,654
2030-31	2,489,613	1,795,635	19,399	(3,880)	(271)	(3,880)	(1,449)	(107)	9,812
2031-32	2,537,641	1,843,663	19,917	(3,983)	(278)	(3,983)	(1,536)	(162)	9,974
2032-33	2,586,629	1,892,651	20,446	(4,089)	(286)	(4,089)	(1,625)	(218)	10,139
2033-34	2,636,597	1,942,619	20,986	(4,197)	(293)	(4,197)	(1,715)	(276)	10,307
2034-35	2,687,565	1,993,587	21,536	(4,307)	(301)	(4,307)	(1,808)	(334)	10,478
2035-36	2,739,551	2,045,574	22,098	(4,420)	(309)	(4,420)	(1,902)	(397)	10,650
2036-37	2,792,578	2,098,600	22,670	(4,534)	(317)	(4,534)	(1,998)	(461)	10,825
2037-38	2,846,665	2,152,687	23,254	(4,651)	(325)	(4,651)	(2,096)	(527)	11,004
2038-39	2,901,834	2,207,856	23,850	(4,770)	(333)	(4,770)	(2,197)	(593)	11,186
2039-40	2,958,106	2,264,128	24,457	(4,891)	(342)	(4,891)	(2,299)	(662)	11,372
2040-41	3,015,504	2,321,526	25,077	(5,015)	(351)	(5,015)	(2,403)	(731)	11,562

Source: Source: HdL Coren & Cone.

The following table details the projected annual Tax Revenues and corresponding debt service coverage for the Bonds for Fiscal Years 2010-11 through 2040-41.

**Table 13**  
**Projected Tax Revenues and**  
**Debt Service Coverage for Bonds**  
**Fiscal Years 2010-11 through 2040-41**

<u>Fiscal Year</u>	<u>Projected Tax Revenues</u>	<u>Debt Service for 2006 Tax Allocation Bonds</u>	<u>Debt Service for 2008 Tax Allocation Bonds</u>	<u>Debt Service for Bonds</u>	<u>Total Combined Debt Service*</u>	<u>Annual Debt Service Coverage (1)*</u>	<u>Annual Debt Service Coverage (2)*</u>
2010-11	\$ 6,696,470.00	\$ 779,809.00	\$ 714,037.50	\$ 178,588.13	\$ 1,672,434.63	4.00	4.00
2011-12	6,549,894.00	781,234.00	711,637.50	1,435,587.50	2,928,459.00	2.24	2.29
2012-13	6,697,695.00	777,309.00	714,037.50	1,433,237.50	2,924,584.00	2.29	2.29
2013-14	6,848,333.00	773,209.00	721,037.50	1,433,237.50	2,927,484.00	2.34	2.29
2014-15	7,001,862.00	778,404.00	712,437.50	1,432,837.50	2,923,679.00	2.39	2.29
2015-16	7,155,129.00	783,044.00	708,837.50	1,434,337.50	2,926,219.00	2.45	2.29
2016-17	7,311,336.00	782,129.00	712,837.50	1,435,087.50	2,930,054.00	2.50	2.29
2017-18	7,470,537.00	785,844.00	708,437.50	1,435,087.50	2,929,369.00	2.55	2.29
2018-19	7,632,791.00	779,004.00	711,437.50	1,433,550.00	2,923,991.50	2.61	2.29
2019-20	7,798,157.00	776,979.00	716,237.50	1,435,400.00	2,928,616.50	2.66	2.29
2020-21	7,972,133.00	783,579.00	710,437.50	1,435,275.00	2,929,291.50	2.72	2.29
2021-22	8,149,964.00	779,379.00	713,887.50	1,433,075.00	2,926,341.50	2.79	2.29
2022-23	8,331,351.00	784,231.50	706,417.50	1,433,700.00	2,924,349.00	2.85	2.29
2023-24	8,516,366.00	778,254.00	713,437.50	1,432,762.50	2,924,454.00	2.91	2.29
2024-25	8,705,081.00	776,861.50	714,420.00	1,434,162.50	2,925,444.00	2.98	2.29
2025-26	8,897,571.00	774,846.50	719,570.00	1,433,612.50	2,928,029.00	3.04	2.29
2026-27	9,093,911.00	786,741.50	703,820.00	1,436,112.50	2,926,674.00	3.11	2.29
2027-28	9,294,177.00	782,381.26	708,070.00	1,435,000.00	2,925,451.26	3.18	2.29
2028-29	9,498,449.00	777,382.76	716,050.00	1,436,525.00	2,929,957.76	3.24	2.29
2029-30	9,653,802.00	776,746.00	716,300.00	1,435,350.00	2,928,396.00	3.30	2.29
2030-31	9,812,263.00	779,930.00	710,550.00	1,436,475.00	2,926,955.00	3.35	2.29
2031-32	9,973,893.00	787,034.00	704,050.00	1,434,562.50	2,925,646.50	3.41	2.29
2032-33	10,138,755.00	777,842.00	716,800.00	1,434,612.50	2,929,254.50	3.46	2.29
2033-34	10,306,915.00	778,002.00	712,800.00	1,431,287.50	2,922,089.50	3.53	2.29
2034-35	10,478,438.00	750,582.00	744,050.00	1,434,587.50	2,929,219.50	3.58	2.29
2035-36	10,650,214.00	690,291.00	802,687.50	1,433,837.50	2,926,816.00	3.64	2.29
2036-37	10,825,425.00	0.00	1,492,287.50	1,434,037.50	2,926,325.00	3.70	2.29
2037-38	11,004,141.00	0.00	1,492,687.50	1,434,850.00	2,927,537.50	3.76	2.29
2038-39	11,186,431.00	0.00	0.00	1,433,200.00	1,433,200.00	7.81	4.67
2039-40	11,372,367.00	0.00	0.00	1,431,300.00	1,431,300.00	7.95	4.68
2040-41	<u>11,562,021.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,433,800.00</u>	<u>1,433,800.00</u>	8.06	4.67
<b>Totals<sup>(3)</sup></b>	<b>\$276,585,872.00</b>	<b>\$20,161,049.02</b>	<b>\$21,629,297.50</b>	<b>\$43,205,075.63</b>	<b>\$84,995,422.15</b>		

\* Preliminary; subject to change. Based upon an aggregate Bond principal amount of \$18,360,000.

(1) Calculated based on projected Tax Revenues.

(2) Calculated based on projected Fiscal Year 2010-11 Tax Revenues, held constant (i.e., assuming approximately \$6,400,000 each year).

(3) Totals may not add due to rounding.

Sources: HdL Coren & Cone (for information in the column entitled Projected Tax Revenues) and Underwriter (for information in all other columns).

## LIMITATIONS ON TAX REVENUES

### Property Tax Limitations - Article XIII A

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. Such amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors. Article XIII A further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that the 1% limitation does not apply to *ad valorem* taxes to pay interest or redemption charges on (1) indebtedness approved by the voters prior to July 1, 1978, (2) any 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, or (3) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation, or replacement of school facilities, or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district voting on the proposition, but only if certain accountability measures are included in the proposition.

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

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

### Challenges to Article XIII A

There have been many challenges to Article XIII A of the California Constitution. In 1992, the United States Supreme Court heard the appeal in *Nordlinger v. Hahn*, a challenge relating to residential property. Based on the facts presented in *Nordlinger*, the United States Supreme Court held that the method of property tax assessment under Article XIII A did not violate the federal Constitution. The Commission cannot predict whether there will be any future challenges to California's present system of property tax assessment and cannot evaluate the ultimate effect on the Commission's receipt of tax increment revenues should a future decision hold unconstitutional the method of assessing property.

### Legislation Affecting Apportionment of Property Taxes

The apportionment of property taxes in fiscal years after 1978-79 has been revised pursuant to Chapter 282 of the California Statutes of 1979 ("Chapter 282"), which provides relief funds from State moneys beginning in fiscal year 1978-79 and is designed to provide a permanent system for sharing State taxes and budget surplus funds with local agencies. Under Chapter 282, cities and counties receive about one-third more of the remaining property tax revenues collected under Proposition 13 instead of direct

State aid. School districts receive a correspondingly reduced amount of property taxes, but receive compensation directly from the State and are given additional relief.

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

### **Property Tax Collection Procedures**

**Classifications.** In California, property that is subject to *ad valorem* taxes is classified as "secured" or "unsecured." Secured and unsecured property is entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by the county becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax that becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against unsecured property, but may become a lien on certain other property owned by the taxpayer.

**Collections.** The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured property taxes in the absence of timely payment by the taxpayer: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of the personal property, improvements, or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of property securing the taxes to the State for the amount of taxes that are delinquent.

**Penalties.** A 10% penalty is added to delinquent taxes that have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is declared in default on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption and a \$15 Redemption Fee. If taxes are unpaid for a period of five years or more, the property is recorded in a "Power to Sell" status and is subject to sale by the county tax collector. A 10% penalty also applies to the delinquent taxes on property on the unsecured roll and, further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

**Delinquencies.** The valuation of property is determined as of January 1 each year and equal installments of taxes levied on secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due January 1. Unsecured taxes enrolled by July 31, if unpaid, are delinquent August 31 at 5:00 p.m. and are subject to penalty; unsecured taxes added to roll after July 31, if unpaid, are delinquent on the last day of the month succeeding the month of enrollment.

**Supplemental Assessments.** Senate Bill No. 813 (Chapter 498, California Statutes of 1983) ("SB 813"), provided for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. SB 813 may provide increased revenue to redevelopment agencies to the extent that supplemental assessments as a result of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the lien date. Supplemental assessments have not been included in any of the projections of Tax Revenues included in

the Fiscal Consultant's Report or in this Official Statement. To the extent such supplemental assessments occur within the Project Area, Tax Revenues may increase.

**Tax Collection Fees.** Senate Bill No. 2557 (Chapter 466, California Statutes of 1990) ("SB 2557") authorizes county auditors to determine property tax administration costs proportionately attributable to local jurisdictions and to submit invoices to the jurisdictions for such costs. Subsequent legislation specifically includes redevelopment agencies among the entities that are subject to a property tax administration charge. Such costs are deducted prior to a determination of Tax Revenues for the Project Area, which are pledged to pay debt service on the Bonds and which constitute the primary source of funds to pay the debt service on the Bonds. The County's administrative charge for fiscal year 2009-10 was \$129,278 for the Project Area. Such amount was 1.15% of the Project Area's gross Tax Revenues. The County's administrative charge for fiscal year 2010-11 is not yet available. The County's administrative charge for fiscal year 2010-11 and for all subsequent fiscal years in the projections contained herein has been estimated at 1.15% of gross Tax Revenues. See also "THE PROJECT AREA – Projected Tax Revenues and Debt Service Coverage."

**Allocation of Tax Increment to Commission.** It is the practice of the Auditor-Controller to allocate to redevelopment agencies, including the Commission, 100% of the tax increment revenue projected by the equalized tax roll, without regard to collections, cancellations, or refunds. Consequently, the tax increment revenue received by the Commission each fiscal year is not subject to revenue loss due to delinquencies or gains due to redemptions. The Auditor-Controller currently allocates such tax increment revenue to redevelopment agencies, including the Commission, as follows: in December of each year, the Auditor-Controller allocates approximately 50% of projected tax increment revenue to the redevelopment agencies; in April of each year, the Auditor-Controller allocates the remaining 50% of projected tax increment revenue to the redevelopment agencies; the Auditor-Controller allocates supplemental tax increment revenue (derived from a reassessment of property due to a change of ownership or completion of new construction) to the redevelopment agencies based on collections on a monthly basis beginning in November and continuing through July of each fiscal year. Such administrative practices of the Auditor-Controller are subject to change without notice and no assurance can be made that such administrative practice will continue.

### **Tax Rates**

Tax rates vary from area to area within the State, as well as within a community and a redevelopment project area. The tax rate for any particular parcel is based on the jurisdictions levying the tax rate for the area in which the parcel is located. A tax rate consists of the general tax rate of \$1.00 per \$100 of taxable value, as determined by Article XIII A of the California Constitution (the "General Tax Rate"), plus a tax rate approved by voters or authorized under Article XIII A, if any, that exceeds the General Tax Rate (the "Override Rate"). For a discussion of the tax rates applicable to the Project Area, see "THE PROJECT AREA – Tax Rates in Project Area."

### **Appropriations Limitations - Article XIII B**

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIII B to the California Constitution. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority, or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population, and services rendered by the government entity.

Effective November 30, 1980, the California Legislature added Section 33678 to the Redevelopment Law, which provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness will not be deemed the

receipt by such agency of proceeds of taxes levied by or on behalf of the agency within the meaning of Article XIII B, nor will such portion of taxes be deemed receipt of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State, including Section 33678 of the Redevelopment Law.

### **Proposition 87**

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

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

### **Proposition 218**

On November 5, 1996, California voters approved Proposition 218, the self-titled "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments, and property-related fees and charges. Tax Revenues securing the Bonds are derived from property taxes, which are outside the scope of taxes, assessments, and property-related fees and charges that were limited by Proposition 218.

### **AB 1290**

In 1993, the California Legislature enacted Assembly Bill 1290 (Chapter 942, California Statutes of 1993) ("AB 1290"), which contained several significant changes in the Redevelopment Law. Among the changes made by AB 1290 was a provision that limits the period of time for incurring and repaying loans, advances, and indebtedness payable from tax increment revenues. In general, a redevelopment plan adopted prior to January 1, 1994, may terminate not more than 40 years following the date of original adoption, and loans, advances, and indebtedness may be repaid during a period extending not more than 10 years following the date of termination of the redevelopment plan.

The Commission believes that the Redevelopment Plan is in compliance with AB 1290. See "LIMITATIONS ON TAX REVENUES – Redevelopment Plan Limitations."

### **Future Initiatives**

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

### **Low and Moderate Income Housing**

Chapter 1337, California Statutes of 1976, added Sections 33334.2 and 33334.3 to the Redevelopment Law requiring redevelopment agencies to set aside 20% of all tax increment revenues allocated to redevelopment agencies from redevelopment project areas adopted after December 31, 1976, in a low- and moderate-income housing fund to be expended for authorized low- and moderate-income housing purposes. Amounts on deposit in the low- and moderate-income housing fund may also be

applied to pay debt service on bonds, loans, or advances of redevelopment agencies to provide financing for such low- and moderate-income housing purposes.

The Project Area is subject to the 20% set-aside requirement for low- and moderate-income housing. See "THE PROJECT AREA – Projected Tax Revenues and Debt Service Coverage."

### **Statement of Indebtedness**

Under the Redevelopment Law, the Commission must file with the Auditor-Controller a statement of indebtedness for the Project Area by October 1 of each year. As described below, the statement of indebtedness controls the amount of Tax Revenues derived from the Project Area that will be paid to the Commission in each fiscal year.

Each statement of indebtedness is filed on a form prescribed by the State Controller and specifies, among other things: (i) the total amount of principal and interest payable on all loans, advances, or indebtedness (including the Bonds and all Parity Debt) within the Project Area (the "Debt"), both over the life of the Debt and for the current fiscal year, and (ii) the amount of Available Revenue (as defined below) with respect to the Project Area as of the end of the previous Fiscal Year.

"Available Revenue" is calculated by subtracting the total payments on Debt related to the Project Area during the previous fiscal year from the total revenues (both tax increment revenues and other revenues) related to the Project Area received during the previous fiscal year, plus any carry-forward from the prior fiscal year. Available Revenue includes amounts held by the Commission and irrevocably pledged to the payment of Debt relating to the Project Area other than amounts set aside for low- and moderate-income housing.

The Auditor-Controller may only pay tax increment revenue related to the Project Area to the Commission in any fiscal year to the extent that the total remaining principal and interest on all applicable Debt exceeds the amount of Available Revenue as shown on the statement of indebtedness.

The statement of indebtedness constitutes *prima facie* evidence of the indebtedness of the Commission; however, the Auditor-Controller may dispute the statement of indebtedness in certain cases. Section 33675 of the Redevelopment Law provides for certain time limits controlling any dispute of the statement of indebtedness, and allows for California Superior Court determination of such dispute if it cannot be resolved by the Commission and the County. Any such action may only challenge the amount of the Debt as shown on the statement, and not the validity of any Debt or its related contracts or expenditures. No challenge can be made to payments to a trustee in connection with a bond issue or payments to a public agency in connection with payments by that public agency with respect to a lease or bond issue.

### **Redevelopment Plan Limitations**

Section 33333.2 of the Redevelopment Law requires that, for redevelopment plans adopted on or after January 1, 1994, each redevelopment agency must include in each redevelopment plan certain limitations. These include a time limitation on the effectiveness of the redevelopment plan that is not to exceed 30 years from the date of adoption of the redevelopment plan or, in the case of territories added to an existing redevelopment plan, the date that said added territory was adopted. Section 33333.2 further requires such redevelopment plans to limit the establishment of loans, advances, and indebtedness to be paid from tax revenues to 20 years from the date of the plan adoption or from the date of the addition of added territory. The redevelopment plan must limit the repayment of indebtedness to 45 years from the date of adoption or addition of added territory and limit commencement of eminent domain proceedings to 12 years from the date of adoption or addition of added territory.

In 2003, the State Legislature enacted Senate Bill 1045 (Chapter 260, California Statutes of 2003) ("SB 1045"), which effected several amendments to the Redevelopment Law. Among other things, SB 1045 obligated the Commission to pay moneys into the County's Education Revenue Augmentation Fund payment for the 2003-04 fiscal year and provided a simplified methodology for extending the length of time within which the Commission may repay indebtedness with tax increment revenue. On February 3, 2004, in accordance with SB 1045, the City Council adopted Ordinance No. 2645, extending by one year the time limit of the Redevelopment Plan and extending the time in which the Commission may repay indebtedness with Tax Revenues derived from the Original Project Area. See "THE PROJECT AREA – Redevelopment Plan Limitations."

### **Statutory Pass-Throughs**

Pass-through payments to Taxing Agencies are made in accordance with the following formulas pursuant to Section 33607.5, which was enacted pursuant to AB 1290:

(a) 20% of gross tax increment revenue (or 25% of revenue after deduction for the required low- and moderate-income housing set-aside) is to be allocated to the Taxing Agencies for the first fiscal year through the last fiscal year for which the Project Area receives tax increment;

(b) an additional 16.8% of the gross tax increment (or 21% after deduction for required the low- and moderate-income housing set-aside) is to be allocated to the Taxing Agencies from the 11th through the last fiscal year, based on the increase in assessed value over the project area assessed value in the 10th fiscal year; and

(c) an additional 11.2% of the gross tax increment (14% after deduction for the required low- and moderate-income housing set-aside) is to be allocated to the Taxing Agencies from the 31st through the last fiscal year, based on the increase in assessed value over the project area assessed value in the 30th fiscal year.

The payments to the affected Taxing Agencies are allocated between each Taxing Agency in proportion to the share of property taxes each such Taxing Agency receives in the year funds are allocated. Statutory tax sharing payments made pursuant to Section 33607.5 within the Project Area began with the first fiscal year for which they were allocated tax increment revenue. Such pass-through payments have been taken into account by the Fiscal Consultant for purposes of projecting the amount of Tax Revenues in this Official Statement.

Section 33607.5(e) of the Redevelopment Law specifies a procedure whereby the Commission may request subordination of the statutory tax sharing payments to payment of debt service on the Bonds by all of the Project Area's taxing entities, as applicable. As part of this request, the Commission must provide substantial evidence to the taxing entities that it will have sufficient funds to make the debt service payments on the Bonds as well as making the required statutory tax sharing payments.

The taxing entities may respond and agree to the subordination request, they may do nothing and after 45 days be deemed to have agreed to the subordination, or they may disapprove the subordination request. A taxing entity may disapprove a subordination request only if it believes based on substantial evidence that the Commission's financial estimates are incorrect and that the Commission will not be able to make debt service and the tax sharing payments. It is the Commission's belief that sufficient evidence can be provided to warrant subordination of the tax sharing payments and that no later than 45 days from receipt of the notice by the taxing entities, the tax sharing payments will be subordinate to the payment of debt service on the Bonds. The Commission has not requested such subordination from the affected taxing entities.

## Assessment Appeals

Under Section 51(b) of the California Revenue and Taxation Code ("Section 51(b)"), the assessor may place a value on the tax roll lower than the compounded base assessment value if the full cash value of real property has been reduced by damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a decline in the value. Reductions in value under Section 51(b), commonly referred to as "Proposition 8 appeals," can be achieved either by formal appeal or administratively by assessor staff appraising the property. A reduced full cash value placed on the tax roll does not change the base assessment value. The future impact of a parcel subject to a Proposition 8 appeal is dependent upon a change in the conditions that caused the drop in value. In fiscal years following a successful Proposition 8 appeal, the assessor may determine that the value of the property has increased as a result of corrective actions or improved market conditions and enroll a value on the tax roll up to the parcel's compounded base assessment value. Additionally, successful appeals regarding property on the unsecured rolls do not necessarily affect the valuation of such property in any succeeding fiscal year.

An assessee of locally assessed or state-assessed property may contest the taxable value enrolled by the county assessor or by the SBE, respectively. The assessee of SBE-assessed property or locally-assessed personal property, the valuation of which is subject to annual reappraisal, actually contests the determination of the full cash value of property when filing an assessment appeal. Because of the limitations to the determination of the full cash value of locally assessed real property by Article XIII A, an assessee of locally assessed real property generally contests the original determination of the base assessment value of the parcel, i.e., the value assigned after a change of ownership or completion of new construction. In addition, the assessee of locally assessed real property may contest the current assessment value (the base assessment value plus the compounded annual inflation factor) when specified conditions have caused the full cash value to drop below the current assessment value.

At the time of reassessment, after a change of ownership or completion of new construction, the assessee may appeal the base assessment value of the property. Under an appeal of a base assessment value, the assessee appeals the actual underlying market value of the sale transaction or the recently completed improvement. A base assessment appeal has significant future revenue impact because a reduced base year assessment will then reduce the compounded value of the property prospectively. Except for the 2% inflation factor allowable under Article XIII A, the value of the property cannot be increased until a change of ownership occurs or additional improvements are added.

Utility companies and railroads may contest the taxable value of utility property to the SBE. Generally, the impact of utility appeals is on the State-wide value of a utility determined by SBE. As a result, the successful appeal of a utility may not impact the taxable value of the Project Area but could impact a project area's allocation of unitary property taxes.

The actual impact to tax increment is dependent upon the actual revised value of assessments resulting from values determined by the Assessment Appeals Board or through litigation and the ultimate timing of successful appeals. Because the Auditor-Controller adjusts revenues to the Commission to reflect roll corrections from successful appeals, the Commission may bear the burden of appeals. The actual valuation impact to the Project Area from successful assessment appeals will occur on the assessment roll prepared after the actual valuation reduction.

For information regarding successful and pending appeals in the Project Area, see "THE PROJECT AREA – Assessment Appeals."

## 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 that 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 these risks.*

### **Loss of Tax Exemption**

As discussed under the caption "TAX MATTERS," in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the Commission has covenanted in the Indenture not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In addition, the Commission has covenanted under the Indenture not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on any of the Bonds under Section 103 of the Code. Interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of acts or omissions of the Commission in violation of the Code. Should such an event of taxability occur, the Bonds are not subject to acceleration or early redemption and will remain outstanding to maturity.

### **The Bonds are Limited Obligations**

The Bonds are limited obligations of the Commission payable solely from and secured solely by the amounts pledged therefor under the Indenture, which amounts are comprised of Tax Revenues and moneys held in certain of the funds established under such Indenture. **There is no guaranty that the amount of annual Tax Revenues that are collected by the Commission will be sufficient to pay principal of and interest on the Bonds.**

### **Reduction of Tax Revenues**

The Tax Revenues constitute the primary security for the Bonds. Tax Revenues are determined by the amount of incremental assessed value of taxable property the Project Area, the current rate or rates at which property in such Project Area is taxed, and the percentage of taxes collected in such Project Area.

Several types of events beyond the control of the Commission could occur and cause a reduction in available Tax Revenues that secure the Bonds, including, among others, the following: (i) a reduction of taxable values of property in the Project Area caused by local or regional economic factors; (ii) a relocation out of the Project Area by one or more major property owners; (iii) successful appeals by property owners for a reduction in a property's assessed value; (iv) a reduction of the general inflationary rate; or (v) the destruction of property caused by natural or other disasters. Such risk increases in proportion to the percentage of total assessed value attributable to any single property owner in the Project Area. For information regarding the largest property owners of the Project Area, see "THE PROJECT AREA - Major Taxpayers in Project Area."

### **Reduction in Inflationary Rate**

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

Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation four times: in fiscal year 1982-83, the adjustment rate was 1%; in fiscal year 1993-94, the adjustment rate was 1.19%; in fiscal year 1994-95, the adjustment rate was 1.11 %; and in fiscal year 1997-98, the adjustment rate was 1.85%.

The Commission is unable to predict if any adjustments to the full cash value base of real property within any of the Project Area, whether an increase or a reduction, will be realized in the future.

### **Future Initiatives, Litigation, or Changes in Law**

In addition to the existing limitations on Tax Revenues described herein under "LIMITATIONS ON TAX REVENUES," the California electorate could adopt future initiative measures, or the California Legislature could pass future legislation, with the effect of reducing Tax Revenues payable to the Commission, or the Commission's ability to expend tax increment revenue. Similarly, future federal or California litigation could result in case law precedent affecting Tax Revenues payable to the Commission, or the Commission's ability to expend tax increment revenue.

### **Levy and Collection of Taxes**

The Commission 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 Tax Revenues and, accordingly, could have an adverse impact on the ability of the Commission to pay principal of and interest on the Bonds.

Likewise, delinquencies in the payment of property taxes by the owners of land in the Project Area, and the impact of bankruptcy proceedings on the ability of Taxing Agencies to collect property taxes, could have an adverse effect on the Commission's ability to make timely payments of debt service on the Bonds. Any reduction in Tax Revenues, whether for any of the aforementioned reasons or any other reasons, could have an adverse effect on the Commission's ability to pay the principal of and interest on the Bonds.

### **Estimates of Tax Revenues**

To estimate the total revenues available to pay debt service on the Bonds, the Commission has made certain assumptions with regard to the assessed valuation in the Project Area, future tax rates, percentage of taxes collected, and the amount of funds available for investment and the interest rate at which those funds will be invested. The Commission believes such assumptions to be reasonable, but to the extent that the assessed valuation, the tax rates, the percentage of taxes collected, the amount of the funds available for investment, or the interest rate at which they are invested, are less than the Commission's assumptions, the total revenues available to pay debt service on the Bonds may be less than those projected in this Official Statement. See "THE PROJECT AREA – Projected Tax Revenues and Debt Service Coverage."

As noted above, Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such adjustments are computed on a calendar year basis. In projecting future Tax Revenues, the Commission has not assumed the 2% inflationary increases. However, future deflation could cause decreases in property values, a reduction in tax revenues received by the Commission, and a reduction in Tax Revenues. See "SECURITY FOR THE BONDS" and "LIMITATIONS ON TAX REVENUES."

### **Concentration of Ownership**

The assessed value of the property owned by the 10 largest taxpayers in the Project Area currently represents approximately 22.56% of the total assessed value in such Project Area. See "THE PROJECT AREA – Major Taxpayers in Project Area."

Events causing a reduction in assessed value of or physical damage to property in the Project Area owned by one or more of the 10 largest property owners therein, or any future owner of significant property in the Project Area, such as physical damage by fire, earthquake, or other causes, may significantly delay or ultimately reduce the payment of property taxes in the Project Area. Further, bankruptcy or financial difficulties arising with respect to a current or future major property owner may also significantly delay or ultimately reduce payment of property taxes in the Project Area.

### **Failure to Develop Property**

The construction of the Facilities has not yet been completed and there are still land development activities occurring within the Project Area. Land development operations, including construction of the Facilities, are subject to comprehensive federal, State, and local regulations, as well as general and local economic conditions. Approval is required from various agencies in connection with the layout and design of the Facilities, the nature and extent of the planned improvements, construction activity, land use, zoning, and health requirements, as well as numerous other matters. Although many such approvals have been obtained, it is possible that the remaining approvals will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy any such governmental requirements could adversely affect the construction of the Facilities. In addition, there is a risk that future governmental requirements, including, but not limited to, governmental policies restricting or controlling development within the Project Area, will be enacted, and a risk that future land use initiatives approved by the voters in the City or the State could add more restrictions and requirements on development within the Project Area. See "FACILITIES TO BE FINANCED WITH BOND PROCEEDS."

### **Parity Debt**

The Commission may issue other bonds or incur other obligations payable from Tax Revenues on a parity with the Bonds, provided that the conditions set forth in the Indenture are met. See "SECURITY FOR THE BONDS – Issuance of Parity Debt." On January 5, 2007, the Commission issued \$11,490,000 aggregate principal amount of 2006 Tax Allocation Bonds, and on July 1, 2008, the Commission issued \$11,790,000 aggregate principal amount of 2008 Tax Allocation Bonds. The 2006 Tax Allocation Bonds and the 2008 Tax Allocation Bonds are secured by and payable from Tax Revenues on a parity with the Bonds and therefore constitute Parity Debt. Any Parity Debt issued by the Commission, including the 2006 Tax Allocation Bonds and the 2008 Tax Allocation Bonds, necessarily limits the availability of Tax Revenues for the payment of principal and interest with respect to the Bonds. Notwithstanding the funds that are pledged pursuant to the Indenture, Owners of the Bonds are not guaranteed that sufficient Tax Revenues will be available to pay the Bonds. See "THE PROJECT AREA – Projected Tax Revenues and Debt Service Coverage."

The Commission may also issue bonds or incur obligations payable from Tax Revenues that are subordinate to the Bonds. See "SECURITY FOR THE BONDS – Issuance of Subordinate Debt."

### **Earthquake Risk**

There are no known major faults within the City; however, there are several active faults located within a radius of approximately 50 miles from the City, including the San Andreas Fault and the San Gabriel Fault. Activity along such faults could potentially result in damage to the buildings, roads, bridges, and property within the City in the event of a major earthquake, which could in turn adversely

affect assessed valuation and therefore the ability of the Commission to pay debt service with respect to the Bonds.

### **Hazardous Substances**

The discovery of hazardous substances on the property in the Project Area could limit the beneficial use of taxable property within the Project Area. An owner or operator of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. Moreover, such 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. Should a hazardous substance affect any of the property within the Project Area, the effect could be to reduce the marketability and value of the property by the costs of remedying the condition or other amounts. Such costs could result in the reduction in the assessed value of the affected property, which could adversely affect the ability of the Commission to pay debt service with respect to the Bonds.

### **Bankruptcy Risks**

The enforceability of the rights and remedies of the Owners of the Bonds, and the obligations of the Commission with respect thereto, may become subject to the following: (i) the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; (ii) usual equitable principles which may limit the specific enforcement under state law of certain remedies; (iii) the exercise by the United States of America of the powers delegated to it by the federal Constitution; and (iv) the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

### **Litigation Regarding Two Percent Limitation**

In a Minute Order issued on November 2, 2001, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, the Orange County Superior Court held that the Orange County Assessor violated the 2% inflation adjustment provision of Article XIII A when, in a case in which a home's taxable value did not increase for two years due to a flat real estate market, the Assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in all California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The SBE has approved such methodology for increasing assessed values. On December 12, 2002, the Orange County Superior Court ruled to restate the complaint as a class action, which could have the effect of extending its ruling to other similar cases. During 2002, two similar cases relating to properties in San Diego and Los Angeles Counties were heard and decided differently on the issue of the ability of a county assessor to recapture value at greater than 2% per year.

The Orange County Superior Court ruling was appealed by the Orange County Assessor and oral arguments before Division 3 of the California Court of Appeals, Fourth District, in Santa Ana, California, were heard on January 7, 2004. On March 26, 2004, the Court of Appeals overturned the Orange County Superior Court ruling and determined that the methodology used by the Orange County Assessor was constitutional. On May 5, 2004, the respondent filed a petition to the California Supreme Court for review of the decision published by the Court of Appeal. On July 21, 2004, the California Supreme Court denied the petition to review the decision by the Court of Appeal. This action concluded the legal review of this case.

## State Fiscal Issues

The State is experiencing significant financial and budgetary stress. State budgets are affected by national and state economic conditions and other factors over which the Commission has no control. The State's financial condition and budget policies affect communities and local public agencies throughout California.

**ERAF.** The State budget for fiscal year 1993-94 transferred \$2.6 billion to school districts from cities, counties, and other local governments, including redevelopment agencies. As part of such transfer of moneys to school districts, the State Legislature required redevelopment agencies to transfer approximately \$65 million to the Educational Revenue Augmentation Fund ("ERAF") in both fiscal years 1993-94 and 1994-95. From fiscal year 1995-96 through 2001-02, State budgets were adopted with no additional shifting of tax increment increases from redevelopment agencies. Legislation has been enacted requiring a Statewide shift of \$75 million for fiscal year 2002-03, \$135 million for fiscal year 2003-04, \$250 million for fiscal year 2004-05, and \$250 million for fiscal year 2005-06. The amounts of such transfers by the Commission were: \$214,553 with respect to fiscal year 2002-03, \$338,119 with respect to fiscal year 2003-04, \$819,676 with respect to fiscal year 2004-05, and \$819,676 with respect to fiscal year 2005-06. There was no shift required for fiscal year 2006-07 or fiscal year 2007-08. For fiscal year 2008-09, legislation was enacted requiring a statewide shift of \$350 million. For fiscal year 2008-09, the amount of such transfers by the Commission was to have been approximately \$1,284,017. However, the California Redevelopment Association (the "CRA"), the Executive Director of the CRA, the Madera Redevelopment Agency, and the Moreno Valley Redevelopment Agency filed a lawsuit in the Sacramento Superior Court challenging the constitutionality of the statutory provisions requiring the \$350 million shift of tax increment revenues from redevelopment agencies to ERAF. On April 30, 2009, the court ruled that the requirement that these funds be taken from redevelopment agency revenues and paid into county ERAF accounts was unconstitutional in that this use of redevelopment tax increment revenues conflicts with and violates the Redevelopment Law requiring that tax increment revenues be used to finance redevelopment activities. The ruling eliminated the requirement to make the 2008-09 ERAF payment described above. On September 23, 2009, the State filed an Abandonment of Appeal, abandoning its appeal of the decision of the Superior Court.

**SERAF.** In July 2009, the State Legislature adopted, and the Governor of the State signed, Assembly Bill No. 26 (the "2009 SERAF Legislation"). The 2009 SERAF Legislation mandates that redevelopment agencies in the State make deposits to the Supplemental Educational Revenue Augmentation Fund ("SERAF") that is established in each county treasury throughout the State, in the aggregate amounts of \$1.7 billion for fiscal year 2009-10, which deposit was due prior to May 10, 2010, and \$350 million for fiscal year 2010-11, which deposit is due prior to May 10, 2011.

On May 4, 2010, the Superior Court for the State of California, County of Sacramento, upheld the 2009 SERAF Legislation from Constitutional challenge by redevelopment agencies in *California Redevelopment Association v. Michael C. Genest* (Case No. 34-2009-80000359) (the "2009 SERAF Litigation"). The challengers to the 2009 SERAF Legislation have appealed the Superior Court's decision. The Commission cannot predict the outcome of the 2009 SERAF Litigation.

The Commission made the required SERAF payment of \$6,242,637 for fiscal year 2009-10 on May 10, 2010, and intends to make the required SERAF payment of \$1,284,017 for fiscal year 2010-11 by the May 10, 2011, deadline.

On November 2, 2010, the voters of the State approved a ballot initiative known as Proposition 22 ("Proposition 22"), pursuant to which the State is prohibited from shifting, taking, borrowing, or restricting the use of tax revenues dedicated by law to, among other things, funding redevelopment agencies and other local government services. Although the passage of Proposition 22

will have no impact upon the Commission's obligation to pay the amount due to SERAF on May 10, 2011, the State Legislative Analyst's Office (the "LAO") has stated that the measure prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies. No assurance can be provided, however, that Proposition 22 will be implemented as contemplated by the LAO. In addition, Proposition 22 is subject to interpretation by the courts and there can be no assurance that the measure will not be challenged by the State or other parties or repealed by the voters of the State in the future.

The 2009 SERAF Legislation imposes various restrictions on redevelopment agencies that fail to timely make the required SERAF payments, including (i) a prohibition on adding or expanding project areas, (ii) a prohibition on the incurrence of additional debt, (iii) limitations on the encumbrance and expenditure of funds, including funds for operation and administration expenses, and (iv) commencing with the July 1 following the due date of a SERAF annual payment that is not timely made, a requirement that the applicable redevelopment agency allocate an additional 5% of all taxes that are allocated to the redevelopment agency under the Redevelopment Law for low- and moderate-income housing for the remainder of the time that the applicable redevelopment agency receives allocations of tax revenues under the Redevelopment Law.

The 5% additional housing set-aside penalty provision referred to in the 2009 SERAF Legislation (the "Penalty Set-Aside Requirement") would be in addition to the 20% of such tax revenues already required to be used for low- and moderate-income housing purposes. A redevelopment agency that borrows from amounts required to be allocated to its housing set-aside funds to make required SERAF payments but does not timely repay the funds, will also be subject to the Penalty Set-Aside Requirement.

While the 2009 SERAF Legislation contains provisions that subordinate the obligation of redevelopment agencies to make the SERAF payments specified therein to certain indebtedness (which would include a subordination of the Commission's obligations with respect to the new SERAF payments to the Commission's obligation to pay debt service on the Bonds), there is no provision in the 2009 SERAF Legislation subordinating the Penalty Set-Aside Requirement to any indebtedness of a redevelopment agency that fails to timely make the SERAF payments mandated by the SERAF Legislation.

***Proposed 2011-12 State Budget and Redevelopment Agencies.*** On January 10, 2011, Governor Jerry Brown released his proposed State budget for fiscal year 2011-12 (the "Proposed Budget"). The Proposed Budget was designed to address an estimated budget shortfall of \$25.4 billion in the fiscal year 2011-12 State Budget. At the time the Proposed Budget was released, the budget shortfall consisted of an \$8.2 billion projected deficit for fiscal year 2010-11 and a \$17.2 billion gap between projected revenues and spending in fiscal year 2011-12. The Governor's proposal included approximately \$12.5 billion in budget cuts, \$12 billion in tax extensions and changes, and \$1.9 billion in other solutions. The Governor had also called for a statewide special election in June 2011 to extend for five more years tax measures currently set to expire, but no June 2011 special election was held for any of those measures.

On May 16, 2011, Governor Brown released his May Revision to the Proposed Budget (the "May Revision"). The May Revision stated that, in March 2011, most of the Governor's spending cuts were adopted by the State Legislature, reducing the size of the budget deficit and improving the State's fiscal outlook. The May Revision also stated, however, that, based upon updated projections, the State will need to adopt over \$10 billion in ongoing cuts and revenues to balance the budget and reduce the State's substantial long-term debt.

Both the Proposed Budget and the May Revision included a provision that would eliminate all redevelopment agencies in California starting on July 1, 2011, and redirect property tax dollars from

redevelopment agencies to schools, fire districts, and other local entities (the "RDA Provisions"). Draft legislation implementing this proposal as set forth in the Proposed Budget was released by the Department of Finance of the State (the "Department of Finance") on February 23, 2011 (the "Proposed Legislation"), which would be enacted pursuant to proposed trailer bills AB 101 and SB 77. The Proposed Legislation was formally introduced in the State Assembly, but fell one vote short of the two-thirds vote needed to pass. The Assembly can again reconsider the Proposed Legislation, however. The Proposed Legislation has not been introduced or voted on by the State Senate. No assurance can be given as to whether or not the Proposed Legislation will be enacted in its present form, or at all.

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

The Proposed Legislation, if enacted in its present form, would prohibit redevelopment agencies from, among other things:

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

The Proposed Legislation would establish successor agencies (in the case of the Commission, the successor agency would be the City under the current form of the Proposed Legislation) to administer each redevelopment agency's existing "enforceable obligations" and would establish a series of special funds to effectuate the payments of such obligations and administer the transfer of property taxes to other local entities and the disposition of an agency's other assets such as real property and cash. As defined in the Proposed Legislation, "enforceable obligations" include bonds, debt service on bonds, reserve set-asides, and other payments required under the Indenture governing the issuance of the bonds. Under the Proposed Legislation, the county or city that authorized the creation of a redevelopment agency may elect to retain the housing assets and functions previously performed by the redevelopment agency or may designate its local housing authority to perform such functions. If a county or city elects to retain the responsibility for performing housing functions previously performed by a redevelopment agency, all rights, powers, assets, liabilities, duties, and obligations associated with the housing activities of the agency, along with any amounts in the Low and Moderate Income Housing Fund shall be transferred to such city, or county, or city and county. Under the Proposed Legislation, certain housing functions are subject to oversight by an oversight committee (described below).

The Proposed Legislation changes the mechanism by which property tax revenue from a redevelopment project area is allocated and accounted for, putting the responsibility for paying debt service on obligations, including the Bonds, in the hands of the county auditor-controller rather than the redevelopment agency or a successor agency. The Proposed Legislation does protect the rights of the owners of bonds to the pledged tax increment revenues and the lien thereon created under the applicable

indenture; however, the county auditor-controller and the successor agency established to take over the redevelopment agency's powers and obligations will be the entities responsible for making sure those rights are protected and that lien is honored.

Notwithstanding the foregoing, the Proposed Legislation sets forth a priority and timing for allocation of moneys from a "Redevelopment Property Tax Trust Fund" in fiscal year 2011-12, which provides for a county auditor-controller to allocate moneys in a specified priority, as follows:

First, to each local agency and school entity an amount equal to that which would have been received pursuant to certain specified State law provisions or pass-through agreements that would be in force from July 1, 2011, to July 1, 2012, inclusive, had the redevelopment agency existed at that time. These allocations are to occur no later than January 16, 2012, and June 1, 2012;

Second, to the Public Health and Safety Fund in an amount not to exceed \$1,700,000,000 on a Statewide basis specified by the Director of Finance from the amounts deposited in the Redevelopment Property Tax Trust Fund after needs for enforceable obligations and pass through amounts are taken into account (such transfers to occur on January 16, 2012, and June 1, 2012, or any later date specified by Director of Finance);

Third, on January 16, 2012, and June 1, 2012, to each successor agency for payments listed in its recognized obligation payment schedule for the six-month fiscal period beginning January 1, 2012, or July 1, 2012, in the following order of priority: (A) debt service payments scheduled to be made for tax allocation bonds, (B) payments scheduled to be made on revenue bonds, but only to the extent the revenues pledged for them are insufficient to make the payments and only where the agency's tax increment revenues were also pledged for the repayment of the bonds, and (C) payments scheduled for other debts and obligations listed in the recognized obligation payment schedule that are required to be paid from former tax increment revenue;

Fourth, on January 16, 2012, and June 1, 2012, to each successor agency for administrative costs set forth in an approved administrative budget for those payments required to be paid from former tax increment revenues; and

Fifth, on January 16, 2012, and June 1, 2012, any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers described above shall be distributed to local agencies and school entities. If a successor agency is other than the agency that formed a redevelopment agency, the share that would have been allocated to that agency shall instead be allocated to the agency that is the successor agency. If a local agency other than the county auditor-controller has accepted responsibility for administering the Public Health and Safety Fund in a county, the county share shall be allocated to that local agency.

If the successor agency reports, no later than December 1, 2011, and May 1, 2012, to the county auditor-controller that the total amount available to the successor agency from the Redevelopment Property Tax Trust Fund allocation to that successor agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the each redevelopment agency, and from funds that have or will become available through asset sales and all redevelopment operations are insufficient to fund the payments required by "first" through "Fourth" described above in the next six month fiscal period, the county auditor-controller shall notify the State Controller and the Department of Finance no later than December 10, 2011, and May 10, 2012, respectively. The county auditor-controller shall verify whether the successor agency will have sufficient funds from which to service debts according to the recognized obligation payment schedule and shall report the findings to the State Controller. If the State Controller concurs that there are insufficient funds to pay required debt service, the amount of such deficiency shall

be deducted first from the amount remaining to be distributed to taxing entities pursuant to "Fifth" above and, if that amount is exhausted, from amounts available for distribution for administrative costs in "Fourth" above and third from amounts available for allocation to the Public Health and Safety Fund. If an agency made pass through payment obligations subordinate to debt service payments required for enforceable obligations, funds for servicing bond debt may be deducted from the amounts for pass-through payments under "First" above, but only to the extent that the amounts remaining to be distributed to taxing entities pursuant to "Fifth" above the amounts available for distribution for administrative costs in "Fourth" above and the amounts available for allocation to the Public Health and Safety Fund have all been exhausted.

The Proposed Legislation provides that the successor agency shall make payments for enforceable obligations using the Redevelopment Property Tax Trust Fund, but only when no other funding source is available or when payment from property tax revenues is required by an enforceable obligation.

Successor agencies are required to prepare draft recognized obligation payment schedules for the enforceable obligations of the former redevelopment agency by November 1, 2011, and such recognized obligation payment schedules must be certified by an external auditor, approved by the oversight committee, submitted to the county auditor-controller, the State Controller's Office, and the Department of Finance, and posted on the applicable successor agency's internet website.

The specific effects of the Proposed Legislation, if enacted in its present form, on the overall administration of the Bonds and the related documents, including the Indenture and any continuing disclosure certificate, cannot be determined at this time.

Under the Proposed Legislation, the city, county, or city and county that authorized the creation of a redevelopment agency may elect to retain the housing assets and functions previously performed by the redevelopment agency or may designate its local housing authority to perform such functions. If a city, county, or city and county elects to retain the responsibility for performing housing functions previously performed by a redevelopment agency, all rights, powers, duties, and obligations, along with any amounts in the low and moderate income housing fund, will be transferred to such city, county, or city and county. The Proposed Legislation is silent regarding the question as to whether a city, county, or city and county that elects to retain the responsibility for performing housing functions previously performed by a redevelopment agency would have the power to enter into new contracts and agreements regarding the expenditure of amounts on deposit in the low and moderate income housing fund.

The Proposed Legislation also proposes the establishment of a seven member oversight committee to monitor and approve the activities of each successor agency. Only one member of the oversight committee may be appointed by the city that formed the redevelopment agency. The remaining members are to be appointed by the applicable county board of supervisors or county board of education, county superintendent of education, the Chancellor of the California Community Colleges, and largest special district, by property tax share, in the territory of the former redevelopment agency (or by the Governor if positions are not otherwise filled). The result of this make up of the oversight committee is that its actions may not be in the best interest of, and may be adverse to, the former redevelopment agency or the city that formed the redevelopment agency and the owners of the Bonds.

The Proposed Legislation lengthens the statute of limitations to challenge various actions by the Commission taken after January 1, 2011, including the issuance of the Bonds, from 90 days to two years and requires audits of each redevelopment agency. While the Commission does not believe there is any defect in the proceedings for the issuance of the Bonds that could give rise to a successful challenge, and Bond Counsel is providing its opinions with respect to the Bonds as set forth in "APPENDIX D – FORM

OF BOND COUNSEL OPINION,” due to the heightened scrutiny that may occur with respect to redevelopment agency activities, there could be an increased risk of a legal challenge relating to or affecting the proceedings for the Bonds and any such challenge could affect the market price of the Bonds.

Interpretation of the wording and effect of the Proposed Legislation is subject to varying opinions. It appears that, if enacted as drafted in its present form and if found to be legal and enforceable by the courts in the event of a court challenge, the legislation will include provisions having the effect of barring redevelopment agencies from entering into certain contracts and, in some circumstances, expending funds after the effective date of the legislation. These provisions, as well as possibly other provisions, may limit the Commission’s future ability to spend the proceeds of the Bonds. The existence or extent of such limitations cannot be determined at this time. The Commission has covenanted in the Indenture to comply with the requirements of the Code in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

The Proposed Legislation implements its intended purposes through a complex series of provisions, and appears to contain several inconsistencies and drafting problems that will likely require revision. The Commission cannot predict what changes may be made to the Proposed Legislation or whether the Proposed Legislation in any form will be enacted.

It is possible that Proposition 22, which amended the State Constitution to prohibit State diversion of redevelopment agency revenues generally, will affect the State’s ability to implement the RDA Provisions. It is possible that the Governor and the State Legislature may seek voter approval of changes to the terms of Proposition 22 that are in conflict with the RDA Provisions or the Proposed Legislation.

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

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

(i) The RDA Provisions and/or the Proposed Legislation, if adopted, could impact the Commission’s activities and programs generally and could reduce or eliminate its fund balances and staffing.

(ii) The RDA Provisions and/or the Proposed Legislation, if adopted, could affect the Commission’s compliance with and performance under existing contracts and obligations.

(iii) Subject to certain “contract clause” protections described below, the RDA Provisions and/or the Proposed Legislation could affect the Commission’s compliance with and performance under the terms of the Indenture and the Bonds. These impacts could relate to what successor entity utilizes property taxes the Commission would otherwise have received to repay the Bonds if the Commission is “disestablished,” the amount or availability of Tax Revenues for the Bonds and other uses, the manner of application of Tax Revenues to debt service, the flow of funds as described herein, the use of Bond proceeds to fund the Facilities, and compliance with Indenture covenants, continuing disclosure, and other matters.

(iv) Pending final adoption of laws to implement the RDA Provisions and/or the Proposed Legislation, interim proposals could affect the activities of the Commission and the value of the Bonds.

(v) The RDA Provisions and/or the Proposed Legislation if adopted and implemented, most significantly the elimination of redevelopment agencies and the redeployment of tax increment revenues affecting redevelopment agencies, would almost certainly raise legal and practical issues, some of which may be subject to litigation and ultimate resolution in the courts or subsequent legislative action. These issues could affect the Commission and its compliance with the terms of the Indenture and the Bonds, and resolution of these issues could involve expense and delay or modification of certain of the rights of Owners in ways that the Commission cannot predict.

After execution by the Commission, the Authority, and the Underwriter of the contract of purchase relating to the Bonds, each of the Commission and the Underwriter has the right under such contract of purchase to not proceed with the issuance or purchase, as applicable, of the Bonds if the Commission or the Underwriter determines (and provides written notice to the other party) that legislation has been introduced or proposals made by the Governor of the State or if legislation is enacted that would impose additional materially adverse limitations or burdens on the Commission, the Authority, or the City by reason of the issuance of the Bonds or that purports to prohibit the issuance of the Bonds.

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

Article I, section 10 of the United States Constitution provides that "[n]o state shall ... pass any ... law impairing the obligation of contracts." Article I, section 9 of the State Constitution provides that a "law impairing the obligation of contracts may not be passed." Each of these provisions is generally referred to as a "contracts clause." Federal courts have applied a fact-based three-part test to determine whether a state law violates the federal contracts clause. In general, the test compares any impairment against the significant and legitimate public purpose behind the state law; there is no absolute prohibition against impairment.

The Commission cannot predict the applicable scope of "contract clause" protections to the Bonds and the RDA Provisions and/or the Proposed Legislation as they may ultimately be implemented. The Indenture is intended to preserve and protect the security of the Bonds and the rights of the Trustee and the Owners. Protection of the rights of Owners and enforcement of the terms of the Indenture, if necessary, could involve expense and delay including with respect to the determination of the applicable scope of the "contract clause" provisions.

Potential investors should be aware that both the Commission and the Underwriter have the right not to proceed with issuance of the Bonds if the Proposed Legislation or something similar to the Proposed Legislation is signed into law after the sale date and prior to the closing date for the Bonds.

As an alternative to the Proposed Legislation, the CRA has supported proposed legislation that would implement redevelopment reforms instead of eliminating redevelopment agencies. Senate Bill 286 ("SB 286") includes provisions intended to, among other things: (i) consolidate and update redevelopment agency reporting; (ii) direct the appropriate State agency to develop measures and standards to be incorporated into new reports that redevelopment agencies will be required to submit to the State concerning (a) a uniform method of calculating and reporting job creation and retention,

(b) standards for measuring the efficiency and effectiveness of expenditures for affordable housing, (c) standards for measuring and reducing poverty levels in project areas, (d) standards for measuring and reducing crime in project areas, (e) methods for measuring reductions in vehicle miles traveled through such projects as infill development and transient-oriented development, and (f) standards for reporting on brownfield clean-up and mitigation; (iii) impose restrictions on redevelopment agency administrative expenses; (iv) prohibit certain specified uses of tax increment funds; (v) require quantifiable evidence to support findings of blight; (vi) establish limits on the percentage of land area of a jurisdiction that may be included in redevelopment project areas; (vii) improve redevelopment agencies' accountability to State agencies; (viii) impose accountability provisions for redevelopment implementation plans; and (ix) refocus redevelopment activity on enumerated State policies such as reducing greenhouse gasses and increasing the number of jobs.

SB 286 was heard in the Senate Governance and Finance Committee on May 4, 2011, but no action was taken on the bill. It was held in that committee and missed the May 6, 2011, deadline for bills to be approved by the policy committees in their house of origin. Normally, that would mean that SB 286 would not be considered again until 2012. Given the continuing issues concerning redevelopment agencies, however, the Commission cannot predict what additional actions, if any, may be taken with respect to SB 286.

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

### **Economic, Political, Social, and Environmental Conditions**

Prospective investors are encouraged to evaluate current and prospective economic, political, social, and environmental conditions as part of an informed investment decision. Changes in economic, political, social, or environmental conditions on a local, state, federal, or international level may adversely affect investment risk generally. Such conditional changes may include (but are not limited to) the reduction or elimination of previously available State or federal revenues, fluctuations in business production, consumer prices, or financial markets, unemployment rates, technological advancements, shortages or surpluses in natural resources or energy supplies, changes in law, social unrest, fluctuations in the crime rate, political conflict, acts of war or terrorism, environmental damage and natural disasters.

## **THE COMMISSION**

### **General Information**

The Agency was established pursuant to the Redevelopment Law and was originally activated pursuant to by Resolution No. 2365, adopted by the City Council on November 8, 1960, at which time the City Council declared itself to be the legislative body of the Agency. On February 7, 1995, the Commission became the successor-in-interest to the Agency pursuant to Ordinance No. 2358, adopted by the City Council. The Commission is charged with the authority and responsibility of redeveloping and

eliminating blighted areas of the City. The Commission's comprehensive annual financial report for the fiscal year ended June 30, 2010, is attached hereto as Appendix C.

### **Commission Powers and Duties**

All powers of the Commission are vested in five commissioners, who are the members of the City Council. The Commission exercises all the governmental functions as authorized under the Redevelopment Law and has, among other powers, the authority to acquire, administer, develop, lease, or sell property, including the right of eminent domain and the right to issue bonds and expend the proceeds thereof. The Commission can clear buildings and other improvements and can develop as a building site any real property owned or acquired and in connection with such development, cause streets, highways, and sidewalks to be constructed or reconstructed, and cause public utilities to be installed.

The Commission may, out of funds available for such purposes, pay for all or part of the value of land and the cost of building facilities, structures, or other improvements to be publicly owned and operated to the extent that such improvements are of benefit to the Project Area and no other reasonable means of financing are available. The Commission must sell or lease property within the Project Area for redevelopment in strict conformity with the Redevelopment Plan and may specify a period within which such redevelopment must begin or be completed.

The City and the Commission have entered into a Cooperation Agreement, dated January 18, 2011, as clarified by resolutions of the City and the Commission adopted on March 8, 2011. Pursuant to (i) such Cooperation Agreement, as clarified, (ii) specific authorization in such resolutions and (iii) the Aid, Assistance and Cooperation provisions of the California Community Redevelopment Law (found at Sections 33220 *et seq.* of the California Health and Safety Code), the Commission transferred real property and other assets, including, without limitation, cash and cash equivalents, of the Commission to the City in order to allow the City to appropriately carry out redevelopment projects and other related activities on behalf of the Commission.

### **Redevelopment Project Areas**

For over 30 years, the City has had as one of its major policy goals the preservation and expansion of the downtown area for high quality development. This goal has been reinforced and restated in a variety of policy documents and physical development projects. In July 1963, the City Council adopted the Daniel, Mann, Johnson and Mendenhall report entitled "A Plan for the Revitalization of the Oxnard Metropolitan Core Area." The report recommended revitalization of the downtown area as the "heart of the City." A major feature of the plan was the formal introduction of the concept of "superblocks" and pedestrian plazas. In October 1966, City Council adopted a General Neighborhood Renewal Plan, which outlined redevelopment objectives, provided an eight-year action program, and designated two redevelopment project areas: the Downtown Renewal (R-108) Project Area and the Central City Revitalization Project Area, which have since been merged into the Merged Downtown Renewal (R-108) and Central City Revitalization Project Area. In addition to the Merged Downtown Renewal (R-108) and Central City Revitalization Project Area and the Project Area, the City has previously formed the Ormond Beach Project Area in 1983 and the Southwinds Project Area in 1985.

## **TAX MATTERS**

### **Bond Counsel Opinion**

In the opinion of Goodwin Procter LLP, Los Angeles, California, Bond Counsel to the Commission, based upon an analysis of existing laws, regulations, rulings, and judicial decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants and requirements, interest on the Bonds is excluded from gross income for United States

federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is exempt from State of California personal income taxes. Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item for purposes of the United States federal individual or corporate alternative minimum taxes. However, Bond Counsel observes that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. A copy of the proposed form of opinion of Bond Counsel with respect to the Bonds is set forth in Appendix D attached hereto and will accompany the Bonds.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for United States federal income tax purposes of interest received by persons such as the Owners of the Bonds. The Commission has made certain representations and has covenanted to comply with certain restrictions, conditions, and requirements designed to ensure that interest on the Bonds will not be included in gross income for United States federal income tax purposes. Inaccuracy of these representations or failure to comply with those covenants may result in interest on the Bonds being included in gross income for United States federal income tax purposes, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of those representations and compliance with those covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of interest on the Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the United States federal or State tax status of interest on the Bonds or the tax consequences of ownership of the Bonds. No assurance can be given that future legislation, including amendments to the Code or interpretations thereof, if enacted into law, will not contain provisions that could directly or indirectly reduce the benefit of the excludability of the interest on the Bonds from gross income for United States federal income tax purposes.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for United States federal and State personal income tax purposes, a U.S. holder's United States federal and State tax liability may otherwise be affected by the ownership or disposition of the Bonds. The nature and extent of such other tax consequences will depend upon the U.S. holder's particular circumstances, including other items of income or deduction. Bond Counsel has expressed no opinion regarding any such other tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors concerning collateral tax consequences with respect to the Bonds.

#### **Risk of Audit by Internal Revenue Service**

The Internal Revenue Service (the "IRS") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the IRS, interest on such tax-exempt obligations is includable in the gross income of the Owners thereof for United States federal income tax purposes. No assurances can be given as to whether or not the IRS will commence an audit of the Bonds. If an audit is commenced, under current procedures the IRS is likely to treat the Commission as the taxpayer and the Owners of the Bonds may have no right to participate in such procedure.

Bond Counsel's opinion represents its legal judgment based upon its review of existing law, regulations, rulings, judicial decisions, and other authorities, and upon the covenants and representations of the parties and such other facts as it has deemed relevant to render such opinion, and is not a guarantee of a result. Bond Counsel is not obligated to defend the tax-exempt status of the Bonds. Neither the Commission nor Bond Counsel is responsible to pay or reimburse the costs of any Owner with respect to any audit or litigation relating to the Bonds.

## **Original Issue Discount and Premium**

If the Bonds' "stated redemption price at maturity" (generally the sum of all payments required under the Bonds other than payments of stated interest payable at least annually over the term of such Bonds) exceeds their issue price by more than a de minimis amount, the difference constitutes "original issue discount" or "OID" the accrual of which, to the extent properly allocable to each Owner thereof, is treated as interest on the Bonds that is excluded from gross income for United States federal income tax purposes. OID with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). Any accruing OID is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. U.S. holders of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount.

In general, if the Bonds are issued for an amount greater than the stated principal amount of the Bonds, the Bonds will be considered to have "amortizable bond premium." No deduction is allowable for the amortizable bond premium in the case of bonds, like the Bonds, the interest on which is excluded from gross income for United States federal income tax purposes. However, the amount of tax-exempt interest received, and a U.S. holder's basis in a Bond issued with acquisition premium, would be reduced by the amount of amortizable bond premium properly allocable to such U.S. holder. U.S. holders of Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

## **Information Reporting and Backup Withholding**

Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor, with a Form W-9 "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an Owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the Owner's federal income tax once the required information is furnished to the IRS.

## **UNDERWRITING**

The Bonds are being purchased by Stone & Youngberg LLC, as Underwriter. The Underwriter has agreed to purchase the Bonds at a price of \$\_\_\_\_\_ (which represents the aggregate principal amount of the Bonds, less an Underwriter's discount of \$\_\_\_\_\_, [less/plus] a net original issue [discount/premium] of \$\_\_\_\_\_). The contract of purchase pursuant to which the Bonds are being purchased by the Underwriter provides that the Underwriter will purchase all of the Bonds if any are purchased.

The initial public offering prices to be stated on the cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers, dealer banks, banks acting as agents, and others at prices lower than said public offering prices.

The Underwriter has entered into an agreement (the "Distribution Agreement") with First Republic Securities Company LLC, Member FINRA/SIPC, a subsidiary of First Republic Bank, for retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to the Distribution Agreement, if applicable to the Bonds, the Underwriter will share a portion of its underwriting compensation with respect to the Bonds with First Republic Securities Company LLC.

### **FINANCIAL ADVISOR**

First Southwest Company is employed as Financial Advisor to the Commission in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the Commission has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Commission and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

### **CONTINUING DISCLOSURE**

The Commission will covenant in a Continuing Disclosure Agreement to provide certain financial information and operating data relating to the Commission and notices of certain events listed therein. The specific nature of the information to be provided, the applicable deadlines for filing such information, and the entities to which such information must be provided will be set forth in the Continuing Disclosure Agreement, a form of which is attached hereto as Appendix E. Such covenant will be made by the Commission in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12, as amended. The Commission has never failed to provide any previous continuing disclosure or notices of significant events. See "APPENDIX E - FORM OF CONTINUING DISCLOSURE AGREEMENT."

### **RATING**

Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, has assigned a municipal bond rating of "\_\_\_" to the Bonds. Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same at the following address: Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies, and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the foregoing rating may have an adverse effect on the market price of the Bonds.

## **NO LITIGATION**

The Commission will certify, and the City Attorney will render a separate opinion on behalf of the Commission upon the issuance of the Bonds to the effect that, there is no action, suit, or proceeding known to the Commission to be pending or threatened, restraining or enjoining the issuance, execution, or delivery of the Bonds or the Indenture, as applicable, or in any way contesting or affecting the validity of the foregoing or any proceeding of the Commission taken with respect to any of the foregoing, as applicable.

## **CERTAIN LEGAL MATTERS**

Goodwin Procter LLP, Los Angeles, California, Bond Counsel, will render an opinion with respect to the Bonds in substantially the form set forth in Appendix D attached hereto. Copies of such opinion will be furnished to the Underwriter and the Commission at the time of delivery of the Bonds. Certain legal matters will be passed upon for the City and the Commission by the City Attorney and by Goodwin Procter LLP, Los Angeles, California, serving as Bond Counsel or as Disclosure Counsel.

## **MISCELLANEOUS**

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds and of statutes and other documents contained in this Official Statement do not purport to be complete and reference is made to such statutes and documents for full and complete statements of their provisions.

The preparation and distribution of this Official Statement have been authorized by the Commission.

## **OXNARD COMMUNITY DEVELOPMENT COMMISSION**

By

\_\_\_\_\_  
Chief Financial Officer

## APPENDIX A

### SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

*The following is a brief summary of certain provisions of the Indenture. This summary does not purport to be complete, and reference is made to the complete document for the complete terms thereof. Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. In addition, the following terms have the following meanings when used in this summary.*

#### Selected Definitions

The following terms will have the meanings indicated below unless the context clearly requires otherwise.

“Additional Revenues” means, as of the date of calculation, the amount of Tax Revenues which, as shown on the Report of an Independent Redevelopment Consultant, are estimated to be receivable by the Commission within the Fiscal Year following the Fiscal Year in which such calculation is made, as a result of increases in the assessed valuation of taxable property in the Project Area due to any transfer of ownership which is not yet reflected on the tax rolls. For purposes of this definition, the term “increases in the assessed valuation” means the amount by which the assessed valuation of taxable property in the Project Area is estimated to increase above the assessed valuation of taxable property in the Project Area (as evidenced by the written records of the County) as of the date on which such calculation is made.

“Annual Debt Service” means, for any Bond Year, the sum of (1) the interest payable on all Outstanding Bonds in such Bond Year, assuming that all Outstanding serial Bonds are retired as scheduled and that all Outstanding term Bonds, if any, are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of the sale of any Bonds), and (2) the principal amount of all Outstanding Bonds maturing by their terms in such Bond Year.

“Average Annual Debt Service” means the amount determined by dividing the sum of all Annual Debt Service amounts due in each of the Bond Years following the date of such calculation by the number of such Bond Years.

“Bond Register” means the registration books required to be maintained by the Trustee pursuant to the Indenture.

“Bond Year” means the period of 12 consecutive months commencing on September 2 and ending on the following September 1 in any year during which Bonds are or will be Outstanding; provided, however, that the first Bond Year shall commence on the Closing Date and end on September 1, 2011, and that the final Bond Year shall end on the date on which the Bonds are fully paid or redeemed.

“Book-Entry Bonds” means the Bonds registered in the name of the Nominee of DTC, or any successor securities depository for the Bonds, as the registered owner thereof pursuant to the terms and provisions of the Indenture or, as applicable, any Supplemental Indenture.

“Business Day” means a day of the year which is not a Saturday or Sunday, or a day on which banking institutions located in the State are required or authorized to remain closed, or on which the Federal Reserve System is closed. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Indenture, shall not be a Business Day, such

payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Indenture, and, unless otherwise specifically provided in the Indenture, no interest shall accrue for the period from and after such nominal date.

“Certificate of the Commission” means an instrument in writing signed by the Chairman, the Vice Chairman, the Executive Director and Secretary, the Chief Financial Officer, or the Treasurer of the Commission, or by any other officer of the Commission duly authorized for that purpose.

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

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Commission or the Authority relating to the issuance, sale, and delivery of the Bonds, the execution and delivery of the Indenture, and the production of the preliminary and final official statements pertaining to the Bonds, including administrative fees, filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee (including legal fees), financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies or credit ratings, fees for transportation and safekeeping of the Bonds, and charges and fees in connection with the foregoing.

“Costs of Issuance Fund” means the fund by that name established pursuant to the Indenture.

“Debt Service Fund” means the fund by that name established pursuant to the Indenture.

“Defeasance Securities” means any of the following to the extent then permitted by law:

1. Non-callable direct obligations of the United States of America (“**Treasuries**”).
2. Evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated.
3. Pre-funded municipal obligations rated “AAA” or “Aaa” by S&P and Moody’s, respectively.
4. Securities eligible for “AAA” or “Aaa” defeasance under then existing criteria of S&P or Moody’s or any combination thereof.
5. Obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America.

“Depository” means the securities depository acting as Depository pursuant to the Indenture.

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

“Event of Default” has the meaning given to such term in the Indenture.

“Fiscal Year” means the fiscal year of the Commission which, as of the date hereof, is the period from July 1 to and including the following June 30.

“Independent Accountant” means any certified public accountant or firm of certified public accountants appointed by the Commission, and who, or each of whom, is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

“Independent Redevelopment Consultant” means any consultant or firm of such consultants appointed by the Commission, and who, or each of whom: (a) is judged by the Commission to have experience in matters relating to the collection of Tax Revenues or otherwise with respect to the financing of redevelopment projects; (b) is in fact independent and not under domination of the Commission; (c) does not have any substantial interest, direct or indirect, with the Commission; and (d) is not connected with the Commission as an officer or employee of the Commission, but who may be regularly retained to make reports to the Commission.

“Information Services” means Financial Information, Inc.’s “Financial Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services’ “Called Bond Service,” 65 Broadway Street, 16th Floor, New York, New York 10004; Moody’s Investors Service “Municipal and Government,” 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attention: Called Bond Department; and Standard and Poor’s “Called Bond Record,” 25 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses providing information with respect to called bonds as the Commission may designate in writing to the Trustee.

“Interest Payment Date” means each March 1 and September 1, commencing September 1, 2011.

“Low and Moderate Income Housing Fund” means the fund by that name established, maintained, and held by the Commission pursuant to Section 33334.3 of the Redevelopment Law.

“Maximum Annual Debt Service” means the maximum Annual Debt Service for any Bond Year prior to the maturity of the Bonds; provided, however, that, for purposes of calculating such maximum Annual Debt Service, there shall be excluded a pro rata portion of each installment of principal of any series of Bonds, together with the interest to accrue thereon, in the event and to the extent that a portion of the proceeds of such series of Bonds are deposited into and remain in any escrow fund from which amounts may not be released to the Commission unless and until the escrow release test set forth in the applicable Supplemental Indenture has been satisfied.

“Moody’s” means Moody’s Investors Service and its successors and assigns.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

“Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Commission or the City.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds, except --

- (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

- (2) Bonds paid or deemed to have been paid within the meaning of the Indenture; and
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been executed by the Commission and authenticated and delivered pursuant to the Indenture.

As the context requires, "Outstanding" shall also be deemed to refer to all Outstanding Subordinate Debt, as well.

"Owner" means any person who shall be the registered owner of any Outstanding Bond, as shown on the Bond Register.

"Parity Debt" means any loans, advances, or indebtedness issued or incurred by the Commission and secured by a pledge of or lien upon the Tax Revenues that is on a parity with the pledge of or lien upon the Tax Revenues for the security of the Bonds, including, without limitation, the Oxnard Community Development Commission Historic Enhancement and Revitalization of Oxnard (HERO) Project Area Tax Allocation Bonds, Series 2006, and the Oxnard Community Development Commission Historic Enhancement and Revitalization of Oxnard (HERO) Project Area Tax Allocation Bonds, Series 2008.

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

"Participating Underwriter" has the meaning ascribed thereto in the Continuing Disclosure Agreement.

"Permitted Investments" means any of the investments listed below, provided at the time of investment the investment is a legal investment under the laws of the State for the moneys proposed to be invested therein:

- (1) (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations");

- (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America;

- (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America; or

- (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

- (2) Tax-Exempt Obligations.

- (3) The listed obligations of government-sponsored agencies that are not backed by the full faith and credit of the United States of America:

(a) Federal Home Loan Mortgage Corporation (FHLMC) Participation certificates (excluded are stripped mortgage securities that are purchased at prices exceeding their principal amounts) – senior debt obligations;

(b) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) – consolidated system-wide bonds and notes;

(c) Federal Home Loan Banks (FHL Banks) – consolidated debt obligations;

(d) Federal National Mortgage Association (FNMA) – senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);

(e) Financing Corporation (FICO) – debt obligations; or

(f) Resolution Funding Corporation (REFCORP) – debt obligations.

(4) Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated "A-1" or better by S&P.

(5) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks that have capital and surplus of at least \$5 million.

(6) Commercial paper (having original maturities of not more than 30 days) rated "A-1+" by S&P and "Prime-1" by Moody's.

(7) Money market funds rated in the highest rating category by S&P or Moody's. Such money market funds may include funds for which the Trustee or its subsidiaries or affiliates provide investment advisory or other management services.

(8) "State Obligations," which means:

(a) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A-" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated;

(b) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (a) above and rated "A-1+" by S&P or "MIG-1" by Moody's; or

(c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (a) above and rated "AA" or better by S&P and "Aa" or better by Moody's.

(9) Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(a) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning

their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or United States Treasury Obligations that may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification"); and

(d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations.

(10) Repurchase agreements:

With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by S&P or Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by S&P or Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated "A" or better by S&P or Moody's, provided that:

(a) the repurchase agreement is collateralized with Permitted Investments at a level that is acceptable to the Commission;

(b) the market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P or Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach);

(c) the Trustee or a third party acting solely as agent therefor or for the Commission (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

(d) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(e) all other requirements of S&P in respect of repurchase agreements shall be met; and

(f) the repurchase agreement shall provide that if during its term the provider's rating by either S&P or Moody's falls below "A-" or "A3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) increase the collateral to a level acceptable to the Commission in the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Commission, the Trustee or a third party acting solely as agent

therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) assign the agreement to an alternative provider acceptable to the Commission. If the provider does not comply with (i) or (ii), the Commission will have the option to terminate the agreement and the provider will repay the principal of and accrued but unpaid interest on the investment. These same provisions shall apply to any subsequent downgrades, as well.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in clause (a) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P or Moody's.

(11) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt is rated at least "AA" (stable) by S&P and "Aa2" (stable) by Moody's, or, in the case of a monoline financial guaranty insurance company, claims paying ability of the guarantor is rated at least "AAA (stable)" by S&P and "Aaa (stable)" by Moody's; provided that, by the terms of the investment agreement:

(a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;

(b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Commission and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(c) the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(d) the Commission or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Commission) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Commission;

(e) the investment agreement shall provide that if during its term the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize (using collateral that otherwise satisfies Permitted Investment guidelines) the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Commission, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) assign the

agreement to an alternative provider acceptable to the Commission. If the provider does not comply with (i) or (ii), the Commission will have the option to terminate the agreement and the provider will repay the principal of and accrued but unpaid interest on the investment. These same provisions shall apply to any subsequent downgrades, as well;

(f) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); and

(g) the investment agreement must provide that if during its term:

(i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Commission or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Commission or Trustee, as appropriate; and

(ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Commission or Trustee, as appropriate.

(12) The Local Agency Investment Fund ("LAIF").

"Plan Limitations" means the limitations contained or incorporated in the Redevelopment Plan on (i) the aggregate principal amount of bonded indebtedness payable from taxes that may be divided and allocated to the Commission pursuant to the Redevelopment Plan that may be outstanding at any time, (ii) the expiration date of the Redevelopment Plan, and (iii) the period of time for establishing, incurring, or repaying indebtedness payable from taxes that may be divided and allocated to the Commission pursuant to the Redevelopment Plan.

"Project Area" means the territory within the Redevelopment Project, as described in the Redevelopment Plan.

"Qualified Reserve Fund Policy" means an insurance policy or surety bond issued by a company licensed to issue an insurance or surety, the claim-paying ability of which is rated in one of the two highest rating categories by A.M. Best & Company, S&P, or Moody's.

"Rebate Fund" means the fund by that name established pursuant to the Indenture.

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

"Redevelopment Fund" means the fund by that name established pursuant to the Indenture.

"Redevelopment Law" means the Community Redevelopment Law of the State, constituting Part 1 and Part 1.7 of Division 24 of the Health and Safety Code of the State, as amended.

“Redevelopment Plan” means the Amended and Restated Redevelopment Plan for the Project Area, adopted by the City Council on March 23, 2004, pursuant to Ordinance No. 2653, together with any amendments thereto heretofore or hereafter duly enacted pursuant to the Redevelopment Law.

“Redevelopment Project” means the area constituting the Historic Enhancement and Revitalization of Oxnard (HERO) Project as described in the Redevelopment Plan and pursuant to the Redevelopment Law for the redevelopment of the Project Area.

“Report” means a document in writing signed by an Independent Redevelopment Consultant and including:

- (a) a statement that the person or firm making or giving such Report has read the pertinent provisions of the Indenture to which such Report relates;
- (b) a brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and
- (c) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

“Repository” shall have the meaning given to such term in the Continuing Disclosure Agreement.

“Reserve Fund” means the fund by that name established pursuant to Indenture.

“Reserve Requirement” means, as of any date of calculation, an amount equal to the least of (i) 10% of the aggregate principal amount of the Bonds originally issued, (ii) Maximum Annual Debt Service on the Bonds, or (iii) 125% of the Average Annual Debt Service on the Bonds. As of the Closing Date, the Reserve Requirement is \$ \_\_\_\_\_.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

“Securities Depositories” means the following registered securities depositories: The Depository Trust Company, 55 Water Street, 50th Floor, New York, New York 10041-0099, Attn. Call Notification Department, Fax (212) 855-7232; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories, or no such depositories, as the Commission may indicate in a Certificate of the Commission delivered to the Trustee.

“Special Fund” means the fund by that name described in the Indenture.

“Subordinate Debt” means any loans, advances, or indebtedness issued or incurred by the Commission that are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues that is subordinate to the pledge of and lien upon the Tax Revenues under the Indenture for the security of the Bonds and any Parity Debt.

“Supplemental Indenture” means any indenture then in full force and effect which has been duly executed and delivered by the Commission and the Trustee amendatory of the Indenture or supplemental to the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture. In addition, as the context requires, “Supplemental Indenture” shall also mean and include any resolution, trust indenture, installment sale agreement, or other applicable agreement adopted,

entered into, or executed and delivered by the Commission pursuant to which Parity Debt is or has been issued.

“Tax Certificate” means the Tax Certificate delivered by the Commission on the Closing Date, as the same may be amended or supplemented in accordance with its terms.

“Tax-Exempt Obligations” means obligations the interest on which is (1) excludable from gross income for federal income tax purposes and (2) not treated as an item of tax preference under Section 57(a)(5) of the Code.

“Tax Revenues” means, except as provided below, moneys allocated within the Plan Limitations and paid to the Commission derived from (a) that portion of taxes levied upon assessable property within the Project Area allocated to the Commission pursuant to Article 6 of Chapter 6 of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State of California, or pursuant to other applicable State laws, (b) reimbursements, subventions (but excluding payments to the Commission with respect to personal property within the Project Area pursuant to Section 16110 et seq. of the Government Code of the State), or other payments made by the State with respect to any property taxes that would otherwise be due on real or personal property but for an exemption of such property from such taxes, and (c) all amounts of such taxes required to be deposited in the Low and Moderate Income Housing Fund in any Fiscal Year pursuant to Section 33334.3 of the Redevelopment Law, to the extent permitted to be applied to the payment of principal, interest, and premium, if any, with respect to the Bonds and any Parity Debt, but excluding amounts of such taxes required to be deposited in the Low and Moderate Income Housing Fund in any Fiscal Year pursuant to Section 33334.3 of the Redevelopment Law, to the extent not permitted to be applied to the payment of principal, interest, and premium, if any, with respect to the Bonds and any Parity Debt. Tax Revenues do not include any payments made pursuant to any existing pass-through agreements entered into with any applicable taxing entity or any statutorily required pass-through payments, including, without limitation, any payments required under Section 33607.5 or 33676(a)(2) of the California Health and Safety Code, or any payments made to the County’s Education Revenue Augmentation Fund created pursuant to Article 3 (commencing with Section 97) of Chapter 6 of Part 0.5 of Division 1 of the California Revenue and Taxation Code.

“Written Request of the City” means an instrument in writing signed by the Mayor, the City Manager, the Chief Financial Officer, or the Treasurer of the City, or by any other officer of the City duly authorized for that purpose.

“Written Request of the Commission” means an instrument in writing signed by the Chairman, the Vice Chairman, the Executive Director and Secretary, the Chief Financial Officer, or the Treasurer of the Commission, or by any other officer of the Commission duly authorized for that purpose.

### **Funds and Accounts**

Under the Indenture, the Trustee will establish (or maintain) and hold the Costs of Issuance Fund, the Redevelopment Fund, the Debt Service Fund, the Reserve Fund, the Rebate Fund, and the Special Fund, and will invest, transfer, and disburse moneys on deposit therein. Pursuant to the Indenture, the Bonds and all Parity Debt shall be equally secured by a first pledge of and lien on all of the Tax Revenues and all of the moneys in the Special Fund, and the Bonds shall be equally secured by a first and exclusive pledge of and lien upon all of the moneys the Debt Service Fund and the Reserve Fund, without preference or priority for series, issue, number, dated date, sale date, date of execution, or date of delivery.

Costs of Issuance Fund. The moneys in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance. The Trustee shall disburse moneys in the Costs of Issuance Fund from time to time to pay Costs of Issuance upon receipt by the Trustee of a Written Request of the Commission in the form attached to the Indenture.

The Trustee shall hold the moneys in the Costs of Issuance Fund and disburse such moneys therefrom in accordance with the Indenture. If, on the date that is six months after the Closing Date, there shall remain any balance of money in the Costs of Issuance Fund, all moneys so remaining, after the Trustee shall have duly notified the Commission thereof, shall be transferred, first, to the Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement, and thereafter to the Debt Service Fund and applied to the payment of principal of the Bonds on the next succeeding Interest Payment Date on which principal of the Bonds is payable.

Redevelopment Fund. The moneys in the Redevelopment Fund shall be disbursed from time to time to be used in the manner provided by the Redevelopment Law solely for the purpose of aiding in the financing of the costs of the Redevelopment Project. The Trustee shall disburse moneys in the Redevelopment Fund from time to time to pay such costs upon receipt by the Trustee of a Written Request of the Commission or a Written Request of the City in the form attached to the Indenture.

The Trustee shall hold the moneys in the Redevelopment Fund and disburse such moneys therefrom in accordance with the Indenture. Any amounts remaining in the Redevelopment Fund (exclusive of amounts certified by the Commission or the City as necessary to pay future costs of the Redevelopment Project) on the date on which the Commission or the City has notified the Trustee in writing that all such costs have been paid, shall be transferred, first, to the Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement, and thereafter to the Debt Service Fund for the payment of principal of and interest on the Bonds.

Debt Service Fund. On or before the third Business Day preceding each Interest Payment Date, the Commission shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Debt Service Fund in immediately available funds an amount that, when added to the amount on deposit in the Debt Service Fund on that date, will be equal to (A) the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date and (B) the aggregate amount of the principal payable with respect to the Outstanding Bonds, whether at maturity, due to mandatory redemption pursuant to the Indenture, or purchase, on such Interest Payment Date. No such transfer and deposit need be made to the Debt Service Fund if the amount contained therein is at least equal to the interest to become due on all Outstanding Bonds and the principal of the Outstanding Bonds then maturing or otherwise payable on the next succeeding Interest Payment Date. On or before the date of each optional redemption pursuant to the Indenture, the Commission shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Debt Service Fund in immediately available funds an amount that, when added to the amount on deposit in the Debt Service Fund on that date, will be equal to the amount necessary to pay all principal, interest, and premium, if any, with respect to all Bonds selected for optional redemption on such redemption date. All moneys in the Debt Service Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal, interest, and premium, if any, with respect to Bonds as the same shall become due and payable.

Reserve Fund. The Reserve Fund is to be maintained in an amount that will be equal to the Reserve Requirement. In the event that the amount on deposit in the Reserve Fund on any date becomes less than the Reserve Requirement, the Trustee shall promptly notify the Commission of such fact. Promptly upon receipt of any such notice, the Commission shall withdraw from the Special Fund and transfer to the Trustee an amount sufficient to increase the amount on deposit in the Reserve Fund to the amount of the Reserve Requirement. If there shall then not be sufficient moneys in the Special Fund to

transfer such required amount to the Reserve Fund, the Commission shall be obligated to continue to make such transfers to the Reserve Fund as Tax Revenues become available in the Special Fund until there is an amount equal to the Reserve Requirement on deposit in the Reserve Fund. No such transfer and deposit need be made to the Reserve Fund so long as there shall be on deposit therein a sum at least equal to the Reserve Requirement. All money in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Debt Service Fund in the event of any deficiency at any time in the Debt Service Fund or for the retirement of all the Bonds then Outstanding. All interest income received by the Trustee on investment of moneys in the Reserve Fund shall be retained in the Reserve Fund so long as amounts on deposit in the Reserve Fund are less than the Reserve Requirement. So long as the Commission is not in default under the Indenture, any amount in the Reserve Fund in excess of the Reserve Requirement shall be withdrawn from the Reserve Fund by the Trustee semiannually on the second Business Day preceding each Interest Payment Date and deposited in the Debt Service Fund. All amounts in the Reserve Fund on the final Interest Payment Date shall be withdrawn from the Reserve Fund and shall be transferred either (1) to the Debt Service Fund, to the extent required to make the deposits then required to be made pursuant to the Indenture, or (2) if the Commission shall have caused to be deposited in the Debt Service Fund an amount sufficient to make the deposits required by the Indenture, then the Trustee shall transfer the remaining amount to the Commission.

Upon prior written notice to S&P, the Commission reserves the right to substitute, at any time and from time to time, (a) an irrevocable, unconditional letter of credit issued by a bank or other financial institution whose long-term uncollateralized debt obligations are rated in one of the two highest rating categories by S&P or Moody's, or, if the Bonds are not then rated, by any nationally recognized rating agency, or (b) a Qualified Reserve Fund Policy or any other form of guarantee, in substitution for or in place of all or any portion of the Reserve Requirement, under the terms of which the Trustee is unconditionally entitled to draw amounts when required for the purposes hereof. Upon deposit by the Commission with the Trustee of any such letter of credit, Qualified Reserve Fund Policy, or other form of guarantee, the Trustee shall withdraw from the Reserve Fund and transfer to the Commission for deposit in the Redevelopment Fund an amount equal to the principal amount of such letter of credit, surety bond, bond insurance policy or other form of guarantee.

Rebate Fund. The Trustee shall establish the Rebate Fund and the Commission shall comply with the requirements below and in the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, for payment to the United States Treasury. All amounts on deposit in the Rebate Fund shall be governed by the Indenture and the Tax Certificate, unless the Commission obtains an Opinion of Counsel that the exclusion from gross income of interest on the Bonds will not be adversely affected for federal income tax purposes if such requirements are not satisfied.

Special Fund. The Commission has previously established and shall continue to maintain the Special Fund. The Commission shall deposit all of the Tax Revenues received in any Bond Year in the Special Fund promptly upon receipt thereof by the Commission, until such time during such Bond Year as the amounts on deposit in the Special Fund equal the aggregate amounts required (i) to be transferred to the Trustee for deposit into the Debt Service Fund and the Reserve Fund in such Bond Year pursuant to the Indenture and (ii) to be transferred to the Trustee or such other applicable entity for deposit in the funds and accounts established with respect to any Parity Debt, as provided in any Supplemental Indenture.

All Tax Revenues received by the Commission during any Bond Year in excess of the amount required to be deposited in the Special Fund during such Bond Year pursuant to the foregoing paragraph shall be released from the pledge and lien under the Indenture for the security of the Bonds and may be applied by the Commission for any lawful purposes of the Commission, including, without limitation, the

payment of Subordinate Debt or any amounts due and owing to the United States of America pursuant to the Indenture. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the Bonds and any Parity Debt and the payment in full of all other amounts payable under the Indenture and under any Supplemental Indentures, the Commission shall not have any beneficial right or interest in the moneys on deposit in the Special Fund, except as may be provided in the Indenture and in any Supplemental Indenture.

### **Investment of Moneys**

Moneys in the funds established under the Indenture shall, in accordance with a Written Request of the Commission, be invested by the Trustee in Permitted Investments. The Trustee may conclusively rely on any direction contained in a Written Request of the Commission to invest in investments that such investments are Permitted Investments. In the absence of a Written Request of the Commission, the Trustee shall invest moneys in interest bearing demand or time deposit accounts with the Trustee or in accordance with clause (7) of the definition of Permitted Investments; provided, however, that, unless otherwise approved by an Opinion of Counsel, moneys in the Redevelopment Fund shall be invested solely in Tax-Exempt Obligations. The obligations in which moneys in the said funds are invested shall mature on or prior to the date on which such moneys are estimated to be required to be paid out under the Indenture. The obligations in which moneys in the Reserve Fund are so invested shall be invested in obligations maturing no later than five years after the date of investment; provided no such investment shall mature later than the final maturity date of the Bonds; provided further, if such investments may be redeemed at par so as to be available on each Interest Payment Date, any amount of the Reserve Fund may be invested in such redeemable investments of any maturity on or prior to the final maturity date of the Bonds. The Trustee shall sell at the best price obtainable or present for redemption any obligations so purchased whenever it may be necessary to do so in order to provide moneys to meet any payment required under the Indenture. Notwithstanding anything in the Indenture to the contrary, the Trustee shall not be responsible for any loss from investments, sales, or transfers undertaken in accordance with the Indenture. Except as otherwise expressly provided in the Indenture, all interest, income, or profits from the deposits or investments of all funds shall remain in such funds. For purposes of determining the amount of deposit in any fund held under the Indenture, all Permitted Investments credited to such fund shall be valued at the cost thereof. Investments shall be valued not less often than on or about June 30 of each year commencing on June 30, 2011, at the market value thereof, exclusive of accrued interest. Deficiencies in the amount on deposit in any fund or account resulting from a decline in market value shall be restored no later than the succeeding valuation date. Except as otherwise provided in the Indenture, Permitted Investments representing an investment of moneys attributable to any fund and all investment profits or losses thereon shall be deemed at all times to be a part of said fund.

The Trustee may act as principal or agent in the acquisition or disposition of investments and may commingle moneys in funds and accounts for the purpose of investment.

### **Against Encumbrances**

So long as the Bonds are Outstanding, the Commission shall not issue any bonds, notes, or other obligations, enter into any agreement, or otherwise incur any indebtedness, which is in any case payable from all or any part of the Tax Revenues, excepting only the Bonds, any Parity Debt, and any Subordinate Debt, and the Commission shall not otherwise encumber, pledge, or place any charge or lien upon any of the Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien created in the Indenture for the benefit of the Bonds.

## **Federal Tax Covenants**

Notwithstanding any other provision of the Indenture, absent an Opinion of Counsel that the exclusion from gross income of interest with respect to the Bonds will not be adversely affected for federal income tax purposes, the Commission shall comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and the Commission specifically covenants, without limiting the generality of the foregoing, as follows:

**Private Activity.** The Commission shall take no action or refrain from taking any action or make any use of the proceeds of the Bonds or of any other moneys or property that would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code.

**Arbitrage.** The Commission shall make no use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action that will cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

**Federal Guaranty.** The Commission shall make no use of the proceeds of the Bonds or take or omit to take any action that would cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

**Information Reporting.** The Commission shall take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code.

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

**Miscellaneous.** The Commission shall take no action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed by the Commission in connection with the issuance of the Bonds and shall comply with the covenants and requirements stated therein and incorporated by reference in the Indenture.

## **Duties and Liabilities of Trustee**

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

(b) So long as no Event of Default has occurred and is continuing, upon 30 days written notice to the Trustee, the Commission, may remove the Trustee at any time and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) below, or shall become incapable of acting, or shall commence a case under any bankruptcy, insolvency, or similar law, or a receiver of the Trustee or of its property shall be appointed, or

any public officer shall take control or charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation, or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may resign by giving not less than 60 days prior written notice of such resignation to the Commission and by giving notice of such resignation by first class mail, postage prepaid, to the Owners at the addresses listed in the Bond Register. Upon receiving such notice of resignation, the Commission shall promptly appoint a successor Trustee by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and shall have accepted appointment within 30 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee, at the expense of the Commission, or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Commission and its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed, or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties, and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless, at the Written Request of the Commission or written request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title, and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign, and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the Commission shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties, and obligations. Upon acceptance of appointment by a successor Trustee as provided in the Indenture, such successor Trustee shall mail a notice of the succession of such Trustee to the trusts under the Indenture by first class mail, postage prepaid, to the Owners at their addresses listed in the Bond Register.

(e) Any Trustee appointed under the provisions of the Indenture shall be a trust company or bank having trust powers, having a corporate trust office in the State of California, having a combined capital, surplus, and undivided profits of at least \$50,000,000, and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this paragraph, the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

(f) No provision in the Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture.

(g) The Trustee shall not be responsible for the sufficiency, timeliness, or enforceability of the Tax Revenues or the reviewing of any report or certificate required to be provided under the Indenture.

(h) The Trustee shall not be accountable for the use or application by the Commission or any other party of any funds which the Trustee has released under the Indenture.

(i) The Trustee may employ attorneys, agents, or receivers in the performance of any of its duties under the Indenture and shall not be answerable for the misconduct of any such attorney, agent, or receiver selected by it with reasonable care.

#### **Amendment of the Indenture**

The Indenture and the rights and obligations of the Commission and of the Owners may be amended at any time by a Supplemental Indenture, which shall become binding with the written consent of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, are filed with the Trustee. Any rating agency then rating the Bonds shall receive a notice of each amendment of the Indenture and shall receive a copy thereof at least 15 days in advance of the execution or adoption of such amendment. No such amendment shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the Commission to pay the interest on or principal of or redemption premium, if any, on any Bond at the time and place and at the rate and in the currency provided in the Indenture without the express written consent of the Owner of such Bond, (2) reduce the percentage of principal amount of Bonds owned by Owners whose consent is required for the execution of any Supplemental Indenture, or (3) modify any rights or obligations of the Trustee without its prior written assent thereto.

The Indenture and the rights and obligations of the Commission and of the Owners may also be amended at any time by a Supplemental Indenture, which shall become binding upon adoption without the consent of any Owners, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel and only for any one or more of the following purposes:

(a) to add to the conditions, covenants, and terms contained in the Indenture required to be observed or performed by the Commission other conditions, covenants, and terms thereafter to be observed or performed by the Commission, or to surrender any right reserved in the Indenture to or conferred in the Indenture on the Commission, and which in either case shall not adversely affect the interests of the Owners;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing, or supplementing any defective provision contained in the Indenture or in regard to questions arising under the Indenture which the Commission may deem desirable or necessary and not inconsistent with the Indenture or which may be required by S&P for a rating on the Bonds, and which shall not adversely affect the interests of the Owners;

(c) to provide for the issuance of Parity Debt pursuant to the Indenture, and to provide the terms and conditions under which such Parity Debt 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 prescribe further limitations and procedures regarding the use of the proceeds of the Bonds and the moneys held under the Indenture in order to comply with any United States Treasury Regulations and any amendments thereto or any federal legislation now pending or hereafter enacted

governing the exclusion from gross income for purposes of federal income taxation of the interest on the Bonds.

Copies of any amendments to the Indenture shall be sent to S&P.

### **Disqualified Bonds**

Bonds owned or held by or for the account of the Commission or the City (but excluding Bonds held in any City employees' retirement fund) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in the Indenture, and shall not be entitled to consent to or take any other action provided in the Indenture.

### **Events of Default**

If one or more of the following Events of Default shall happen, that is to say:

(a) if default shall be made in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;

(b) if default shall be made in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;

(c) if default shall be made by the Commission in the performance of any of the other agreements or covenants required in the Indenture to be performed by the Commission, and such default shall have continued for a period of 60 days after the Commission shall have been given notice in writing of such default by the Trustee; or

(d) if the Commission shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Commission seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Commission or of the whole or any substantial part of its property;

then and in each and every such case during the continuance of such Event of Default the Trustee may, and, upon the written request of the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, shall, by notice in writing to the Commission, declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become due and payable, anything contained in the Indenture or in the Bonds to the contrary notwithstanding. The foregoing provisions, however, are subject to the condition that if at any time after the Bonds have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Commission shall deposit with the Trustee a sum sufficient to pay the unpaid principal amount of the Bonds due prior to such declaration and the accrued interest on those of such Bonds as are Bonds, with interest on such overdue installments at the rate or rates applicable thereto in accordance with their terms, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Commission (other than in the payment of the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Commission or provision deemed by the Commission to be adequate shall have been made therefor, then and in every such case the Commission may rescind

and annul declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

### **Proceedings by Trustee**

Upon the happening and continuance of any Event of Default, the Trustee may, in its discretion, and, at the written request of the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, the Trustee shall (but only to the extent indemnified to its satisfaction from fees and expenses, including attorneys' fees), do the following:

- (a) by mandamus, or other suit, action, or proceeding at law or in equity, enforce all rights of the Owners and require the Commission to enforce all rights of the Owners of Bonds, including the right to require the Commission to carry out any other covenant or agreement with Owners of Bonds and to perform its duties under the Indenture;
- (b) bring suit upon the Bonds; and
- (c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners.

### **Right of Owners to Direct Proceedings**

Subject to the limitations and restrictions as to the rights of the Owners set forth in the Indenture, upon the happening and continuance of any Event of Default, the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall have the right, upon providing the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses, and liabilities to be incurred therein or thereby, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Indenture.

The Trustee may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is prejudicial to rights of other Owners or would subject the Trustee to personal liability.

### **Waiver of Events of Default**

The Trustee shall waive any Event of Default under the Indenture and its consequences and rescind any declaration of acceleration upon the written request of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding. If any Event of Default shall have been waived as provided in the foregoing sentence, the Trustee shall promptly give written notice of such waiver to the Commission and shall give notice thereof by first class mail, postage prepaid, to all Owners of Outstanding Bonds if such Owners had previously been given notices of such Event of Default; but no such waiver, rescission, and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee and to the Owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

## **Restrictions on Owners' Actions**

In addition to the other restrictions on the rights of Owners to request action upon the occurrence of an Event of Default and to enforce remedies set forth in the Indenture, no Owner of any of the Bonds shall have any right to institute any suit, action, or proceeding in equity or at law for the enforcement of any trust under the Indenture, or any other remedy under the Indenture or on said Bonds, unless such Owner previously shall have given to the Trustee written notice of an Event of Default as hereinabove provided and unless the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee to institute any such suit, action, proceeding, or other remedy, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers in the Indenture granted, or to institute such action, suit, or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request, and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Indenture or for any other remedy under the Indenture; it being understood and intended that no one or more Owners of the Bonds secured by the Indenture shall have any right in any manner whatever by his or their action to affect, disturb, or prejudice the security of the Indenture, or to enforce any right under the Indenture or under the Bonds, except in the manner in the Indenture provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner in the Indenture provided, and for the equal benefit of all Owners of Outstanding Bonds; subject, however, to the provisions of the Indenture.

## **Defeasance**

(a) If the Commission shall pay or cause to be paid or there shall otherwise be paid to the Owners of any Outstanding Bonds the interest thereon and the principal thereof and the redemption premium, if any, thereon at the times and in the manner stipulated therein and in the Indenture, then all agreements, covenants, and other obligations of the Commission to the Owners of such Bonds under the Indenture shall thereupon cease, terminate, and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Commission all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the Commission all money or securities held by it pursuant to the Indenture which are not required for the payment of the interest on and principal of and redemption premium, if any, on such Bonds.

Subject to the provisions of the above paragraph, when any of the Bonds shall have been paid and if, at the time of such payment, the Commission shall have kept, performed, and observed all the covenants and promises in such Bonds and in the Indenture required or contemplated to be kept, performed, and observed by the Commission or on its part on or prior to that time, then the Indenture shall be considered to have been discharged in respect of such Bonds and such Bonds shall cease to be entitled to the lien of the Indenture and such lien and all covenants, agreements, and other obligations of the Commission under the Indenture shall cease, terminate, become void, and be completely discharged as to such Bonds.

Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost, or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Owners of the Bonds and the Trustee shall continue to be obligated to hold in trust any moneys or

investments then held by the Trustee for the payment of the principal of, redemption premium, if any, and interest on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the compensation of the Trustee shall remain in effect and shall be binding upon the Trustee and the Commission.

(b) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) above if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Commission shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of the Indenture, notice of redemption of such Bonds on said redemption date, said notice to be given in accordance with the Indenture, (2) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient or (B) Defeasance Securities the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time in accordance with an escrow deposit agreement shall, as verified by an Independent Accountant, be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premium, if any, on such Bonds, (3) there shall have been delivered an Opinion of Counsel, addressed to the Commission and the Trustee, to the effect that the Bonds are no longer "Outstanding" for purposes of the Indenture, (4) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Commission shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Owners of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premium, if any, on such Bonds, and (5) in the case of Book-Entry Bonds, the Trustee shall give notice to the Depository of the redemption of all or part of such Book-Entry Bonds on the date proceeds or other funds are deposited in escrow with respect to such Book-Entry Bonds.

(c) After the payment of all the interest of and principal on all Outstanding Bonds as provided in the Indenture, the Trustee shall execute and deliver to the Commission all such instruments as may be necessary or desirable to evidence the discharge and satisfaction of the Indenture, and the Trustee shall pay over or deliver to the Commission all moneys or securities held by it pursuant to the Indenture which are not required for the payment of the interest and principal represented by such Bonds. Notwithstanding the discharge and satisfaction of the Indenture, Owners of Bonds shall thereafter be entitled to payments due under the Bonds, but only from amounts deposited pursuant to the Indenture and from no other source.

## APPENDIX B

### GENERAL INFORMATION CONCERNING THE CITY OF OXNARD

*The Bonds do not constitute a general obligation debt of the City of Oxnard and the City has not pledged its full faith and credit to the repayment of the Bonds. The following information is presented for informational purposes only.*

#### General

The City is located in western Ventura County (the "County") on the shore of the Pacific Ocean. The City is approximately 65 miles northwest of the City of Los Angeles, 35 miles south of the City of Santa Barbara, and 6 miles south of the county seat of the County. The City is the largest city in the County, with a population estimated at 197,899 in 2010, accounting for over 24% of the County's population. The City has a diversified economic base composed of agriculture and related business, retail, various services, and governmental agencies.

The City was incorporated as a general law city on June 30, 1903, and operates under a council-manager form of government. The City is governed by a five-member City Council elected at large for four-year alternating terms, with the exception of the Mayor, who is directly elected for a two-year term.

#### Population

The City's population has grown from approximately 177,700 people in 2001 to approximately 197,899 in 2010. The following table shows the approximate changes in population in the City, the County, the State, and the United States for the years 2001 through 2010.

POPULATION OF  
CITY, COUNTY, STATE, AND UNITED STATES  
2000 THROUGH 2010 <sup>(1)</sup>

<u>Year</u>	<u>City</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2001	177,700	673,028	34,430,970	285,081,556
2002	182,027	689,788	35,063,959	287,803,914
2003	181,800	709,124	35,652,700	290,326,418
2004	186,122	730,875	36,199,342	293,045,739
2005	188,941	753,863	36,676,931	295,753,151
2006	189,990	777,664	37,087,005	298,593,212
2007	192,997	798,784	37,463,609	301,579,895
2008	194,905	815,023	37,871,509	304,374,846
2009	197,067	827,475	38,255,508	307,006,550
2010 <sup>(2)</sup>	197,899	823,318	37,253,956	308,745,538

<sup>(1)</sup> Unless otherwise noted, estimates for City, County, and State are as of January 1, and for the United States are as of July 1.

<sup>(2)</sup> Estimates for City, County, State, and United States are as of April 1, 2010.

Sources: For City: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2010; for State and County: California Department of Finance (Report E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 Benchmark); for United States: United States Bureau of the Census.

## Property Tax Rates

In June of 1978, California voters approved Proposition 13 (the Jarvis-Gann Initiative), which added Article XIII A to the California Constitution. Article XIII A limits ad valorem taxes on real property to 1% of the full cash value, plus taxes necessary to repay indebtedness approved by the voters prior to July 1, 1978. Voter-approved obligations of the City are comprised of an obligation of the City referred to as the "Public Safety Retirement Debt." The following table details the City's property tax rates for the last 10 fiscal years.

### CITY OF OXNARD PROPERTY TAX RATES FISCAL YEARS 2000-01 THROUGH 2009-10

<u>Year Ended June 30</u>	<u>Article XIII A Basic Tax Rate</u>	<u>City District (Public Safety Retirement Debt)</u>	<u>School Districts</u>	<u>Water Districts</u>	<u>Total Tax Rates</u>
2001	1.00%	0.17277%	0.11070%	0.06399%	1.34746%
2002	1.00	0.20417	0.10420	0.05690	1.36527
2003	1.00	0.21447	0.10790	0.05120	1.37357
2004	1.00	0.20384	0.09770	0.04476	1.34630
2005	1.00	0.19624	0.08410	0.04224	1.32258
2006	1.00	0.17614	0.09850	0.03691	1.31155
2007	1.00	0.16564	0.08220	0.03272	1.28056
2008	1.00	0.17864	0.10500	0.02922	1.31286
2009	1.00	0.19334	0.11160	0.01290	1.31784
2010	1.00	0.20384	0.11470	0.01290	1.33144

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2010.

## Property Tax Levies, Collections, and Delinquencies

The Ventura County Tax Collector collects ad valorem property tax levies representing taxes levied for each fiscal year on taxable real and personal property that is situated in the County as of the preceding March 1. Unsecured taxes are assessed and payable on March 1 and become delinquent August 31 in the next fiscal year. Accordingly, unsecured taxes are levied at the rate applicable to the fiscal year preceding the one in which they are paid.

One half of the secured tax levy is due November 1 and becomes delinquent December 10; the second installment is due February 1 and becomes delinquent April 10. A 10% penalty is added to any late installment.

Property owners may redeem property upon payment of delinquent taxes and penalties. Tax-delinquent properties are subject to a redemption penalty of 1½% of the delinquent amount every month commencing on July 1 following the date on which the property became tax-delinquent. Properties may be redeemed under an installment plan by paying current taxes, plus 20% of delinquent taxes each year for five years, with interest accruing at 1½% per month on the unpaid balance.

The following table details the City's property tax levies, collections, and delinquencies for the last 10 fiscal years.

**City of Oxnard**  
**Property Tax Levies, Collections and Delinquencies**  
**Fiscal Years 2000-01 through 2009-10**

<u>Year Ended June 30</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections as a Percentage of Tax Levy</u>
2001	\$23,380,000	\$23,484,567	100.45%	\$ 90,164	\$23,574,731	100.83%
2002	25,900,000	25,718,029	99.30	284,711	26,002,740	100.40
2003	30,040,000	29,892,747	99.51	190,546	30,083,293	97.32
2004	35,432,169	35,281,916	99.58	344,390	35,626,306	99.99
2005	44,743,658	49,223,170	110.01	126,250	49,349,420	110.29
2006	54,511,910	58,537,770	107.39	132,403	58,670,173	107.63
2007	59,401,879	68,429,117	115.20	129,679	68,558,796	115.42
2008	69,931,705	75,726,668	108.29	121,075	75,847,743	108.46
2009	69,147,624	76,681,392	110.90	145,945	76,827,337	111.11
2010	75,929,128	71,755,189	94.50	136,565	71,891,754	94.68

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2010.

**Assessed Property Values**

The following table details the unequalized assessed value of the property within the City for the last 11 fiscal years.

**City of Oxnard**  
**Assessed Property Values**  
**Fiscal Years 2000-01 through 2010-11**

<u>Fiscal Year June 30</u>	<u>Assessed Value</u>
2001	\$7,562,524,170
2002	8,287,476,748
2003	8,894,790,465
2004	9,787,326,328
2005	11,058,336,869
2006	12,726,781,676
2007	14,562,928,520
2008	15,918,112,344
2009	16,158,716,867
2010	15,176,505,240
2011	15,058,226,607

Source: County Assessor's Office.

**Principal Taxpayers**

The following table lists the principal taxpayers in the City as of June 30, 2011.

**City of Oxnard  
Principal Taxpayers**

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Procter & Gamble Paper Products	\$ 266,561,813	2.16%
Haas Automation Inc.	78,230,500	0.63
SI VIII LLC	77,354,636	0.63
RRI Energy Mandalay	74,418,584	0.60
Essex Tierra Vista Limited Partnership	72,312,800	0.59
GS Paz Mar LP	68,962,228	0.56
MEF Realty LLC	67,257,103	0.55
Duesenberg Investment Company	65,811,827	0.53
RECP RI Oxnard	50,913,700	0.41
PEGH Investments	47,133,214	0.38
Other Taxpayers	<u>11,468,916,683</u>	<u>92.96</u>
Totals	\$12,337,873,088	100.00%

Source: County of Ventura.

**Outstanding Debt**

The City uses a variety of tax increment, revenue, and lease indebtedness to finance various capital acquisitions. The outstanding balances for indebtedness during the last 10 fiscal years are set forth in the following table:

**City of Oxnard  
Outstanding Debt  
(Fiscal Years 2000-01 through 2009-10)**

<u>Year Ended June 30</u>	<u>Governmental Activities</u>				<u>Business-Type Activities</u>		<u>Total Outstanding Debt</u>
	<u>Revenue Bonds</u>	<u>Certificates of Participation</u>	<u>Tax Allocation Bonds</u>	<u>Capital Leases</u>	<u>Revenue Bonds</u>	<u>Capital Leases</u>	
2001	\$10,705,000	\$ 8,625,000	\$15,065,000	\$ 891,305	\$ 85,646,884	\$1,401,008	\$122,334,197
2002	9,080,000	8,440,000	14,475,000	604,201	88,945,000	1,215,752	122,759,953
2003	9,535,000	8,245,000	13,850,000	307,187	84,030,000	2,824,171	118,791,358
2004	22,874,301	8,045,000	19,185,000	1,729,354	214,035,699	2,916,139	268,785,493
2005	21,607,009	7,835,000	18,635,000	1,412,398	236,943,314	2,469,070	288,901,791
2006	19,975,756	7,620,000	18,030,000	1,086,013	298,559,567	2,010,676	347,282,012
2007	43,109,750	7,395,000	37,940,000	749,911	292,625,260	1,536,788	383,356,709
2008	41,746,367	34,835,000	37,040,000	493,471	286,428,643	4,603,874	405,147,355
2009	40,337,356	34,350,000	47,755,000	293,886	278,427,654	4,053,370	405,217,266
2010	38,877,717	33,600,000	46,475,000	1,436,151	370,257,293	3,632,411	494,278,572

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2010.

**Direct and Overlapping Debt**

The following table describes the City's direct and overlapping debt as of May 1, 2011:

**City of Oxnard  
Direct and Overlapping Debt  
(As of May 1, 2011)**

2010-11 Assessed Valuation:	\$15,174,819,604
Redevelopment Incremental Valuation:	<u>1,892,646,121</u>
Adjusted Assessed Valuation:	\$13,282,173,483

	Total Debt <u>5/1/11</u>	% Applicable (1)	City's Share of Debt <u>5/1/11</u>
<b><u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
Metropolitan Water District	\$227,670,000	0.737%	\$ 1,677,928
Ventura County Community College District	314,522,814	14.023	44,105,534
Oxnard Union High School District	92,889,913	44.356	41,202,250
Oxnard School District	119,203,139	91.686	109,292,590
Rio School District	15,653,540	84.081	13,161,653
Rio School District Community Facilities District No. 1	30,140,000	100.	30,140,000
Hueneme School District	23,944,708	46.434	11,118,486
Ocean View School District	11,950,247	31.774	3,797,071
City of Oxnard Rose Avenue/Highway 101 Assessment District No. 96-1	3,580,000	100.	3,580,000
City of Oxnard Rice Avenue/Highway 101 Assessment District No. 2001-1	13,195,000	100.	13,195,000
City of Oxnard Oxnard Boulevard/Highway 101 Assessment District No. 2000-1	2,060,000	100.	2,060,000
City of Oxnard Community Facilities District No. 1	9,220,000	100.	9,220,000
City of Oxnard Community Facilities District No. 3	31,465,000	100.	31,465,000
City of Oxnard Community Facilities District No. 88-1	660,000	100.	660,000
City of Oxnard Oxnard Boulevard Highway Interchange Community Facilities District	8,820,000	100.	<u>8,820,000</u>
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$323,495,512</b>
<b><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u></b>			
Ventura County General Fund Obligations	\$101,290,000	14.018%	\$14,198,832
Ventura County Superintendent of Schools Certificates of Participation	12,140,000	14.018	1,701,785
Oxnard Union High School District Certificates of Participation	9,280,000	44.356	4,116,237
Ocean View School District Certificates of Participation	1,701,500	31.774	540,635
Oxnard School District Certificates of Participation	5,285,900	91.686	4,846,430
Rio School District Certificates of Participation	7,930,000	84.081	6,667,623
City of Oxnard Financing Authority	51,280,000	100.	<u>51,280,000</u> (2)
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$83,351,542</b>
<b>TOTAL DIRECT DEBT</b>			<b>\$51,280,000</b>
<b>TOTAL OVERLAPPING DEBT</b>			<b>\$355,567,054</b>
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b>			<b>\$406,847,054</b>

(3)

- (1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.
- (2) Excludes issue to be sold.
- (3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

**Ratios to 2010-11 Assessed Valuation:**  
 Total Overlapping Tax and Assessment Debt ..... 2.13%

**Ratios to Adjusted Assessed Valuation:**  
 Combined Direct Debt (\$51,280,000) ..... 0.39%  
 Total Direct and Overlapping Debt ..... 3.06%

**STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: \$0**

Source: California Municipal Statistics, Inc.

## Employment and Personal Income

The following table sets forth the unemployment rate, total personal income, and per capita income in the City for the calendar years 2000 through 2009.

### City of Oxnard Employment and Personal Income (Calendar Years 2000 through 2009)

<u>Year</u>	<u>Unemployment Rate</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Income</u>
2000	6.3%	\$2,602,979	\$15,279
2001	6.7	2,701,082	15,468
2002	8.0	2,774,931	15,522
2003	8.0	2,886,966	15,886
2004	7.4	3,093,466	16,645
2005	6.6	3,261,107	17,376
2006	5.9	3,494,586	18,463
2007	6.7	3,680,019	19,185
2008	8.6	3,751,908	19,352
2009	13.5	3,707,181	18,829

Source: HdL Coren & Cone.

## Taxable Retail Sales

Consumer spending in calendar year 2009 resulted in \$1,856,434,000 in taxable sales in the City, which is approximately 14.3% below calendar year 2008. The following table sets forth information regarding taxable sales in the City for each type of business for calendar years 2005 through 2009.

### City of Oxnard Taxable Retail Sales by Type of Business 2005 – 2009 (in thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Motor Vehicles and Parts Dealers	\$ 535,695	\$ 500,410	\$ 463,496	\$ 372,288	\$ 306,123
Home Furnishings and Appliance Stores	103,361	96,648	89,654	114,394	140,752
Building Materials and Garden Equipment and Supplies	242,899	232,493	116,237	93,118	92,975
Food and Beverage Stores	88,779	92,362	101,283	94,066	94,150
Gasoline Stations	150,908	172,834	183,742	223,783	174,508
Clothing and Clothing Accessories Stores	52,493	53,269	53,950	58,524	74,067
General Merchandise Stores	318,237	332,808	333,691	317,481	264,085
Food Services and Drinking Places	170,252	178,192	184,228	185,258	181,251
Other Retail Group	231,290	234,260	283,043	189,550	108,148
Total Retail and Food Services	1,893,914	1,893,276	1,809,324	1,648,461	1,436,959
All Other Outlets	405,811	496,311	507,784	517,015	419,475
Total All Outlets	\$2,299,725	\$2,389,587	\$2,317,108	\$2,165,477	\$1,856,434

Source: California State Board of Equalization.

## **Transportation**

Oxnard is served by all major modes of transportation. Both U.S. Highway 101 and State Highway 1 pass through the City, linking it with the Los Angeles metropolitan area and Santa Barbara County. Rail passenger service is provided by AMTRAK, which has a station in the City. Two trains daily pass through each direction and stop at the Oxnard station. Metrolink provides commuters from the Oxnard Transportation Center with several daily routes to the Los Angeles basin, including downtown Los Angeles. Union Pacific Railroad provides freight rail service through the City. The Ventura County Railroad Company connects Port Hueneme, the Ormond Beach Industrial Area, the Naval Construction Battalion Center, and surrounding industrial areas to the Union Pacific line. The Port of Hueneme, owned and operated by the Oxnard Harbor District, is the only commercial deep-draft harbor between Los Angeles and San Francisco. The port has five 600 to 700 foot berths and a 35-foot entrance channel depth. Completed in 1989 was an \$18 million expansion of the harbor that included the addition of an automobile terminal and the construction of a new wharf. The Port's acquisition of approximately 33 acres from the Navy in 1997 has enabled it to increase facilities for importing foreign automobiles. Automobile imports increased by 12.7% in 1997, making the Port one of the top 10 entry points in the United States for foreign automobiles. The Channel Islands Harbor is a modern 3,000 slip boat marina, which also serves the Oxnard area in the capacity of a recreational marina and covers approximately 310 acres. The Oxnard Airport is operated by Ventura County as a general and commercial aviation air field. The Oxnard Airport handles passenger as well as cargo services. Local bus service is provided by South Coast Area Transit System (SCAT), a regional public transit agency funded by the County and member cities. Service is available in Ojai, Ventura, Oxnard, and Port Hueneme. The Greyhound bus line provides passenger and parcel service from its Oxnard station. A multi-modal transportation center located in downtown Oxnard brings together all these forms of transportation.

## **Education**

There are 35 elementary, 8 junior high, and 5 senior high schools located in and immediately around the City, plus eight parochial and private schools. The City is served by Oxnard College, a California community college. The 119-acre campus is located on Rose Avenue between Channel Island Boulevard and Pleasant Valley Road. Oxnard College currently offers degree and certificate programs. The California State University campus at Channel Islands (CSUCI) opened in fall 2002, and has a current enrollment of over 3,700 students. In addition, two campuses of the University of California, Santa Barbara (UCSB) and Los Angeles (UCLA), one campus of the California State University, Northridge (CSUN), and two private universities, Pepperdine and California Lutheran University, are within a 50 minute drive.

## **Recreation**

The City offers its residents a wide range of recreational facilities. The beach parks, marina and neighborhood and regional parks add up to nearly 1,500 acres of park land. McGrath State Beach Park, located south of the Santa Clara River mouth, covers approximately 295 acres and includes over a mile of ocean frontage. Overnight camping and day picnics are the main use of that park. Oxnard Beach Park includes approximately 62 acres with concession stands and facilities for day picnics and sports. Silver Strand Beach, south of the Harbor entrance, and Hollywood Beach, north of the entrance, are day beach facilities. Channel Islands Harbor is a recreational boating marina administered by Ventura County. The City has over 30 neighborhood parks located throughout the City. A tennis and softball center is located at Community Center Park. Additionally, Wilson Park contains the largest senior citizen center in the Tri-County area.

The City owns River Ridge Golf Club, consisting of two 18-hole championship golf courses, the Vineyard Course and the Victoria Lakes Course. The City also owns a 1,600-seat Performing Arts Center located on Hobson Way in the center of the City.

### **City's Investment Policy**

The following is a summary of the City's investment policy (the "Investment Policy") applicable to certain of the City's funds and accounts, as described below, in effect as of the date of this Official Statement. Reference is made to the entire Investment Policy, including the appendices and attachments thereto, which is available upon request from the City.

**Introduction.** The following statement of the City's Investment Policy is intended to provide guidelines for the prudent investment of surplus funds of the City, and to outline the policies for maximizing the efficiency of the City's cash management system. It is the policy of the City to invest public funds in a manner which will provide high investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds.

**Scope.** This investment policy applies to the City's pooled investment fund, which encompasses all moneys under the direct oversight of the City Treasurer. These include the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Trust and Agency Funds, and Internal Service Funds. This policy is generally applicable to bond proceeds with consideration given to specific provisions of each issuance. Reports of the investment of bond proceeds are issued monthly by the Trustee and are not included in the City Treasurer's monthly report of the pooled investment fund. The employee's retirement and deferred compensation funds are not included.

**Prudence.** Investments shall be made with judgment and care – under circumstances then prevailing – which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

**Objectives.** The City's cash management system is designed to accurately monitor and forecast revenues and expenditures thus enabling the City Treasurer to invest funds to the fullest extent possible. The City Treasurer maintains a diversified portfolio to accomplish the primary objectives of safety, liquidity, and yield (in that order of priority).

**Safety.** The safety/risk associated with an investment refers to the potential loss of principal, accrued interest, or a combination of these. The City seeks to mitigate credit risk by prequalifying and continual monitoring of financial institutions with which it will do business, and by careful scrutiny of the credit worthiness of the investment instruments as well as the institutions. Such resources as the Sheshunoff Performance Report, Moody's, and Standard & Poor's may be utilized for this review. The City seeks to mitigate rate risk through diversification of instruments as well as maturities.

**Liquidity.** The portfolio will be structured with sufficient liquidity to allow the City to meet anticipated cash requirements. This will be accomplished through diversity of instruments to

include those with active secondary markets, those that match maturities to expected cash needs, and the State Local Agency Investment Fund with immediate withdrawal provision.

Yield. A competitive market rate of return is the third objective of the investment program after the fundamental requirements of safety and liquidity have been met.

***Delegation of Authority.*** California Government Code Section 53607 provides the authority for the legislative body of the local agency to invest the funds of the local agency or to delegate that authority to the treasurer of the local agency. Effective January 1, 1997, such delegation is to be reviewed each year and may be renewed by the City Council.

City Council. Under City of Oxnard Resolution No. 10455, the City Council has authorized the City Treasurer to invest City funds in accordance with California Government Code Section 53600, *et. seq.* The City Treasurer will include review of the delegation of authority in the annual presentation of the Investment Policy to the City Council.

City Treasurer. The execution of investment transactions on a daily basis will be conducted by the City Treasurer. The Assistant City Treasurer will execute transactions, only as directed by the City Treasurer, in the absence of the City Treasurer. The City Treasurer has established a system of controls and a segregation of responsibilities of investment functions to assure maintenance of internal control over the investment function.

Amendment of Investment Policy. The City Treasurer retains the authority to amend the Investment Policy and related guidelines and procedures at any time in order to carry out the duties as chief investment officer for the City of Oxnard. Notice of any such required amendment will be given to the Investment Review Committee and the City Council.

***Ethics and Conflicts of Interest.*** The City Treasurer shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair the ability to make impartial investment decisions. The City Treasurer is governed by The Political Reform Act of 1974 regarding disclosure of material financial interests.

***Authorized Financial Dealers and Institutions.*** The City Treasurer shall transact business only with banks, savings and loans, and securities dealers.

Authorization. The City may conduct business with major registered broker/dealers and with dealers designated Primary by the Federal Reserve provided all the following criteria are met. Broker/Dealers must: (1) have offices located in the State, (2) be adequately capitalized, (3) make markets in securities appropriate to the City's needs, and (4) agree to abide by the conditions set forth in the City's Investment Policy. The City Treasurer shall investigate all institutions which wish to do business with the City and shall require that each financial institution complete and return the appropriate questionnaire and required documentation. An annual review of the financial condition and registrations of qualified bidders will be conducted by the City Treasurer.

Rating. With the exception of the Local Agency Investment Fund ("LAIF") and U.S. Treasury and Government Agency issues, investments shall be placed only in those instruments and institutions rated favorably as determined by the City Treasurer with the assistance of bank rating services and nationally recognized rating services (*i.e.*, Moody's or Standard & Poor's).

***Authorized and Suitable Investments.*** California Government Code Section 53601 defines eligible securities for the investment of surplus funds by local agencies. Surplus funds of the City of Oxnard are invested in compliance with this statute and as further limited in the Investment Policy.

**U.S. Government.** United States Treasury Bills, Notes, and Bonds are backed by the full faith and credit of the United States Government. There shall be no limitation as to the percentage of the portfolio invested in this category. Maturities are limited to a maximum of five years.

**U.S. Agencies.** The purchase of instruments of, or issued by, a federal agency or a United States government-sponsored enterprise will be limited to a maximum maturity of five years. Such agencies include, but are not limited to, the Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Student Loan Marketing Association, Tennessee Valley Authority, and the Federal National Mortgage Corporation.

**Other Bonds, Notes, or Evidences of Indebtedness.** Bonds issued by the local agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency.

- Registered state warrants or treasury notes or bonds of the State, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the State or by a department, board, agency, or authority of the State.
- Bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

A maximum of 15% of the portfolio may be so invested with the approval of the Investment Review Committee.

**Bankers' Acceptances.** Bills of exchange or time drafts drawn on and accepted by commercial banks that are eligible for purchase by the Federal Reserve System are known as bankers' acceptances. Purchases of these instruments may not exceed 180 days to maturity or 40% of an agency's surplus funds. A maximum of 30% may be invested in the bankers' acceptances of any one commercial bank.

**Commercial Paper.** This short-term unsecured promissory note is issued to finance short-term credit needs. Eligible paper is that which is ranked "P1" by Moody's or "A1" by Standard & Poor's, issued by a domestic corporation having assets in excess of \$500,000,000, and having an "A" or better rating on issuer's debt. Purchases of commercial paper may not exceed 270 days or represent more than 10% of the outstanding paper of an issuing corporation. Commercial paper purchases will be limited to 15% of the City's portfolio.

**Negotiable Certificates of Deposit ("NCDs").** Allowable NCDs are issued by a nationally or state-chartered bank or a state or federal association or by a state-licensed branch of a foreign bank. The City Treasurer may invest up to 30% of surplus funds in NCDs limited to institutions rated "Aa" or better by Moody's or "AA-" or better by Standard & Poor's. A rating equivalent to Sheshunoff performance rating of "A" or better is required for those institutions not rated by

Moody's or Standard & Poor's. NCDs are considered liquid, trading actively in the secondary market.

Certificates of Deposit ("CDs"). CDs or "time deposits" of up to \$100,000 are federally insured. Beyond that amount, these CDs must be collateralized with the collateral held separately from the issuing institution. The value of the investment must have collateral of at least 110% if government securities, or collateral of at least 150% if mortgage-backed securities. Statute does not limit CDs, however, the Investment Policy shall limit such investments to a maximum of 40% of the portfolio and to a maximum of 15% deposited in any one institution. In addition, time deposits shall be placed in institutions meeting all capital requirements and which maintain a rating equivalent to Sheshunoff performance rating of "A" or better.

Repurchase Agreements. The City may invest in repurchase agreements with banks and dealers of primary dealer status recognized by the Federal Reserve with which the City has entered into a master repurchase contract which specifies terms and conditions of repurchase agreements. The maturity of repurchase agreements shall not exceed 90 days. The market value of securities used as collateral for repurchase agreements shall be monitored by the City Treasurer's office and will not be allowed to fall below 102% of the value of the repurchase agreement. In order to conform with provisions of the Federal Bankruptcy Code, which provide for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be eligible negotiable certificates of deposit, bankers' acceptances, commercial paper, or securities that are direct obligations of or that are fully guaranteed by the United States or any agency of the United States. These eligible securities are further defined by California Government Code Section 53651.

Medium Term Notes. A maximum of 30% of the City's portfolio may be invested in medium-term notes issued by corporations organized and operating within the United States. Note maturities may not exceed five years. Securities eligible for investment must be rated in a rating category of "A" or its equivalent or better by a nationally recognized rating service (*i.e.*, Moody's or Standard & Poor's).

Mutual Funds. Shares of beneficial interest (mutual funds) issued by diversified management companies investing in securities/obligations authorized by California Government Code Section 53600, *et seq.*, and complying with California Government Code Section 53630, are permitted investments. California Government Code Section 53601(k) further defines requirements. A maximum of 15% of the portfolio may be so invested.

LAIF. LAIF (the Local Agency Investment Fund) has been established by the State Treasurer for the benefit of local agencies. The City may invest up to the maximum permitted by the LAIF.

Ineligible Investments. Investments not described in the Investment Policy, including but not limited to common stocks and financial futures contracts and options, are prohibited in this fund.

Short Term Loans. With the approval of the City Council and concurrence of the City Treasurer, funds may be invested in short term loans to provide specific funding to City programs.

Collateral. The issue of collateral requirements is addressed in California Government Code Section 53652. All active and inactive deposits must be secured at all times with eligible securities in

securities pools pursuant to California Government Code Sections 53656 and 53657. Eligible securities held as collateral shall have a market value in excess of the total amount of all deposits of a depository as follows:

- government securities, at least 10% in excess.
- mortgage backed securities, at least 50% in excess.
- letters of credit, at least 5% in excess.

***Safekeeping and Custody.*** Security transactions entered into by the City shall be conducted on a delivery-versus-payment basis. Securities of duration exceeding 30 days to maturity shall be held by a third party custodian designated by the City Treasurer. Evidence of account for each time deposit will be held in the Treasury vault.

***Diversification.*** The City's portfolio will be suitably diversified by type and institution in an effort to reduce portfolio risk while attaining market average rates.

***Security Type and Institution.*** With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the total portfolio will be invested in a single security type and no more than 15% with a single financial institution. Investments are further limited by specific language relating to each investment type as stated in the Investment Policy.

***Maximum Maturities.*** To the extent possible, the City Treasurer will attempt to match investments with anticipated cash flow requirements. The City's portfolio will not be directly invested in securities that mature more than five years from the date of purchase. Reserve funds may be invested in securities exceeding the five years (maturity of such investments should coincide as nearly as practicable with expected use of funds).

***Internal Controls.*** A system of internal controls will be maintained to assure compliance with federal and State regulations, City Council direction, and prudent cash management procedures.

***Investment Review Committee.*** The City Manager, Chief Financial Officer, and City Treasurer are the members of the Investment Review Committee tasked with quarterly review of procedures and adherence to the Investment Policy.

***Investment Portfolio Guidelines.*** Guidelines have been established for procedures within the City Treasurer's Office to assure internal investment controls and a segregation of responsibilities of investment functions.

***Annual Audit.*** The City's portfolio is included in the annual review of the City's financial management performed by an independent (as defined by the Financial Accounting Standards Board) outside audit firm.

***Performance Standards.*** The investment portfolio will be designed to obtain a market-average rate of return during budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow needs. The market-average rate of return is defined as the average return on three-month Treasury bills. In addition, the City portfolio will be compared with LAIF and expected to maintain an annual yield within 0.50 (1/2 of 1%) basis points of LAIF's annual yield.

***Reporting.*** The City Treasurer shall provide investment information to City Council.

Periodic Reports. The City Treasurer will provide detailed reports of the investments in the pooled investment fund portfolio on a monthly basis to the City Council, City Manager, and Chief Financial Officer. Within 30 days of the end of each quarter, these reports will be provided with additional information such as market pricing. Summarized reports from Trustees regarding investments of bond proceeds, deferred compensation, and retirement funds are available for review.

Annual Report. The Investment Policy will be presented annually, following the close of the fiscal year, to the City Council for approval. A detailed report of the current status of the portfolio will be included in this presentation.

Financial Statements per GASB 31. City Treasurer will provide the portfolio's market value gains/losses to Finance to be incorporated in the fiscal year end balance sheet in accordance with Rule 31 of the Government Accounting Standards Board ("GASB").

California Debt and Investment Advisory Commission. Effective January 1, 2001, investment reports issued to City Council will also be distributed semi-annually to the California Debt and Investment Advisory Commission.

Financial Statements per GASB 40. Effective June 30, 2005, additional disclosure is required. City Treasurer will provide detailed maturity and rating information to Finance to be incorporated in the Comprehensive Annual Financial Report in accordance with GASB Rule 40.

**APPENDIX C**

**OXNARD COMMUNITY DEVELOPMENT COMMISSION  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2010**

**APPENDIX D**

**FORM OF BOND COUNSEL OPINION**

Closing Date, 2011

Oxnard Community Development Commission  
214 South C Street  
Oxnard, California 93030

§ \_\_\_\_\_  
Oxnard Community Development Commission  
Historic Enhancement and Revitalization of Oxnard (HERO) Project Area  
Tax Allocation Bonds, Series 2011  
(Final Opinion)

Ladies and Gentlemen:

We have acted as Bond Counsel to the Oxnard Community Development Commission (the "Commission") in connection with the issuance by the Commission of \$ \_\_\_\_\_ aggregate principal amount of the Oxnard Community Development Commission Historic Enhancement and Revitalization of Oxnard (HERO) Project Area Tax Allocation Bonds, Series 2011 (the "Bonds"), pursuant to the authority contained in Part 1 and Part 1.7 of Division 24 of the California Health and Safety Code, Articles 1 through 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code, and the provisions of an Indenture of Trust, dated as of July 1, 2011 (the "Indenture"), by and between the Commission and Wells Fargo Bank, National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate of the Commission, dated the date hereof (the "Tax Certificate"), opinions of the City Attorney, acting as General Counsel to the Commission, General Counsel to the City of Oxnard Financing Authority (the "Authority"), and City Attorney for the City of Oxnard (the "City"), certifications of the Commission, the Authority, the City, and others, and such other documents, opinions, and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are expressed only on and as of the date hereof and are based on an analysis of existing laws, regulations, rulings, and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Changes to existing law may occur hereafter and could have retroactive effect. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this opinion letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Commission. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted, or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof.

Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions, or events will not cause interest on the

Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture, and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, and other similar laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against cities, redevelopment agencies, and joint powers authorities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, severability, or waiver provisions contained in the documents mentioned in the previous sentence.

We undertake no responsibility for the accuracy, completeness, or fairness of the Official Statement for the Bonds dated \_\_\_\_\_, 2011, or other offering material relating to the Bonds and express no opinion with respect thereto. We express no opinion regarding the perfection or priority of the lien on the Tax Revenues.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Tax Revenues.
2. Interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income.

Except as stated in paragraph 2 above, we express no opinion as to federal or State of California tax consequences of the ownership of the Bonds. We also express no opinion regarding any other tax consequences with respect to the acquisition, ownership, or disposition of, or the accrual or receipt of interest on, the Bonds.

Respectfully submitted,

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered on [Closing Date], by and between the Oxnard Community Development Commission (the "Commission") and Wells Fargo Bank, National Association, in its capacity as Dissemination Agent (as defined below), in connection with the issuance by the Commission of the Oxnard Community Development Commission Historic Enhancement and Revitalization of Oxnard (HERO) Project Area Tax Allocation Bonds, Series 2011, in the aggregate principal amount of \$\_\_\_\_\_ (the "Bonds"). The Bonds are being issued pursuant to the provisions of an Indenture of Trust, dated as of July 1, 2011 (the "Indenture"), by and between the Commission and Wells Fargo Bank, National Association, as trustee (the "Trustee"), in order to provide funds (i) to finance redevelopment activities; (ii) to fund a reserve fund; and (iii) to pay issuance costs associated with the issuance and sale of the Bonds. The Commission and the Dissemination Agent hereby covenant and agree as follows:

**Section 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the parties hereto for the benefit of the registered owners (each, an "Owner") or beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities and Exchange Act of 1934.

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

**"Annual Report"** shall mean any Annual Report provided by the Commission pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

**"Annual Report Date"** shall mean the date in each year that is nine (9) months after the end of the Commission's fiscal year, the end of which, as of the date of this Disclosure Agreement, is June 30.

**"Dissemination Agent"** shall mean, initially, Wells Fargo Bank, National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent that is so designated in writing by the Commission, which successor must have filed a written acceptance of such designation with the Commission.

**"Listed Events"** shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

**"MSRB"** shall mean the Municipal Securities Rulemaking Board.

**"Official Statement"** shall mean the Official Statement, dated \_\_\_\_\_, 2011, relating to the Bonds.

**"Participating Underwriter"** shall mean Stone & Youngberg LLC, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

**"SEC"** shall mean the Securities and Exchange Commission.

**Section 3. Provision of Annual Reports.**

(a) The Commission shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2012, provide to MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than 15 calendar days prior to each Annual Report Date, the Commission shall provide its Annual Report to the Dissemination Agent, if such Dissemination Agent is a different entity than the Commission. The Annual Report must be submitted in an electronic format as prescribed by MSRB, accompanied by such identifying information as is prescribed by MSRB, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that any audited financial statements of the Commission may be submitted separately from the balance of the Annual Report, and not later than the date required above for the filings of the Annual Report. If the Commission's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Commission shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished hereunder. The Dissemination Agent may conclusively rely upon such certification of the Commission and shall have no duty or obligation to review such Annual Report.

(b) If the Commission is unable to provide to MSRB an Annual Report by the date required in subsection (a), the Commission shall send to MSRB a notice in substantially the form attached hereto as Exhibit A. Such notice must be submitted in an electronic format as prescribed by MSRB, accompanied by such identifying information as prescribed by MSRB.

(c) The Dissemination Agent shall:

- (i) provide any Annual Report received by it to MSRB by the date required in subsection (a);
- (ii) file a report with the Commission and the Trustee (if the Dissemination Agent is other than the Trustee) certifying that the Annual Report has been provided to MSRB pursuant to this Disclosure Agreement and stating the date it was provided; and
- (iii) take any other actions mutually agreed upon between the Dissemination Agent and the Commission.

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

(a) Audited financial statements of the Commission, which include information regarding the funds and accounts of the Commission, if any, for the most recent fiscal year of the Commission then ended. If the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the Commission in a format similar to the audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements of the Commission shall be audited by such auditor as shall then be required or permitted by State law or the Indenture. Audited financial statements shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the Commission may from time to time, if required by federal or State legal requirements, modify the basis upon which its financial statements are prepared. In the event that the Commission shall modify the basis upon which its financial statements are prepared, the Commission

shall provide a notice of such modification to MSRB, including a reference to the specific federal or State law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) The following information with respect to the Commission and the Bonds for the fiscal year to which the Annual Report relates, which information may be provided by its inclusion in the audited financial statements of the Commission for such fiscal year described in subsection (a) above:

1. Principal amount of the Bonds (including principal amount and years of maturity of Bonds, if any, called for redemption in advance of maturity) and any bonds issued to refund the same.
2. Balance in the funds and accounts established under the Indenture.
3. If a reserve fund insurance policy is not in effect and the amount on deposit in the Reserve Fund is not equal to the Reserve Fund Requirement, the amount of the delinquency or surplus, as applicable.
4. Information regarding any material changes to the Project Area, or the development therein, as described in the Official Statement under the following subheadings of the section entitled "THE PROJECT AREA":
  - The Redevelopment Plan
  - Description of Project Area
  - Land Use in Project Area
  - Assessed Values in Project Area
  - Assessment Appeals
  - Major Taxpayers in Project Area
  - Tax Rates in Project Area
  - Redevelopment Plan Limitations
  - Tax Sharing Obligations in Project Area
  - Proposed Facilities to be Financed with Bond Proceeds

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Commission, the City of Oxnard, or related public entities, that are available to the public on MSRB's Internet website or filed with the SEC. The Commission shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Commission shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

- (i) principal and interest payment delinquencies;

- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on any reserve fund for the Bonds reflecting financial difficulties;
- (iv) unscheduled draws on any credit enhancements securing the Bonds reflecting financial difficulties;
- (v) substitution of any credit or liquidity providers, or their failure to perform;
- (vi) 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 Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to the rights of Owners, if material;
- (viii) Bond calls, if material, and tender offers for the Bonds;
- (ix) defeasances;
- (x) any release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) any bankruptcy, insolvency, receivership, or similar event of the Commission [this Listed Event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Commission in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Commission, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Commission];
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Commission or the sale of all or substantially all of the assets of the Commission, 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
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Upon and after the occurrence of a Listed Event listed under subsection (a)(ii), (a)(vii), (a)(viii), (a)(x), (a)(xiii), or (a)(xiv) above, the Commission shall as soon as possible determine if such

event would be material under applicable federal securities laws. If the Commission determines that knowledge of the occurrence of such Listed Event would be material under applicable federal securities laws, the Commission shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (d) below.

(c) Upon and after the occurrence of any Listed Event (other than a Listed Event listed under subsection (a)(ii), (a)(vii), (a)(viii), (a)(x), (a)(xiii), or (a)(xiv) above), the Commission shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (d) below.

(d) If the Dissemination Agent has been instructed by the Commission to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with MSRB not in excess of ten (10) business days after the occurrence of such Listed Event. Such notice must be submitted in an electronic format as prescribed by MSRB, accompanied by such identifying information as prescribed by MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Indenture.

(e) The Commission hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the Commission and that the Trustee or the Dissemination Agent shall not be responsible for determining whether the Commission's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

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

Section 7. Dissemination Agent. The Commission may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty days written notice to the Commission and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Commission. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Commission in a timely manner and in a form suitable for filing.

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

(a) If the amendment or waiver is related to annual or event information to be provided hereunder, it may only be 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 Commission or the type of business conducted thereby;

(b) The undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the

primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The proposed amendment or waiver (i) is approved by Owners in the manner provided in the Indenture for amendments to such Indenture with the consent of Owners or (ii) does not, in the opinion of the Commission or nationally recognized bond counsel, materially impair the interest of Owners.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the annual financial information containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Commission to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to MSRB.

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

Section 10. Default. In the event of a failure of the Commission to comply with any provisions of this Disclosure Agreement any Participating Underwriter or any Owner or beneficial owner of the Bonds, or the Trustee on behalf of the holders of the Bonds, may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Commission to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed a default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Commission to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Commission agrees to indemnify and save the Dissemination Agent, its officers, directors, employees, and agents, harmless against any loss, expense, and liabilities that it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Commission under this Section shall survive resignation or removal of the Dissemination Agent and payment of all of the Bonds.

The Dissemination Agent shall not be responsible in any manner for the format or content of any notice or Annual Report prepared by the Commission pursuant to this Disclosure Agreement. The Commission shall pay the reasonable fees and expenses of the Dissemination Agent for its duties as described hereunder.

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

Section 13. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

If to the Commission:

Oxnard Community Development Commission  
214 South C Street  
Oxnard, CA 93030  
Attention: Chief Financial Officer

If to the Dissemination Agent:

Wells Fargo Bank, National Association  
707 Wilshire Blvd., 17th Floor  
Los Angeles, CA 90017  
Attention: Corporate Trust Services

[Remainder of Page Intentionally Left Blank]

Section 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument, and each of which shall be deemed to be an original.

Date: [Closing Date]

OXNARD COMMUNITY DEVELOPMENT COMMISSION

By: \_\_\_\_\_  
Authorized Signatory

WELLS FARGO BANK, NATIONAL ASSOCIATION,  
as Dissemination Agent

By: \_\_\_\_\_  
Authorized Signatory

EXHIBIT A TO CONTINUING DISCLOSURE AGREEMENT

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Oxnard Community Development Commission

Name of Bond Issue: Oxnard Community Development Commission Historic Enhancement and Revitalization of Oxnard (HERO) Project Area Tax Allocation Bonds, Series 2011

NOTICE IS HEREBY GIVEN that the Oxnard Community Development Commission (the "Commission") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated [Closing Date], by and between the Commission and Wells Fargo Bank, National Association, as dissemination agent. The Commission anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

OXNARD COMMUNITY DEVELOPMENT COMMISSION

By: \_\_\_\_\_  
Authorized Signatory

**APPENDIX F**  
**FISCAL CONSULTANT'S REPORT**

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