

**OVERSIGHT BOARD OF THE
IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY**

A G E N D A

SEPTEMBER 11, 2013

**City of Imperial Beach Council Chambers
825 Imperial Beach Boulevard
Imperial Beach, CA 91932**

SPECIAL MEETING – 3:00 p.m.

The Oversight Board of the Imperial Beach Redevelopment Agency Successor Agency is endeavoring to be in total compliance with the Americans with Disabilities Act (ADA). If you require assistance or auxiliary aids in order to participate at Oversight Board meetings, please contact the City Clerk's/Secretary's Office at (619) 423-8301, as far in advance of the meeting as possible.

1. CALL TO ORDER

2. ROLL CALL BY CITY CLERK/SECRETARY

3. PUBLIC COMMENTS - Each person wishing to address the Oversight Board regarding items not on the posted agenda may do so at this time. In accordance with State law, the Oversight Board may not take action on an item not scheduled on the agenda. If appropriate, the item will be referred to the Successor Agency staff or placed on a future agenda.

4. REPORTS

A. APPROVAL OF MINUTES.

Recommendation: Approve the Oversight Board Regular Meeting Minutes of July 10, 2013.

B. ADOPTION OF OVERSIGHT BOARD RESOLUTION NO. OB-13-23 APPROVING THE ISSUANCE BY THE IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY OF TAX ALLOCATION REFUNDING BONDS, SERIES 2013, RELATING TO THE PALM AVENUE/COMMERCIAL REDEVELOPMENT PROJECT.

Recommendation: Adopt resolution.

5. ADJOURNMENT

/s/
Jacqueline M. Hald, MMC
City Clerk/Secretary

For your convenience, a copy of the agenda and meeting packet may be viewed in the office of the City Clerk at City Hall or on our website at www.ImperialBeachCA.gov. Go to the Imperial Beach Redevelopment Agency Successor Agency page located under the Government Section.

Any writings or documents provided to a majority of the Oversight Board regarding any item on this agenda will be made available for public inspection in the office of the City Clerk located at 825 Imperial Beach Blvd., Imperial Beach, CA 91932 during normal business hours.

MINUTES

OVERSIGHT BOARD OF THE
IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY

JULY 10, 2013

City of Imperial Beach Council Chambers
825 Imperial Beach Boulevard
Imperial Beach, CA 91932

REGULAR MEETING – 10:30 a.m.

1. CALL TO ORDER

CHAIR PERSON WINTER called the meeting to order at 10:31 a.m.

2. ROLL CALL BY CITY CLERK/SECRETARY

Oversight Board Members present: Yanda, West, Saadat, Foltz

Oversight Board Members absent: Hentschke

Vice Chair present: Fernandez

Chair present: Winter

Staff present: Deputy Executive Director Wade, Interim Administrative Services Director Wellcome, City Clerk/Secretary Hald

3. PUBLIC COMMENTS

None.

DEPUTY EXECUTIVE DIRECTOR WADE introduced Interim Administrative Services Director Suzanne Wellcome.

4. REPORTS

A. APPROVAL OF MINUTES.

MOTION BY WINTER, SECOND BY WEST, TO APPROVE THE OVERSIGHT BOARD REGULAR MEETING MINUTES OF JUNE 12, 2013. MOTION CARRIED BY THE FOLLOWING VOTE:

AYES: BOARD MEMBERS: YANDA, WEST, FERNANDEZ, WINTER, FOLTZ

ATTENTIONS: BOARD MEMBERS: SAADAT

NOES: BOARD MEMBERS: NONE

ABSENT: BOARD MEMBERS: HENTSCHE

B. RESOLUTION NO. OB-13-22 APPROVING, AUTHORIZING AND DIRECTING THE SUCCESSOR AGENCY EXECUTIVE DIRECTOR TO ENTER INTO A PROFESSIONAL SERVICES AGREEMENT BETWEEN THE SUCCESSOR AGENCY AND FRASER & ASSOCIATES FOR FISCAL CONSULTANT SERVICES FOR THE POTENTIAL REFUNDING OF THE SERIES 2003A TAX ALLOCATION REVENUE BONDS.

CHAIR PERSON WINTER introduced the item.

DEPUTY EXECUTIVE DIRECTOR WADE distributed copies of the PowerPoint presentation. He reviewed the services to be provided by the fiscal consultant, commented on the variable market and gave a status update on the current interest rates. In response to questions of the Board, he stated that the total maximum non-

contingent amount to be paid to the two consultants (Fraser & Associates and First Southwest Company) is \$44,500. Additionally, he noted that it is typical for these types of consultants to have a non-contingent amount due to work they perform upfront. He spoke about the market risk, he was hopeful that there would be a more favorable interest rate by the time we go to market and he reviewed the financing schedule.

ADMINISTRATIVE SERVICES DIRECTOR WELCOMME explained that the bonds cannot be issued before the 1st of December and she stressed that the process can be stopped if the interest rates are too low to achieve the minimum cost savings of 3%.

MOTION BY FERNANDEZ, SECOND BY WEST, TO ADOPT RESOLUTION NO. OB-13-22 APPROVING, AUTHORIZING AND DIRECTING THE SUCCESSOR AGENCY EXECUTIVE DIRECTOR TO ENTER INTO A PROFESSIONAL SERVICES AGREEMENT BETWEEN THE SUCCESSOR AGENCY AND FRASER & ASSOCIATES FOR FISCAL CONSULTANT SERVICES FOR THE POTENTIAL REFUNDING OF THE SERIES 2003A TAX ALLOCATION REVENUE BONDS. MOTION CARRIED BY THE FOLLOWING VOTE:

AYES: BOARD MEMBERS: YANDA, WEST, SAADAT, FERNANDEZ, WINTER, FOLTZ

NOES: BOARD MEMBERS: NONE

ABSENT: BOARD MEMBERS: HENTSCHKE

DEPUTY EXECUTIVE DIRECTOR WADE gave an update on the 9th and Palm Project. He stated that the Department of Finance is still in the process of reviewing the Long Range Property Management Plan which is one of the final steps in completing the dissolution process. Until the review is completed, the project cannot move forward. The assistance of Assemblymember Toni Atkins has been enlisted to help in the matter.

D. ADJOURNMENT

The meeting was adjourned at 11:00 a.m.

MAYDA C. WINTER, CHAIRPERSON

**JACQUELINE M. HALD, MMC
CITY CLERK/SECRETARY**



AGENDA ITEM NO. 4B

**STAFF REPORT
OVERSIGHT BOARD
TO THE**

IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY

TO: CHAIR AND MEMBERS OF THE OVERSIGHT BOARD

FROM: GREGORY WADE, ASSISTANT CITY MANAGER/DEPUTY DIRECTOR *GW*

MEETING DATE: SEPTEMBER 11, 2013

SUBJECT: ADOPTION OF OVERSIGHT BOARD RESOLUTION NO. OB-13-23 APPROVING THE ISSUANCE BY THE IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY OF TAX ALLOCATION REFUNDING BONDS, SERIES 2013, RELATING TO THE PALM AVENUE/COMMERCIAL REDEVELOPMENT PROJECT

EXECUTIVE SUMMARY:

This is an Oversight Board item for which staff is recommending adoption of Oversight Board Resolution No. OB-13-23 which would approve the issuance of Tax Allocation Refunding Bonds to refund/refinance the 2003 Tax Allocation Bonds. The issuance of these Refunding Bonds is expected to create savings to all affected taxing entities, including the City, by lowering the cost of debt service to be paid from the Redevelopment Property Tax Trust Fund (RPTTF) over the term of the bonds. If approved, the recommended 3-year Upfront Savings refunding option would provide a potential benefit to the City's General Fund resulting from the payment of residual RPTTF to the City in an estimated amount of \$190,000 per year for the first three years after the Refunding Bonds are issued, decreasing thereafter to nominal annual savings until the end of the bond term in 2033.

BACKGROUND:

On December 11, 2003, the former Imperial Beach Redevelopment Agency (the "Former Agency") and the Imperial Beach Public Financing Authority (the "Financing Authority"), a Joint Powers Authority between the City of Imperial Beach (the "City") and the Former Agency, issued Tax Allocation Revenue Bonds, Series 2003A (the "Series 2003A TABs") secured by the Former Agency's tax increment revenues as funding for the debt service obligations. The Series 2003A TABs were issued in order to finance redevelopment activities relating to improvements within the Original and Amended Redevelopment Project Areas ("Project Areas") including street improvements, public park capital improvements, construction of community facilities, landscaping improvements, and affordable housing, among others.

Debt service on the Series 2003A TABs has been and is repaid solely with tax increment revenues generated within the Project Areas. As of June 12, 2013, the Series 2003A TABs were outstanding in the amount of \$17,965,000, with annual principal maturities ranging from June 1, 2014 through June 1, 2033. These principal bond maturities can be prepaid on December 1,

2013, and on any subsequent date thereafter, without a prepayment penalty. The Series 2003A TABs have interest rates ranging from 5.00% to 6.00%.

Pursuant to Assembly Bill No. X1 26 ("AB 26") and Assembly Bill No. 1484 ("AB 1484") (collectively referred to herein as the "Dissolution Act"), and specifically California Health and Safety Code ("HSC") Section 34177.5(f) of the Dissolution Act, the Oversight Board may direct the Imperial Beach Redevelopment Agency Successor Agency (the "Successor Agency") to commence the refinancing or refunding of the Series 2003A TABs, among other actions authorized by HSC Section 34177.5(a) of the Dissolution Act, for debt service savings so long as the Successor Agency is able to recover its related costs in connection with the transaction.

Upon the direction of the Oversight Board, the Successor Agency may cause the refinancing or refunding of the Series 2003A TABs for debt service savings by issuing, or causing the issuance of, Tax Allocation Refunding Bonds (the "Refunding Bonds") in accordance with the Dissolution Act including, without limitation, HSC Sections 34177.5 and 34180(b).

Further, pursuant to HSC Section 34177.5(h) of the Dissolution Act, the Successor Agency shall make use of an independent financial advisor in developing financing proposals and shall make the work products of the financial advisor available to the California Department of Finance (the "DOF") at its request.

On June 5, 2013, the Successor Agency adopted Resolution Numbers SA-13-24 and SA-13-25 approving professional services agreements with First Southwest Company to provide financial advisory services and with Jones Hall to provide both bond and disclosure counsel services, respectively, necessary to carry out issuance of the Refunding Bonds in accordance with the Dissolution Act. On June 12, 2013, the Oversight Board adopted Resolution Numbers OB-13-19 and OB-13-20 also approving these professional services agreements.

Also on June 12, 2013, the Oversight Board adopted Resolution No. OB-13-18 directing the Successor Agency to commence the refunding of the 2003A TABs for debt service savings pursuant to Sections 34177.5 and 34180(b) of the Dissolution Act and to recover its costs for issuance of the Refunding Bonds. On June 28, 2013, the Successor Agency adopted Resolution No. SA-13-26 and on July 10, 2013, the Oversight Board adopted Resolution No. OB-13-22 both of which approved a professional services agreement with Fraser & Associates to provide fiscal consultant services necessary for issuance of the Refunding Bonds.

DISCUSSION:

Pursuant to actions of the Successor Agency and Oversight Board, the following parties have been serving as members of the financing team for the Refunding Bonds:

1. Bond Counsel – Jones Hall
 - a) This firm has prepared, reviewed and advised the issuer regarding, authorizing resolutions, ordinances, trust indentures, official statements, and related documents.
 - b) This law firm will provide a legal opinion confirming that: the issuer is authorized to issue the proposed securities, the issuer has met all legal requirements necessary for issuance, and interest on the proposed securities will be exempt from federal income taxation and, where applicable, from state and local taxation.
2. Disclosure Counsel – Jones Hall

- a) This law firm has prepared the Preliminary Official Statement (including the required continuing disclosure undertaking shown as an Exhibit to the Preliminary Official Statement in Attachment 5), which will be used as the basis for the Official Statement and the Bond Purchase Contract included as attachments to this staff report.
 - b) The Official Statement is the primary and official source of material information about the issuer and the securities in the transaction and is included as Attachment 5 to the staff report.
3. Fiscal Consultant – Fraser & Associates
- a) This firm has prepared the Fiscal Consultant Report analyzing the economic feasibility of the Project Areas providing the security of the debt issue.
 - b) The views of the feasibility consultant will be taken into account by the credit rating agencies, underwriters and investors.
4. Financial Advisor – First Southwest Company
- a) The Financial Advisor has advised and assisted the issuer in formulating and/or executing a debt financing plan to accomplish the public purposes chosen by the issuer. The Financial Advisor advises the issuer on matters pertinent to the debt issue, such as structure, timing, marketing, credit enhancements, fairness of pricing, terms, and credit ratings.
 - b) The Financial Advisor Serves issuer in a “fiduciary capacity”, representing the issuer’s interests in negotiations with underwriters, rating agencies, banks and other parties.
5. Trustee/Escrow Agent – Wells Fargo Bank
- a) A commercial bank or trust company retained to perform administrative duties relating to a bond issue, such as establishing and holding bond funds and accounts, disbursing bond proceeds for authorized purposes, paying principal and interest to bondholders, and executing investments.

A sixth financing team member, Underwriter or Investment Banker, is being selected through a request for qualifications/proposal process which is currently under way. The approvals of the Successor Agency proposed by Resolution SA-13-27 include providing the Executive Director and Finance Officer or their designees the authority to select and designate the Underwriter or Investment Banker and to execute the Bond Purchase Contract effectuating such designation. The Underwriter or Investment Banker would meet the following requirements:

- a) A dealer which purchases from the issuer a new issue of municipal securities for resale to investors; has an "arm's-length relationship" with the issuer.
- b) Investment banking or underwriting firms are required to register with the SEC and with the MSRB, and follow the rules set out by both the SEC and the MSRB.

First Southwest Company (Financial Advisor), Jones Hall (Bond and Disclosure Counsel),

Fraser & Associates (Fiscal Consultant) and the additional financing team members listed above have provided professional services to the Successor Agency, in addition to general legal services provided to the Successor Agency. Costs for these professional services (except for general legal services provided to the Successor Agency) would primarily be funded with the proceeds through the issuance of the Refunding Bonds with two exceptions described below. As is typical in municipal bond financing, the professional services costs of the financing team members, with the exception of the costs discussed below, are only paid if the bond deal is successfully completed, or closed. In other words, payment of the costs of issuance is generally made on a contingency basis. The Successor Agency's and the Oversight Board's approval of the costs of issuance are proposed as part of their respective resolutions that will authorize the issuance of the Refunding Bonds and approve the bond documents, all of which are included with this staff report. All contingent costs of issuance would be a part of the financing documents submitted to the DOF for review and considered enforceable obligations of the Successor Agency, and would be deducted from the proceeds of the Refunding Bonds. The approval by the Successor Agency and the Oversight Board of the bond documents and the contingent costs of issuance contained within said documents, and the DOF if review is requested, would constitute approval of the costs of issuance as enforceable obligations of the Successor Agency and would likely not be required to be included on the ROPS 13-14B. However, if required by the DOF, these costs of issuance would be included on the ROPS 13-14B for approval if such requirement is known prior to the deadline for submittal of the ROPS 13-14B to the DOF by October 1, 2013, or a subsequent ROPS.

There are two exceptions, however, to the financing team members' rendering their services on a contingency basis. These exceptions pertain to a portion of the total professional services fees and expenses of First Southwest Company (the Financial Advisor) and Fraser & Associates (Fiscal Consultant). A portion of the professional services agreement with First Southwest Company is for an amount not-to-exceed \$19,000 that would not be paid from proceeds of the Refunding Bonds if the bond deal is not completed, but rather would be an obligation of the Successor Agency and paid by the Successor Agency as non-contingent costs. Because completion of the potential bond issue is subject to approval by the Oversight Board and potential approval by the DOF (if review is requested), and is a unique and particularly complex bond issue given the recent dissolution of redevelopment agencies, First Southwest Company has proposed that, if the Refunding Bonds are not issued by February 28, 2014, accrued hourly compensation and any accrued expenses not-to-exceed \$19,000 will be due and payable by the Successor Agency. This \$19,000 is part of the total \$50,000 proposed by First Southwest Company for its financial advisory services. If the Refunding Bonds do not close by February 28, 2014, the not-to-exceed \$19,000 non-contingent portion of the financial advisory fees and accrued costs would be paid by the Successor Agency and will be included in the ROPS 13-14B for approval as a proposed enforceable obligation of the Successor Agency. If the Refunding Bonds are issued by February 28, 2014, then the entire not-to-exceed \$50,000 (which includes the \$19,000 non-contingent portion) would be funded with proceeds from the issuance of the Refunding Bonds.

The professional services fees and expenses of Fraser & Associates as the Fiscal Consultant are also non-contingent fees. Pursuant to their agreement, Fraser & Associates are to be paid in an amount not-to-exceed \$20,000 for the performance of certain services and, subject to the prior written approval of the Agency's Finance Officer, at an hourly rate of \$200 per hour on not to exceed a total amount of \$3,000 for the performance of additional services, and for certain other expenses not-to-exceed \$2,500. Combined non-contingent compensation of fees and expenses payable to Fraser & Associates is a not-to-exceed amount of \$25,500. Again, these non-contingent financial advisory fees and accrued costs would be paid by the Successor Agency and will be included in the ROPS 13-14B for approval as a proposed enforceable

obligation of the Successor Agency.

Refunding Bonds Plan of Finance

The Refunding Bonds will use certain funds on hand plus the bond proceeds to fund an escrow account sufficient to fully redeem the outstanding Series 2003 TABs and its associated accrued interest. Staff currently estimates the total par amount of the Refunding Bonds at \$17.775 million with maturities ranging from June 1, 2014 through June 1, 2033. The Refunding Bonds will fund a debt service reserve fund, which combined with the existing debt service reserve fund from the Tax Allocation Bonds, Series 2010 (the "Series 2010 TABs"), will serve as security for both the Refunding Bonds and Series 2010 TABs. The following table indicates key activities and dates of the financing schedule.

Week of	Financing Activity
June 3	Successor Agency (SA) initiates transaction (June 5)
June 10	Oversight Board (OB) initiates transaction (June 12)
Aug. 5	Distribute Underwriter (UW) RFP
Aug. 26	Financing Package provided to SA for September 4 Meeting; Underwriter RFP Responses Due
Sept. 2	SA authorize the issuance of the Refunding Bonds (Sept. 4); Financing Package provided to OB for September 11 Meeting
Sept. 9	UW Selected; SA authorize the issuance of the Refunding Bonds (Sept. 11); Submit Financing Package to DOF for approval
Sept. 16	Distribute credit packages to S&P
Oct. 14	Receive S&P Rating
Oct. 21	Distribute credit packages to Bond Insurers
Nov. 11	Deadline for DOF to approve OB action or return item to OB for reconsideration (Nov. 12)
Nov. 18	Distribute POS
Dec. 2	Pricing of Refunding Bonds
Dec. 16	Closing of transaction (2003A Bonds legally defeased)

Refunding Bond Savings

Unfortunately, since May 2013, the amount of savings to be realized by issuance of the Refunding Bonds has decreased due to a significant increase in interest rates. Based on current interest rates (assuming approximately equal annual savings), therefore, issuance of the Refunding Bonds would result in annual debt service savings of approximately \$164,000 through Fiscal Year 2032-33. This equates to \$3,279,590 of total savings. Accounting for the time value of money, the discounted present value savings would be \$1,398,278, which is equivalent to 7.78% of the \$17,965,000 of the Series 2003A TABs to be refunded.

With the City's share, as a taxing entity, of distributions from the Redevelopment Property Tax Trust Fund ("RPTTF") of approximately 26%, the projected refunding savings allocated to the City's General Fund, based on anticipated payments of RPTTF distributions to the City pursuant to HSC Section 34183(a) of the Dissolution Act, are estimated to be \$43,000 annually, \$868,107 in total savings or \$370,124 on a net present value (NPV) basis. The other taxing entities will

benefit from the Refunding Bonds because the Successor Agency's ongoing debt service payments will be less than they are currently and therefore, less funds from RPTTF will be distributed to the Successor Agency to fund debt service, and with the reduction of enforceable obligations, leaving greater funds to be distributed to the other taxing entities pursuant to HSC Section 34183(a) of the Dissolution Act.

In order for the Successor Agency to issue or cause the issuance of the Refunding Bonds, various formal approvals are necessary from the Imperial Beach City Council (the "City Council"), the Imperial Beach Public Financing Authority (the "Financing Authority"), the Successor Agency, its Oversight Board and the DOF (if the DOF requests review). On September 4, 2011, the City Council, the Financing Authority and the Successor Agency unanimously adopted resolution numbers 2013-7382, FA-13-04 and SA-13-27, respectively, approving all actions necessary to issue the Refunding Bonds. It is recommended and anticipated that the Oversight Board would authorize the issuance of the Refunding Bonds by approving substantially final bond documents, including, without limitation, the First Supplemental Indenture of Trust, the Preliminary Official Statement, and the Bond Purchase Contract (the "Financing Package"). The Successor Agency staff would also submit the Financing Package to the DOF. Assuming approval from the DOF if review is requested, the issuance of the Refunding Bonds would be authorized.

However, if material changes to the bond documents are required by the DOF or other material events occur, then all or a portion of the Financing Package would be resubmitted to the Successor Agency and the Oversight Board, as well as the City Council for its consent, and the Financing Authority if applicable, in order to re-authorize the issuance of the Refunding Bonds. Although unlikely, a re-authorization from the Successor Agency, its Oversight Board, City Council and Financing Authority may be necessary due to any material changes made to the financing documents after initial approval, any stipulations added by the DOF, or changes in the municipal bond market. Further, the Successor Agency would submit the Financing Package to Standard & Poor's, requesting receipt of a credit rating shortly after the Refunding Bonds are authorized by the Successor Agency and the Oversight Board.

As required for a bond issuance of this type, a Fiscal Consultant Report was also prepared for the following purposes:

- c) To prepare a report on the economic feasibility of the Project Areas providing the security for the debt issue.
- d) So that the views of the Fiscal Consultant on the economic feasibility of the security can be taken into account by the credit rating agencies, underwriters and investors.

Based upon the estimate of revenues analyzed in the Fiscal Consultant Report, there will be sufficient revenue streams from which to repay the Refunding Bonds. In this regard, both the Fiscal Consultant Report and the Preliminary Official Statement discuss the impact from the passage of Assembly Bill No. AB X1 and Assembly Bill No. 1484 (collectively, the "Dissolution Act") and attendant dissolution of the Former Agency on the revenue streams from which the Series 2013 Tax Allocation Bonds will be repaid.

Preferred Refunding Option

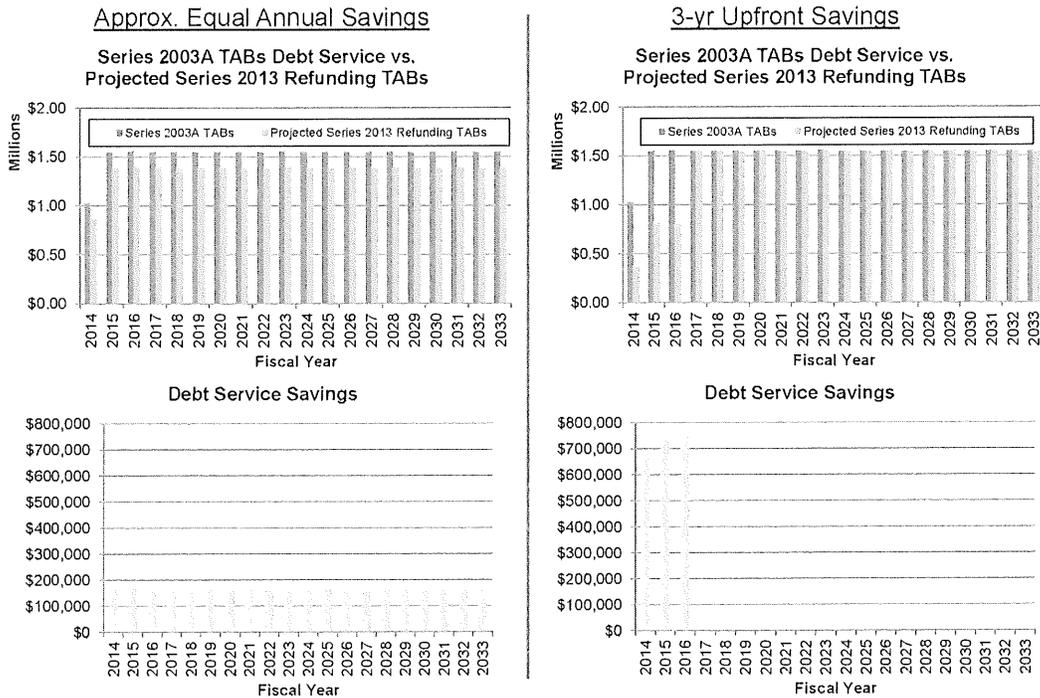
In order to realize increased annualized savings from the issuance of the Refunding Bonds, the Successor Agency and Oversight Board have the option to pursue "Upfront" savings. This approach would allow the Successor Agency to realize a larger portion of savings in the first 3, 5

or 10 years of the bond maturity period rather than as equal annual savings. The following table illustrates Equal Annual Savings versus 3-year Upfront Savings:

Projected Refunding Results				
	Approximately Equal Annual Savings through FY 2033		3-yr Upfront Savings Through FY 2016	
	Total	City's Share (26.47%)	Total	City's Share (26.47%)
Avg. Annual Savings	\$164,000 (FY2014-33)	\$43,000 (FY2014-33)	\$718,000 (FY2014-16)	\$190,000 (FY2014-16)
Gross Savings	\$3,279,590	\$868,107	\$2,196,928	\$581,527
NPV Savings (\$)	\$1,398,278	\$370,124	\$1,299,774	\$344,050
NPV Savings (%)	7.78%		7.24%	
All-in-Cost	4.93%		4.97%	

1 - Annual savings from FY 2017-2033 would be between \$0 and \$5,000

As shown above, the 3-year Upfront Savings option would result in total upfront savings of \$718,000 with a potential City share of approximately \$190,000 per year for the first three years. After the first three years, however, savings would be nominal for the remainder of the bond term. The following graphs compare the debt service on the Series 2003A TABs and the Refunding Bonds under both the Equal Annual and 3-year Upfront Savings Options.



Other upfront savings options include 5- and 10-year Upfront Savings which are illustrated below:

Projected Refunding Results				
	5-yr Upfront Savings (Through FY 2018)		10-yr Upfront Savings (Through FY 2023)	
	Total	City's Share (26.47 %)	Total	City's Share (26.47 %)
Avg. Annual Savings	\$439,000 (FY2014-18)	\$116,000 (FY2014-18)	\$246,000 (FY2014-23)	\$64,000 (FY2014-23)
Gross Savings	\$2,257,392	\$597,532	\$2,494,908	\$648,676
NPV Savings (\$)	\$1,260,286	\$333,598	\$1,248,864	\$324,705
NPV Savings (%)	7.02%		6.95%	
All-in-Cost	5.00%		5.01%	

2 - Annual savings from FY 2019-2033 would be between \$0 and \$5,000
 3 - Annual savings from FY 2024-2033 would be between \$0 and \$5,000

Due to the limited financial benefit to the City under the Equal Annual Savings Option along with the decreased benefit of either the 5- and 10-year Upfront Savings options, staff recommends proceeding with the 3-year Upfront Savings option as this should provide a more immediate and impactful benefit to the City. During review of the Refunding Bonds on September 4, 2013, this approach was supported by the City Council, Financing Authority and the Successor Agency.

ENVIRONMENTAL DETERMINATION:

The refunding of the 2003, Series A Tax Allocation Bonds, and issuance of the Tax Allocation Refunding Bonds, Series 2013, is not a "project" within the meaning of the California Environmental Quality Act ("CEQA"), specifically CEQA Guidelines Section 15378, and thus is not subject to CEQA pursuant to CEQA Guidelines Section 15060(c)(3).

FISCAL IMPACT:

Based on interest rates as of August 30, 2013, the 3-Year Upfront Savings option recommended by staff is projected to produce average annual debt service savings of \$718,000 from FY 2013-14 through 2015-16, for total savings of \$2.2 million. Accounting for the time value of money, the net present value savings are \$1.3 million, which is equivalent to 7.24% of the \$17,965,000 of the Series 2003A TABs to be refunded. As the City's share of distributions from the RPTTF is approximately 26%, the projected savings allocated to the City's General Fund are estimated to average \$190,000 for the first three years with nominal savings thereafter until maturity of the Refunding Bonds. The Refunding Bonds are projected to produce total savings of \$581,527 and net present value savings of \$344,050 to the City.

The other affected taxing entities will benefit from the Refunding Bonds because the Successor Agency's ongoing debt service payments will be less than they are currently and therefore, less funds from the RPTTF will be distributed to the Successor Agency for payments toward debt service payments, and with a reduction in enforceable obligations, leaving greater funds to be distributed to the other taxing entities pursuant to HSC Section 34183(a) of the Dissolution Act.

STAFF RECOMMENDATION:

Staff recommends that the Oversight Board adopt Resolution No. OB-13-23 approving the issuance by the Imperial Beach Redevelopment Agency Successor Agency of Tax Allocation Refunding Bonds, Series 2013, relating to the Palm Avenue/Commercial Redevelopment Project.

Attachments:

1. Oversight Board Resolution No. OB-13-23
2. City Council Resolution No. 2013-7382
3. Financing Authority Resolution No. FA-13-04
4. Successor Agency Resolution No. SA-13-27
5. Refunding Bond Update – September 4, 2013
6. Preliminary Official Statement – 2013 Refunding Bonds
7. First Supplemental Indenture of Trust
8. Successor Agency and Financing Authority Irrevocable Refunding Instructions

RESOLUTION NO. OB-13-23

A RESOLUTION OF THE OVERSIGHT BOARD OF THE IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY APPROVING THE ISSUANCE BY THE IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY OF TAX ALLOCATION REFUNDING BONDS RELATING TO THE PALM AVENUE/COMMERCIAL REDEVELOPMENT PROJECT

WHEREAS, the Imperial Beach Redevelopment Agency (the "Original Agency") was a redevelopment agency in the City of Imperial Beach ("City"), duly created pursuant to the California Community Redevelopment Law (Part 1 (commencing with Section 33000) of Division 24 of the California Health and Safety Code) (the "Redevelopment Law"); and

WHEREAS, the City Council has adopted redevelopment plans for Imperial Beach's redevelopment project areas, and from time to time, the City Council has amended such redevelopment plans; and

WHEREAS, the Original Agency was responsible for the administration of redevelopment activities within the City; and

WHEREAS, Assembly Bill No. X1 26 (2011-2012 1st Ex. Sess.) ("AB 26") was signed by the Governor of California on June 28, 2011, making certain changes to the Redevelopment Law and the California Health and Safety Code, including adding Part 1.8 (commencing with Section 34161) ("Part 1.8") and Part 1.85 (commencing with Section 34170) ("Part 1.85") to Division 24 of the California Health and Safety Code; and

WHEREAS, pursuant to AB 26, as modified by the California Supreme Court on December 29, 2011 by its decision in *California Redevelopment Association v. Matosantos*, all California redevelopment agencies, including the Original Agency, were dissolved on February 1, 2012, and successor agencies were designated and vested with the responsibility of paying, performing and enforcing the enforceable obligations of the former redevelopment agencies and expeditiously winding down the business and fiscal affairs of the former redevelopment agencies; and

WHEREAS, the City Council of the City adopted Resolution No. 2012-7136 on January 5, 2012, pursuant to Part 1.85 of AB 26, electing for the City to serve as the successor agency to the Original Agency upon the dissolution of the Original Agency under AB 26 (the "Successor Agency"); and

WHEREAS, on February 15, 2012, the Board of Directors of the Successor Agency, adopted Resolution No. SA-12-01 naming itself the "Imperial Beach Redevelopment Agency Successor Agency," the sole name by which it will exercise its powers and fulfill its duties pursuant to Part 1.85 of AB 26, and establishing itself as a separate legal entity with rules and regulations that will apply to the governance and operations of the Successor Agency; and

WHEREAS, as part of the FY 2012-2013 State budget package, on June 27, 2012, the Legislature passed and the Governor signed Assembly Bill No. 1484 ("AB 1484", Chapter 26, Statutes 2012). Although the primary purpose of AB 1484 was to make technical and substantive amendments to AB 26 based on issues that have arisen in the implementation of AB 26, AB 1484 imposes additional statutory provisions relating to the activities and obligations

of successor agencies and to the wind down process of former redevelopment agencies, including, without limitation, refunding or refinancing bonds or other indebtedness; and

WHEREAS, California Health and Safety Code Section 34179 of AB 26 as amended by AB 1484 (collectively, the "Dissolution Act") establishes a seven (7) member local entity with respect to each successor agency and such entity is titled the "oversight board". The oversight board has been established for the Successor Agency (hereinafter referred to as the "Oversight Board") and all seven (7) members have been appointed to the Oversight Board pursuant to California Health and Safety Code Section 34179. The duties and responsibilities of the Oversight Board are primarily set forth in California Health and Safety Code Sections 34179 through 34181 of the Dissolution Act; and

WHEREAS, pursuant to California Health and Safety Code Section 34179.7 of the Dissolution Act, the California Department of Finance (the "Department of Finance") has issued a Finding of Completion to the Successor Agency; and

WHEREAS, the Original Agency is obligated to pay the original amount of \$22,765,000 under two Loan Agreements (the "2003 Loan Agreements") entered into in 2003 in connection with the issuance by the Imperial Beach Financing Authority, a joint powers authority created by and among the Original Agency and the City of Imperial Beach (the "City"), of its \$22,765,000 original amount of Tax Allocation Revenue Bonds, 2003 Series A (Palm Avenue/Commercial Redevelopment Project) (the "Authority Bonds") for the purpose of financing programs, projects and activities relating to the Original Agency's Palm Avenue/Commercial Redevelopment Project; payments due on the loan obligations are payable primarily from tax increment revenues derived from the Original Agency's Palm Avenue/Commercial Redevelopment Project (the "Redevelopment Project"); and

WHEREAS, AB 1484, among other things, amended the California Health and Safety Code to authorize the Successor Agency to issue bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Refunding Law") for the purpose of achieving debt service savings; and

WHEREAS, the Dissolution Act, at Section 34177.5 of the California Health and Safety Code, authorizes the Successor Agency to undertake proceedings for the refunding of outstanding bonds and other obligations of the Original Agency, subject to the conditions precedent contained in Section 34177.5 and the approval of the Successor Agency's Oversight Board; and

WHEREAS, the Successor Agency has determined that it is in the best financial interests of the Successor Agency to refund, at this time, the 2003 Loan Agreements; and

WHEREAS, on June 12, 2013, the Successor Agency's Oversight Board adopted Resolution No. OB-13-18, directing the Successor Agency to commence the refinancing or refunding of the 2003 Loan Agreements and authorizing the Successor Agency to recover all costs associated with said bond refinancing or refunding. The Department of Finance has approved Resolution No. OB-13-18; and

WHEREAS, the Original Agency has issued its \$21,595,000 aggregate principal amount of Palm Avenue/Commercial Redevelopment Project Tax Allocation Bonds, 2010 Tax Allocation Bonds (the "Series 2010 Bonds") for the purpose of financing redevelopment activities with respect to the Redevelopment Project, pursuant to an Indenture of Trust, dated as of November

1, 2010, by and between the Original Agency and Wells Fargo Bank, N.A., as Trustee (the "Series 2010 Indenture"); and

WHEREAS, the Successor Agency intends to refund the 2003 Loan Agreements by issuing an additional series of bonds designated as the "Imperial Beach Redevelopment Agency Successor Agency Palm Avenue/Commercial Redevelopment Project Tax Allocation Refunding Bonds, Series 2013" (the "Series 2013 Bonds") under and pursuant to the Refunding Law, the Redevelopment Law, the Dissolution Act, the Series 2010 Indenture, and the Constitution and other applicable laws of the State of California, and under, pursuant to and subject to the conditions and limitations of Section 34177.5 of the California Health and Safety Code, and such Bonds will be issued on parity with the Series 2010 Bonds, under and pursuant to the provisions of the Series 2010 Indenture; and

WHEREAS, the issuance of the Series 2013 Bonds will produce debt service savings, thereby increasing the amount of property taxes paid to the taxing entities.

NOW, THEREFORE, BE IT RESOLVED by the Oversight Board of the Imperial Beach Redevelopment Agency Successor Agency, as follows:

SECTION 1. The Oversight Board determines that the proposed issuance of the Series 2013 Bonds will be of benefit to the taxing entities for the reasons set forth above and in the staff report accompanying this Resolution.

SECTION 2. In accordance with the Dissolution Act, including Sections 34177.5 and 34180 of the California Health and Safety Code, the Oversight Board hereby approves the Successor Agency's issuance of the Series 2013 Bonds in accordance with the terms of Successor Agency Resolution No. SA-13-27 and the Series 2010 Indenture, as proposed to be supplemented by a First Supplemental Indenture of Trust (collectively, the "Indenture"), provided that the issuance of the Series 2013 Bonds shall meet and be limited by the requirements of Section 34177.5(a) of the California Health and Safety Code.

SECTION 3. The Oversight Board hereby determines the following, which determinations may be relied on by Successor Agency in its issuance of the Bonds:

(a) As provided in Resolution No. OB-13-18, the Successor Agency is authorized, as provided in Section 34177.5(f) of the California Health and Safety Code, to recover its costs related to the issuance of the Bonds from the proceeds of the Bonds, including the cost of reimbursing the Successor Agency and City for administrative staff time spent with respect to the authorization, issuance, sale and delivery of the Bonds;

(b) The application of proceeds of the Bonds by the Successor Agency to the refunding of the 2003 Loan Agreements, as well as the payment by the Successor Agency of costs of issuance of the Bonds, as provided in the Indenture and authorized by Sections 34177.5(a) and (f) of the California Health and Safety Code, shall be implemented by the Successor Agency promptly upon delivery of the Bonds to the Underwriter, notwithstanding Section 34177.3 of the California Health and Safety Code or any other provision of law to the contrary, and without any further approval of the Oversight Board, or approval of the Department of Finance, the San Diego County Auditor-Controller or any other person or entity other than the Successor Agency;

(c) The Successor Agency shall enter the amounts of the final debt service determined upon sale and delivery of the Bonds into Exhibit B—Debt Service Schedule attached

to the First Supplement and the amounts so entered shall be final and conclusive upon the Oversight Board, the Department of Finance and all other interested persons and entities and the Debt Service Schedule shall not be amended except as provided in the Indenture; and

(d) The Successor Agency shall be entitled to receive its full allocation of the Administrative Cost Allowance under Sections 34171(b) and 34183(a)(3) of the California Health and Safety Code, at an amount of not less than \$250,000 per fiscal year, without any deductions with respect to continuing costs related to the Bonds, such as trustee's fees, auditing fees and fiscal consultant fees and continuing disclosure and rating agency costs (collectively, "Continuing Costs of Issuance"), and such Continuing Costs of Issuance shall be enforceable obligations payable from property tax revenues pursuant to Sections 34171(d)(1) and 34183(a)(2) of the California Health and Safety Code.

SECTION 4. This Resolution shall take effect immediately upon its passage; provided, however, that the Successor Agency will not issue the Series 2013 Bonds until either this Oversight Board action is deemed effective pursuant to the Dissolution Act or such Oversight Board action has been approved by the Department of Finance if review of this Oversight Board action is requested by the Department of Finance in accordance with the Dissolution Act.

PASSED, APPROVED, AND ADOPTED by the Oversight Board of the Imperial Beach Redevelopment Agency Successor Agency at its meeting held on the 11th day of September 2013, by the following vote:

AYES:	BOARD MEMBERS:
NOES:	BOARD MEMBERS:
ABSENT:	BOARD MEMBERS:

MAYDA C. WINTER, CHAIRPERSON

ATTEST:

JACQUELINE M. HALD, MMC
SUCCESSOR AGENCY SECRETARY

RESOLUTION NO. 2013-7382

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IMPERIAL BEACH, CALIFORNIA, APPROVING THE ISSUANCE BY THE IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY OF TAX ALLOCATION REFUNDING BONDS RELATING TO THE PALM AVENUE/COMMERCIAL REDEVELOPMENT PROJECT

WHEREAS, to provide funds to finance and refinance redevelopment activities of the Imperial Beach Redevelopment Agency (the "Original Agency"), the Imperial Beach Financing Authority (the "Authority"), a joint powers authority created by and among the Original Agency and the City of Imperial Beach (the "City"), issued its \$22,765,000 original amount of Tax Allocation Revenue Bonds, 2003 Series A (Palm Avenue/Commercial Redevelopment Project) (the "2003 Authority Bonds") pursuant to an Indenture of Trust, dated as of November 1, 2003 (the "2003 Indenture"), by and between the Original Agency and Wells Fargo Bank, N.A., as Trustee (the "Trustee") and loaned the proceeds to the Original Agency pursuant to two Loan Agreements (the "2003 Loan Agreements") for the purpose of financing programs, projects and activities relating to the Original Agency's Palm Avenue/Commercial Redevelopment Project (the "Redevelopment Project"); and

WHEREAS, by implementation of California Assembly Bill No. X1 26 signed by the Governor of the State of California on June 28, 2011 ("AB 26"), which amended provisions of the California Community Redevelopment Law (found at California Health and Safety Code Section 33000, *et. seq.*, herein, the "Redevelopment Law") and added Part 1.8 and Part 1.85 to Division 24 of the California Health and Safety Code, and due to the California Supreme Court's decision in *California Redevelopment Association v. Matosantos*, the Original Agency was dissolved on February 1, 2012 in accordance with AB 26; and

WHEREAS, the City Council of the City adopted Resolution No. 2012-7136 on January 5, 2012, pursuant to Part 1.85 of AB 26, electing for the City to serve as the successor agency to the Original Agency upon the dissolution of the Original Agency under AB 26 (the "Successor Agency"); and

WHEREAS, on February 1, 2012, the Successor Agency, in accordance with and pursuant to AB 26 and by operation of law, assumed the duties and obligations set forth in AB 26 for the Original Agency, including, without limitation, the obligations of the Original Agency under the 2003 Loan Agreements, the Series 2010 Indenture (described below) and related documents to which the Original Agency was a party; and

WHEREAS, on February 15, 2012, the Board of Directors of the Successor Agency, adopted Resolution No. SA-12-01 naming itself the "Imperial Beach Redevelopment Agency Successor Agency," the sole name by which it will exercise its powers and fulfill its duties pursuant to Part 1.85 of AB 26, and establishing itself as a separate legal entity with rules and regulations that will apply to the governance and operations of the Successor Agency; and

WHEREAS, AB 26 was amended by California Assembly Bill No. 1484, which was signed by the Governor of the State of California on June 27, 2012 ("AB 1484"), (AB 26 and AB 1484 are referred to collectively herein as the "Dissolution Act"); and

WHEREAS, AB 1484, among other things, amended the California Health and Safety Code to authorize the Successor Agency to issue bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Refunding Law") for the purpose of achieving debt service savings; and

WHEREAS, to provide funds, among other purposes, to achieve debt service savings by prepaying the 2003 Loan Agreements and, thereby, refunding the 2003 Authority Bonds, the Successor Agency has authorized the issuance pursuant to the Refunding Law of its Imperial Beach Redevelopment Agency Successor Agency Palm Avenue/Commercial Redevelopment Project Tax Allocation Refunding Bonds, Series 2013; (the "Bonds"); and

WHEREAS, in accordance with the requirements of the Redevelopment Law at Section 33640 of the California Health and Safety Code, the City Council wishes at this time to approve the issuance of the Bonds by the Successor Agency.

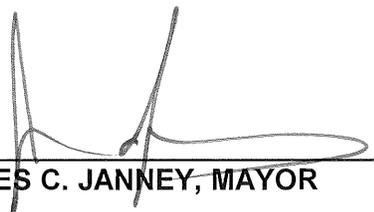
NOW, THEREFORE, BE IT RESOLVED by the City Council, as follows:

Section 1. The issuance of the Bonds by the Successor Agency for the purposes of refinancing programs, projects and activities of the Successor Agency relating to the Redevelopment Project is hereby approved.

Section 2. This Resolution shall take effect immediately upon its passage.

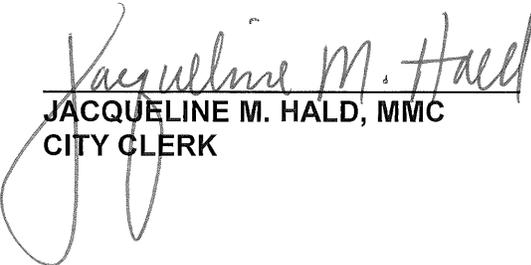
PASSED, APPROVED, AND ADOPTED by the City Council of the City of Imperial Beach at its meeting held on the 4th day of September 2013, by the following vote:

AYES: COUNCIL MEMBER: SPRIGGS, BILBRAY, PATTON, BRAGG, JANNEY
NOES: COUNCIL MEMBER:
ABSENT: COUNCIL MEMBER:



JAMES C. JANNEY, MAYOR

ATTEST:



JACQUELINE M. HALD, MMC
CITY CLERK

RESOLUTION NO. FA-13-04

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE IMPERIAL BEACH FINANCING AUTHORITY APPROVING REFUNDING INSTRUCTIONS IN CONNECTION WITH TAX ALLOCATION BONDS RELATING TO THE PALM AVENUE/COMMERCIAL REDEVELOPMENT PROJECT AND AUTHORIZING OFFICIAL ACTIONS AND EXECUTION OF DOCUMENTS RELATED THERETO

WHEREAS, to provide funds to finance and refinance redevelopment activities of the Imperial Beach Redevelopment Agency (the "Original Agency"), the Imperial Beach Financing Authority (the "Authority"), a joint powers authority created by and among the Original Agency and the City of Imperial Beach (the "City"), issued its \$22,765,000 original amount of Tax Allocation Revenue Bonds, 2003 Series A (Palm Avenue/Commercial Redevelopment Project) (the "2003 Authority Bonds") pursuant to an Indenture of Trust, dated as of November 1, 2003 (the "2003 Indenture"), by and between the Original Agency and Wells Fargo Bank, N.A., as Trustee (the "Trustee") and loaned the proceeds to the Original Agency pursuant to two Loan Agreements (the "2003 Loan Agreements") for the purpose of financing programs, projects and activities relating to the Original Agency's Palm Avenue/Commercial Redevelopment Project (the "Redevelopment Project"); and

WHEREAS, by implementation of California Assembly Bill No. X1 26 signed by the Governor of the State of California on June 28, 2011 ("AB 26"), which amended provisions of the California Community Redevelopment Law (found at California Health and Safety Code Section 33000, *et seq.*, herein, the "Redevelopment Law") and added Part 1.8 and Part 1.85 to Division 24 of the California Health and Safety Code, and due to the California Supreme Court's decision in *California Redevelopment Association v. Matosantos*, the Original Agency was dissolved on February 1, 2012 in accordance with AB 26; and

WHEREAS, the City Council of the City adopted Resolution No. 2012-7136 on January 5, 2012, pursuant to Part 1.85 of AB 26, electing for the City to serve as the successor agency to the Original Agency upon the dissolution of the Original Agency under AB 26 (the "Successor Agency"); and

WHEREAS, on February 1, 2012, the Successor Agency, in accordance with and pursuant to AB 26 and by operation of law, assumed the duties and obligations set forth in AB 26 for the Original Agency, including, without limitation, the obligations of the Original Agency under the 2003 Loan Agreements, the Series 2010 Indenture (described below) and related documents to which the Original Agency was a party; and

WHEREAS, on February 15, 2012, the Board of Directors of the Successor Agency, adopted Resolution No. SA-12-01 naming itself the "Imperial Beach Redevelopment Agency Successor Agency," the sole name by which it will exercise its powers and fulfill its duties pursuant to Part 1.85 of AB 26, and establishing itself as a separate legal entity with rules and regulations that will apply to the governance and operations of the Successor Agency; and

WHEREAS, AB 26 was amended by California Assembly Bill No. 1484, which was signed by the Governor of the State of California on June 27, 2012 ("AB 1484"), (AB 26 and AB 1484 are referred to collectively herein as the "Dissolution Act"); and

WHEREAS, AB 1484, among other things, amended the California Health and Safety Code to authorize the Successor Agency to issue bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Refunding Law") for the purpose of achieving debt service savings; and

WHEREAS, to provide funds, among other purposes, to achieve debt service savings by prepaying the 2003 Loan Agreements and, thereby, refunding the 2003 Authority Bonds, the Successor Agency has authorized the issuance pursuant to the Refunding Law of its Imperial Beach Redevelopment Agency Successor Agency Palm Avenue/Commercial Redevelopment Project Tax Allocation Refunding Bonds, Series 2013; (the "Bonds"); and

WHEREAS, the Authority desires to direct the Trustee to create an irrevocable escrow for the purpose of providing for the prepayment of the 2003 Loan Agreements and the refunding of the 2003 Authority Bonds, pursuant to Irrevocable Refunding Instructions, the form of which is on file with the Secretary and is referred to herein as the "Refunding Instructions"; and

WHEREAS, the Board of Directors of the Authority (the "Board"), with the aid of its staff, has reviewed the Refunding Instructions and desires to approve the Refunding Instructions and the transactions to be implemented thereby.

NOW, THEREFORE, BE IT RESOLVED by the Imperial Beach Financing Authority, as follows:

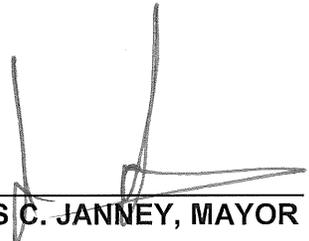
Section 1. The Refunding Instructions, in substantially the form on file with the Secretary of the Authority (the "Secretary") is hereby approved and adopted. The Chairperson, the Executive Director, and the Treasurer of the Authority (each, an "Authorized Officer"), are hereby authorized to execute the Refunding Instructions in substantially the form presented to the Board and filed with the Secretary, with such revisions, amendments and completions as may be approved by an Authorized Officer, with the advice of Bond Counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 2. The Chairperson, the Executive Director, the Treasurer, the Secretary, the General Counsel of the Authority, and any and all other officers of the Authority are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions necessary or desirable in connection with the prepayment of the 2003 Loan Agreements and the refunding of the 2003 Authority Bonds in implementation of the transactions as described herein.

Section 3. This Resolution shall take effect immediately upon its passage.

PASSED, APPROVED, AND ADOPTED by the City Council of the City of Imperial Beach at its meeting held on the 4th day of September 2013, by the following vote:

AYES: COUNCIL MEMBER: SPRIGGS, BILBRAY, PATTON, BRAGG, JANNEY
NOES: COUNCIL MEMBER:
ABSENT: COUNCIL MEMBER:



JAMES C. JANNEY, MAYOR

ATTEST:



JACQUELINE M. HALD, MMC
CITY CLERK

RESOLUTION NO. SA-13-27

A RESOLUTION OF THE IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY AUTHORIZING THE ISSUANCE AND PRESCRIBING THE TERMS, CONDITIONS AND FORM OF THE IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY PALM AVENUE/COMMERCIAL REDEVELOPMENT PROJECT TAX ALLOCATION REFUNDING BONDS, SERIES 2013; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A FIRST SUPPLEMENTAL INDENTURE OF TRUST AND A BOND PURCHASE AGREEMENT; APPROVING THE FORM OF AND AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZING EXECUTION AND DELIVERY OF AN OFFICIAL STATEMENT; APPROVING THE RETENTION OF AN UNDERWRITER; AUTHORIZING PAYMENT OF COSTS OF ISSUANCE; AND AUTHORIZING AND APPROVING NECESSARY ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Imperial Beach Redevelopment Agency (the "Original Agency") is obligated to pay the original amount of \$22,765,000 under two Loan Agreements (the "2003 Loan Agreements") entered into in 2003 in connection with the issuance by the Imperial Beach Financing Authority, a joint powers authority created by and among the Original Agency and the City of Imperial Beach (the "City"), of its \$22,765,000 original amount of Tax Allocation Revenue Bonds, 2003 Series A (Palm Avenue/Commercial Redevelopment Project) (the "Authority Bonds") for the purpose of financing programs, projects and activities relating to the Original Agency's Palm Avenue/Commercial Redevelopment Project; payments due on the loan obligations are payable primarily from tax increment revenues derived from the Original Agency's Palm Avenue/Commercial Redevelopment Project (the "Redevelopment Project"); and

WHEREAS, by implementation of California Assembly Bill No. X1 26 signed by the Governor of the State of California on June 28, 2011 ("AB 26"), which amended provisions of the California Community Redevelopment Law (found at California Health and Safety Code Section 33000, *et seq.*, herein, the "Redevelopment Law") and added Part 1.8 and Part 1.85 to Division 24 of the California Health and Safety Code, and due to the California Supreme Court's decision in *California Redevelopment Association v. Matosantos*, the Original Agency was dissolved on February 1, 2012 in accordance with AB 26; and

WHEREAS, the City Council of the City adopted Resolution No. 2012-7136 on January 5, 2012, pursuant to Part 1.85 of AB 26, electing for the City to serve as the successor agency to the Original Agency upon the dissolution of the Original Agency under AB 26 (the "Successor Agency"); and

WHEREAS, on February 1, 2012, the Successor Agency, in accordance with and pursuant to AB 26 and by operation of law, assumed the duties and obligations set forth in AB 26 for the Original Agency, including, without limitation, the obligations of the Original Agency under the 2003 Loan Agreements, the Series 2010 Indenture (described below) and related documents to which the Original Agency was a party; and

WHEREAS, on February 15, 2012, the Board of Directors of the Successor Agency, adopted Resolution No. SA-12-01 naming itself the "Imperial Beach Redevelopment Agency

Successor Agency," the sole name by which it will exercise its powers and fulfill its duties pursuant to Part 1.85 of AB 26, and establishing itself as a separate legal entity with rules and regulations that will apply to the governance and operations of the Successor Agency; and

WHEREAS, AB 26 was amended by California Assembly Bill No. 1484, which was signed by the Governor of the State of California on June 27, 2012 ("AB 1484"), (AB 26 and AB 1484 are referred to collectively herein as the "Dissolution Act"); and

WHEREAS, AB 1484, among other things, amended the California Health and Safety Code to authorize the Successor Agency to issue bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Refunding Law") for the purpose of achieving debt service savings; and

WHEREAS, the Dissolution Act, at Section 34177.5 of the California Health and Safety Code, authorizes the Successor Agency to undertake proceedings for the refunding of outstanding bonds and other obligations of the Original Agency, subject to the conditions precedent contained in Section 34177.5 and the approval of the Successor Agency's Oversight Board; and

WHEREAS, the Successor Agency has determined that it is in the best financial interests of the Successor Agency to refund, at this time, the 2003 Loan Agreements; and

WHEREAS, on June 12, 2013, the Successor Agency's Oversight Board adopted Resolution No. OB-13-18, directing the Successor Agency to commence the refinancing or refunding of the 2003 Loan Agreements and authorizing the Successor Agency to recover all costs associated with said bond refinancing or refunding. The California Department of Finance (the "Department of Finance") has approved Resolution No. OB-13-18; and

WHEREAS, the Original Agency has issued its \$21,595,000 aggregate principal amount of Palm Avenue/Commercial Redevelopment Project Tax Allocation Bonds, 2010 Tax Allocation Bonds (the "Series 2010 Bonds") for the purpose of financing redevelopment activities with respect to the Redevelopment Project, pursuant to an Indenture of Trust, dated as of November 1, 2010, by and between the Original Agency and Wells Fargo Bank, N.A., as Trustee (the "Series 2010 Indenture"); and

WHEREAS, the Successor Agency intends to refund the 2003 Loan Agreements by issuing an additional series of bonds designated as the "Imperial Beach Redevelopment Agency Successor Agency Palm Avenue/Commercial Redevelopment Project Tax Allocation Refunding Bonds, Series 2013" (as further described below, the "Bonds") under and pursuant to the Refunding Law, the Redevelopment Law, the Dissolution Act, the Series 2010 Indenture, and the Constitution and other applicable laws of the State of California, and under, pursuant to and subject to the conditions and limitations of Section 34177.5 of the California Health and Safety Code, and such Bonds will be issued on parity with the Series 2010 Bonds, under and pursuant to the provisions of the Series 2010 Indenture.

NOW, THEREFORE, BE IT RESOLVED by the Imperial Beach Redevelopment Agency Successor Agency, as follows:

Section 1. Conditions Precedent. Except as provided in Section 16 below, and provided that the issuance of the Bonds shall meet and be limited by the requirements of Section 34177.5(a) of the California Health and Safety Code, all conditions, things and acts

required by law to exist, to happen and to be performed precedent to and in connection with the issuance by the Successor Agency of the Bonds exist, have happened and been performed in due time, form and manner, in accordance with applicable law, and the Successor Agency is now authorized pursuant to the Refunding Law at Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, in accordance with the Dissolution Act at Section 34177.5 of the California Health and Safety Code, to issue the Bonds in the manner and form provided in this Resolution.

Section 2. First Supplemental Indenture. The First Supplemental Indenture of Trust (the "First Supplement"), between the Successor Agency and the Trustee, in substantially the form on file with the Secretary of the Successor Agency (the "Secretary"), is hereby approved and adopted. The Executive Director of the Successor Agency (the "Executive Director") or the Finance Officer of the Successor Agency (each an "Authorized Officer"), each acting alone, or the designee of either, is hereby authorized, and directed to execute and the Secretary is hereby authorized to attest to, the First Supplement in substantially the form presented to the Successor Agency Board of Directors (the "Board") and on file with the Secretary, with such changes, additions, amendments or modifications (including but not limited to changes, additions, amendments or modifications necessary to obtain ratings on the Bonds, or a municipal bond insurance commitment or reserve fund surety bond for the Bonds) that are approved by an Authorized Officer, in consultation with legal counsel to the Successor Agency ("Counsel"), as being in the interest of the Successor Agency, such approval to be conclusively evidenced by said execution. The Successor Agency hereby agrees to comply with, or cause to be complied with, all covenants of the Successor Agency set forth in the Series 2010 Indenture and the First Supplement.

Section 3. Issuance of Bonds. The Board of the Successor Agency hereby authorizes the issuance of the Bonds, which shall be designated the "Imperial Beach Redevelopment Agency Successor Agency Palm Avenue/Commercial Redevelopment Project Tax Allocation Refunding Bonds, Series 2013" in an aggregate principal amount not in excess of the amount required to defease the 2003 Loan Agreements, to establish customary debt service reserves, and to pay related costs of issuance of the Bonds, provided that the total interest cost to maturity on the Bonds plus the principal amount of the Bonds shall not exceed the total remaining interest cost to maturity on the 2003 Loan Agreements plus the remaining principal of the 2003 Loan Agreements as required by Section 34177.5(a) of the California Health and Safety Code.

Section 4. Form of Bonds. The form of the Bonds, in substantially the form attached to the First Supplement, is hereby approved and adopted. Each Authorized Officer, acting alone, is hereby authorized and directed to approve and to execute the Bonds by manual or facsimile signature, and the Secretary is hereby authorized and directed to attest, by manual or facsimile signature, such signature on the Bonds, with such changes, additions, amendments or modifications made in accordance with Section 10 hereof.

Section 5. Bond Purchase Agreement. The Bonds shall be offered for purchase by an underwriter firm to be designated by an Authorized Officer, in consultation with the Successor Agency's financial advisor, pursuant to a request for proposal process, according to the terms set forth in a Purchase Agreement (the "Purchase Agreement"), by and between the Successor Agency and the underwriter, substantially in the form submitted to the Board at this meeting and on file with the Secretary. Such form Purchase Agreement is hereby approved, and an Authorized Officer, or the designee of either, is hereby authorized and directed to execute and deliver said Purchase Agreement with such changes therein as the Authorized Officer may approve, in consultation with Counsel, such approval to be conclusively evidenced

by the execution and delivery of such Purchase Agreement, provided that the aggregate principal amount of Bonds to be issued shall not exceed the amount described in Section 3 hereof, and the underwriters' discount (excluding original issue discount, if any) shall not exceed one percent (1.0%).

Section 6. Appointment of Depositories and Other Agents. The Authorized Officers, each acting alone, or the designee of either, is hereby authorized and directed to appoint from time to time one or more depositories for the Bonds, as they may deem desirable. The Authorized Officers, each acting alone, or the designee of either, is hereby also authorized and directed to appoint from time to time one or more agents, as he/she may deem necessary or desirable. To the extent permitted by applicable law, and under the supervision of an Authorized Officer, such agents may serve as paying agent, trustee or registrar for the Bonds, or financial printer or may assist the Authorized Officer in performing any or all of such functions and other duties as the Authorized Officer shall determine. Such agents shall serve under such terms and conditions, as an Authorized Officer shall determine. An Authorized Officer may remove or replace agents appointed pursuant to this Section at any time.

Section 7. Official Statement. The form of proposed preliminary official statement (the "Preliminary Official Statement"), in substantially the form presented to the Board and on file with the Secretary, is hereby approved and adopted with such changes, additions, amendments or modifications as may be made in accordance with Section 10 hereof. The Authorized Officers, acting alone, are each hereby authorized to cause the distribution of the Preliminary Official Statement for the Bonds, deemed final by the Board for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities and Exchange Act of 1934, as amended, and the Authorized Officers are each separately authorized to execute a certificate to that effect. The Authorized Officers are each separately authorized and directed to sign a final Official Statement for the Bonds. The Authorized Officers are each hereby authorized and directed to cause to be printed and mailed to prospective purchasers of the Bonds copies of the Preliminary Official Statement and the final Official Statement.

Section 8. Payment of Costs of Issuance. The Finance Officer is hereby authorized and directed to pay, or cause to be paid on behalf of the Successor Agency, the costs of issuance associated with the Bonds and incurred in connection with the refunding of the 2003 Loan Agreements, as approved by the Successor Agency's Oversight Board and the Department of Finance pursuant to and in accordance with the Dissolution Act.

Section 9. Savings Parameters Confirmation. Prior to the delivery of the Bonds to the Underwriter, staff of the Successor Agency shall cause independent certified public accountant(s), as the verification agent with respect to the refunding proceedings, to confirm that the debt service savings as a result of the refunding of the 2003 Loan Agreements and, thereby, the refunding of the Authority Bonds will achieve debt service savings within the parameters set forth in Section 34177.5(a) of the California Health and Safety Code will be met, and if not met the issuance of the Bonds shall not proceed.

Section 10. Modification to Documents. Any Successor Agency official authorized by this Resolution to execute any document is hereby further authorized, in consultation with the Authorized Officers and Counsel, to approve and make such changes, additions, amendments or modifications to the document or documents that the Successor Agency official is authorized to execute, as may be necessary or advisable (provided that such changes, additions, amendments or modification shall not cause the issuance of bonds to fail to meet the requirements of Section 34177.5 of the California Health and Safety Code). The approval of

any change, addition, amendment or modification to any of the aforementioned documents shall be evidenced conclusively by the execution and delivery of the document in question.

Section 11. Oversight Board Approval of the Issuance of the Bonds. The Successor Agency hereby requests the Oversight Board to approve, by Resolution, the issuance of the Bonds in accordance with the terms of this Resolution and the Series 2010 Indenture, as proposed to be supplemented by the First Supplement (collectively, the "Indenture").

Section 12. Determinations by the Oversight Board. The Successor Agency hereby requests that the Oversight Board make the following determinations, by Resolution, upon which the Successor Agency will rely in its issuance of the Bonds:

(a) As provided in Resolution No. OB-13-18, the Successor Agency is authorized, as provided in Section 34177.5(f) of the California Health and Safety Code, to recover its costs related to the issuance of the Bonds from the proceeds of the Bonds, including the cost of reimbursing the Successor Agency and City for administrative staff time spent with respect to the authorization, issuance, sale and delivery of the Bonds;

(b) The application of proceeds of the Bonds by the Successor Agency to the refunding of the 2003 Loan Agreements, as well as the payment by the Successor Agency of costs of issuance of the Bonds, as provided in the Indenture and authorized by Sections 34177.5(a) and (f) of the California Health and Safety Code, shall be implemented by the Successor Agency promptly upon delivery of the Bonds to the Underwriter, notwithstanding Section 34177.3 of the California Health and Safety Code or any other provision of law to the contrary, and without any further approval of the Oversight Board, or approval of the Department of Finance, the San Diego County Auditor-Controller or any other person or entity other than the Successor Agency;

(c) The Successor Agency shall enter the amounts of the final debt service determined upon sale and delivery of the Bonds into Exhibit B—Debt Service Schedule attached to the First Supplement and the amounts so entered shall be final and conclusive upon the Oversight Board, the Department of Finance and all other interested persons and entities and the Debt Service Schedule shall not be amended except as provided in the Indenture; and

(d) The Successor Agency shall be entitled to receive its full allocation of the Administrative Cost Allowance under Sections 34171(b) and 34183(a)(3) of the California Health and Safety Code, at an amount of not less than \$250,000 per fiscal year, without any deductions with respect to continuing costs related to the Bonds, such as trustee's fees, auditing fees and fiscal consultant fees and continuing disclosure and rating agency costs (collectively, "Continuing Costs of Issuance"), and such Continuing Costs of Issuance shall be enforceable obligations payable from property tax revenues pursuant to Sections 34171(d)(1) and 34183(a)(2) of the California Health and Safety Code.

Section 13. Filing of this Resolution. The Secretary of the Successor Agency is hereby authorized and directed to file an executed copy of this Resolution with the Oversight Board and, as provided in Section 34180(j) of the California Health and Safety Code, concurrently with the San Diego County Administrative Officer, the San Diego County Auditor-Controller and the Department of Finance.

Section 14. Ratification. All actions heretofore taken by the officials, employees and agents of the Successor Agency with respect to the sale and issuance of the Bonds are hereby approved, confirmed and ratified.

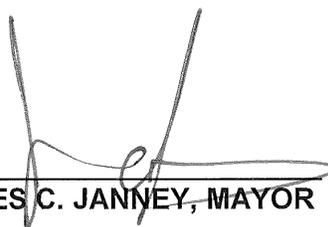
Section 15. General Authority. The Authorized Officers, the Secretary or each such person's duly authorized designee and agent, and any other officials of the Successor Agency and their duly authorized designee and agents are hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents including, but not limited to, a Continuing Disclosure Certificate, refunding instructions or escrow agreements required to be executed in connection with the refunding of the Series 2003 Bonds, and a letter of representation to any depository for the Bonds, and petition for a final and conclusive determination from the Department of Finance pursuant to Section 34177.5(i) of the California Health and Safety Code, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds, and to effectuate the purposes thereof and of the documents herein approved in accordance with this Resolution.

The Authorized Officers may designate in writing one or more persons to perform any act, which such persons are hereby authorized by this Resolution to perform.

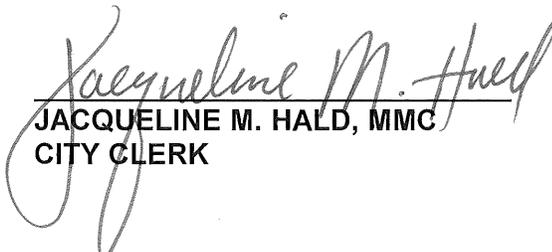
Section 16. Effect. This Resolution shall take effect immediately upon its passage; provided, however, that the Successor Agency will not execute and deliver the documents approved hereby or issue the Bonds until such execution, delivery and issuance has been approved by the Successor Agency's Oversight Board, and until either the Oversight Board action is deemed effective pursuant to the Dissolution Act or such Oversight Board action has been approved by the Department of Finance if review of the Oversight Board action is requested by the Department of Finance in accordance with the Dissolution Act.

PASSED, APPROVED, AND ADOPTED by the City Council of the City of Imperial Beach at its meeting held on the 4th day of September 2013, by the following vote:

AYES: COUNCIL MEMBER: SPRIGGS, BILBRAY, PATTON, BRAGG, JANNEY
NOES: COUNCIL MEMBER:
ABSENT: COUNCIL MEMBER:


JAMES C. JANNEY, MAYOR

ATTEST:


JACQUELINE M. HALD, MMC
CITY CLERK



Contacts

Mike Kremer

Senior Vice President

1620 26th Street, Suite 230-S

Santa Monica, CA 90404

310.401.8052

michael.kremer@firstsw.com

Phillip Curls

Assistant Vice President

1620 26th Street, Suite 230-S

Santa Monica, CA 90404

310.401.8053

phillip.curls@firstsw.com



Refinancing of Series 2003A Tax Allocation Bonds

September 4, 2013

Presentation to the Successor Agency of Imperial Beach RDA

Table of Contents

Background Section I

Projected Refinancing Savings Section II

Interest Rate Environment Section III

Appendix: FirstSouthwest National Municipal Market Commentary

Background

Section I



S U C C E S S O R A G E N C Y T O I M P E R I A L
B E A C H R E D E V E L O P M E N T A G E N C Y



Tax Allocation Bonds, Series 2003A

- Original Issue: \$22.765 million issued on Dec. 11, 2003
- Outstanding Principal: \$17.965 million with annual maturities on June 1, 2014 - 2033
- Outstanding Interest Rates: 5.00% - 6.00%
- Use of Proceeds: Finance capital improvements in the Palm Avenue/ Commercial Redevelopment Area and affordable housing projects
- Security: 100% of net tax increment revenues (parity lien with 2010 Bonds) and 25% of housing set-aside revenues
- Optional Redemption: On or after 12/1/2013
- S&P Rating: 2003A Bonds are not rated but parity 2010 Bonds are rated "A" (stable outlook)

NEW ISSUE - FULL BOOK - ENTRY ONLY

NO RATING

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions and assuming certain representations and compliance with certain covenants and requirements discussed herein, interest and original issue discount on the Bonds is excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest and original issue discount on the Bonds is exempt from California personal income tax. See the caption "TAX MATTERS."

\$22,765,000

**Imperial Beach Public Financing Authority
Tax Allocation Revenue Bonds,
2003 Series A
(Palm Avenue/Commercial Redevelopment Project)**

Dated: Date of Delivery

Due: June 1 as shown on inside cover hereof

The Tax Allocation Revenue Bonds, 2003 Series A (Palm Avenue/Commercial Redevelopment Project) (the "Bonds") are being issued by the Imperial Beach Public Financing Authority (the "Authority") pursuant to an Indenture of Trust, dated as of November 1, 2003, by and among the Authority, the Imperial Beach Redevelopment Agency (the "Agency") and Wells Fargo Bank, National Association, as trustee, to provide money for loans to the Agency.

Interest on the Bonds will be payable on June 1 and December 1 of each year, commencing June 1, 2004. The Bonds will be issued as fully registered bonds in the denomination of \$5,000 each or any integral multiple thereof. Principal of the Bonds will be payable at the principal corporate trust office of Wells Fargo Bank, National Association, Los Angeles, California as trustee. When issued, the Bonds will be registered in the name of Code & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases may be made in book-entry form only. Principal, premium, if any, and interest on the Bonds will be paid to DTC, which in turn is required to remit such principal and interest to its participants for subsequent dispersal to the beneficial owners of the Bonds as described herein.

The Bonds are subject to optional and mandatory sinking account redemption prior to maturity, as described herein.

Proceeds of the Bonds will be (i) loaned to the Agency to fund redevelopment activities in the Original Area pursuant to Loan Agreement No. 1 (Original Area), dated as of November 1, 2003 (the "Loan Agreement No. 1"), by and between the Agency and the Authority, (ii) loaned to the Agency to fund redevelopment activities in the Amendment Area pursuant to Loan Agreement No. 2 (Amendment Area), dated as of November 1, 2003 (the "Loan Agreement No. 2" together with Loan Agreement No. 1, the "Loan Agreements"), by and between the Agency and the Authority, (iii) to provide for a reserve fund, and (iv) to provide for the costs of issuance of the Bonds.

The Bonds are special obligations of the Authority payable from and secured by Revenues as defined in the Indenture, consisting primarily of amounts payable by the Agency under the Loan Agreements. The Agency's obligations under Loan Agreement No. 1 are secured by a pledge of Original Area Tax Revenues, as defined in Loan Agreement No. 1, and the Agency's obligations under Loan Agreement No. 2 are secured by a pledge of Amendment Area Tax Revenues, as defined in Loan Agreement No. 2.

With the exception of certain statutory payment obligations to other taxing entities, the Agency has no other obligations outstanding with a pledge on Original Area Tax Revenues or Amendment Area Tax Revenues senior to the pledge securing the loans with respect to the Loan Agreements; however, the Agency may incur other obligations having a lien on Original Area Tax Revenues or Amendment Area Tax Revenues on a parity with or subordinate in right of payment to the loans with respect to the Loan Agreements.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM REVENUES, AS DESCRIBED HEREIN, AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS MAINTAINED UNDER THE INDENTURE, AND, AS SUCH, ARE NOT A DEBT OF THE CITY OF IMPERIAL BEACH (THE "CITY") OR THE STATE OF CALIFORNIA OR ANY OF THE STATE'S POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), AND NEITHER THE CITY NOR THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY), IS LIABLE THEREFOR. THE BONDS ARE NOT PAYABLE FROM, AND ARE NOT SECURED BY, ANY FUNDS OF THE AUTHORITY, OTHER THAN THE REVENUES PLEDGED PURSUANT TO THE INDENTURE. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE AUTHORITY NOR ANY PERSONS RESPONSIBLE FOR THE EXECUTION OF THE BONDS ARE LIABLE PERSONALLY FOR PAYMENT OF THE BONDS BY REASON OF THEIR ISSUANCE.

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

The Bonds are offered when, as and if issued, and accepted by the Underwriter, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed on for the Underwriter by Fulbright & Jaworski L.L.P. and for the Agency and the Authority by Lynn McDougal, Esq. It is anticipated that the Bonds will be available for delivery to DTC in book-entry form in New York, New York on or about December 11, 2003.

KINSELL, NEWCOMB  DE DIOS, INC.
INVESTMENT BANKING

Dated: December 2, 2003.

SUCCESSOR AGENCY TO IMPERIAL BEACH REDEVELOPMENT AGENCY



Financing Schedule

Week of	Financing Activity
June 3	Successor Agency (SA) initiates transaction (June 5)
June 10	Oversight Board (OB) initiates transaction (June 12)
June 17	Kick-off conference call with working group (June 18)
July 8	Working group conference call
July 22	First distribution of Fiscal Consultant's Report & bond documents
July 29	First distribution of POS; Working group conference call
Aug. 5	Distribute Underwriter RFP
Aug.12	Second distribution of Fiscal Consultant's Report ,bond documents, & POS
Aug.19	Working group conference call
Aug. 26	Financing Package provided to SA for September 4 Meeting; Underwriter RFP Responses Due
Sept. 2	SA authorize the issuance of the Refunding Bonds (Sept. 4); Financing Package provided to OB for September 11 Meeting
Sept. 9	UW Selected; SA authorize the issuance of the Refunding Bonds (Sept. 11); Submit Financing Package to DOF for approval
Sept. 16	Distribute credit packages to S&P
Oct. 14	Receive S&P Rating
Oct. 21	Distribute credit packages to Bond Insurers
Nov. 11	Deadline for DOF to approve OB action or return item to OB for reconsideration (Nov. 12)
Nov. 18	Distribute POS
Dec. 2	Pricing of Refunding Bonds
Dec. 16	Closing of transaction (2003A Bonds legally defeased)

JUNE 2013

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

JULY 2013

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

AUGUST 2013

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

SEPTEMBER 2013

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

OCTOBER 2013

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

NOVEMBER 2013

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

DECEMBER 2013

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

- = Anticipated City Council/Successor Agency meeting
- = Anticipated Oversight Board meeting
- = City Hall closed

SUCCESSOR AGENCY TO IMPERIAL BEACH REDEVELOPMENT AGENCY

Projected Refinancing Savings

Section II



S U C C E S S O R A G E N C Y T O I M P E R I A L
B E A C H R E D E V E L O P M E N T A G E N C Y



Refinancing of 2003A TABs – Comparison of Past Refunding Analysis

Projected Refunding Savings At Last Market Updates (Approx. Equal Annual Savings Scenario)						
Interest Rates as of	May 6, 2013	June 17, 2013	July 8, 2013	July 31, 2013	August 20, 2013	August 30, 2013
NPV Savings (\$)	\$4,032,052	\$2,788,703	\$1,898,815	\$1,678,118	\$1,415,147	\$1,398,278
NPV Savings (%)	22.44%	15.52%	10.57%	9.34%	7.88%	7.78%
Avg. Annual Savings	\$295,000	\$217,000	\$154,000	\$137,000	\$170,000*	\$164,000*
All-in Cost	3.37%	4.02%	4.60%	4.73%	4.89%	4.93%

* Average annual savings increase due to reduced size of parity debt service reserve fund contribution

S U C C E S S O R A G E N C Y T O I M P E R I A L
B E A C H R E D E V E L O P M E N T A G E N C Y



Refinancing of 2003A TABs – Assumptions and Projected Results

Refunding Assumptions				
Credit Ratings	S&P: A			
Interest Rates as of	August 30, 2013			
Refunded Par	\$17,965,000			
Refunded Maturities	2014 – 2033			
DSRF	Parity Reserve			
Call Features	January 2014 @ 100%			
Projected Refunding Results				
	Approximately Equal Annual Savings through FY 2033		3-yr Upfront Savings Through FY 2016	
	Total	City's Share (26.47%)	Total	City's Share (26.47%)
Avg. Annual Savings	\$164,000 (FY2014-33)	\$43,000 (FY2014-33)	\$718,000 (FY2014-16)	\$190,000 (FY2014-16)
Gross Savings	\$3,279,590	\$868,107	\$2,196,928	\$581,527
NPV Savings (\$)	\$1,398,278	\$370,124	\$1,299,774	\$344,050
NPV Savings (%)	7.78%		7.24%	
All-in-Cost	4.93%		4.97%	

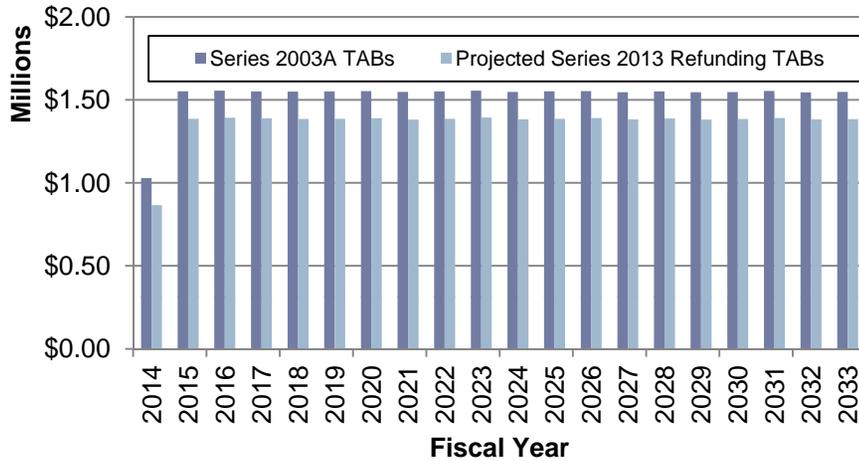
SUCCESSOR AGENCY TO IMPERIAL BEACH REDEVELOPMENT AGENCY



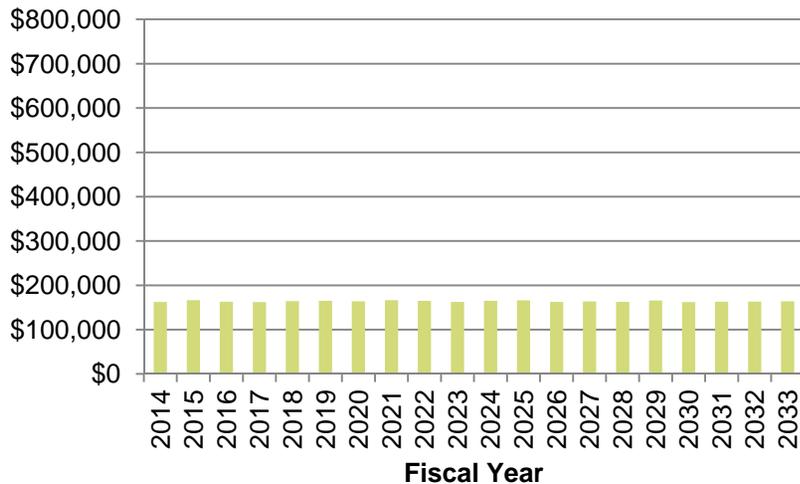
Debt Service Comparison: Approx. Equal Annual Savings & Upfront Savings

Approx. Equal Annual Savings

Series 2003A TABs Debt Service vs. Projected Series 2013 Refunding TABs

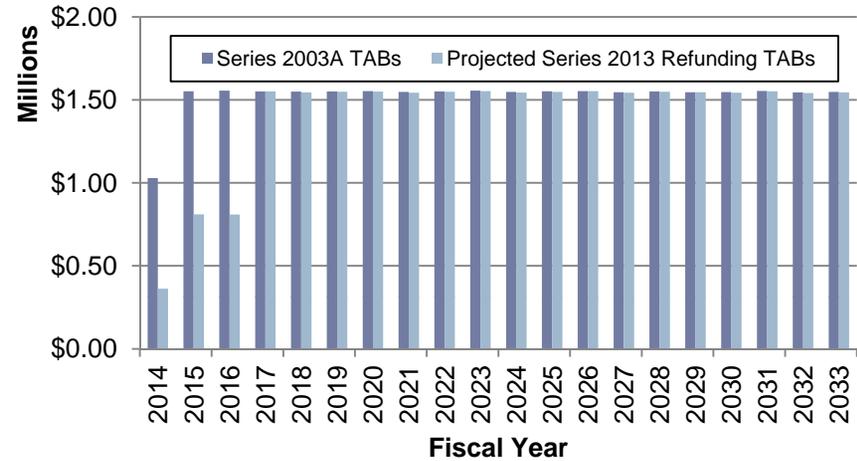


Debt Service Savings

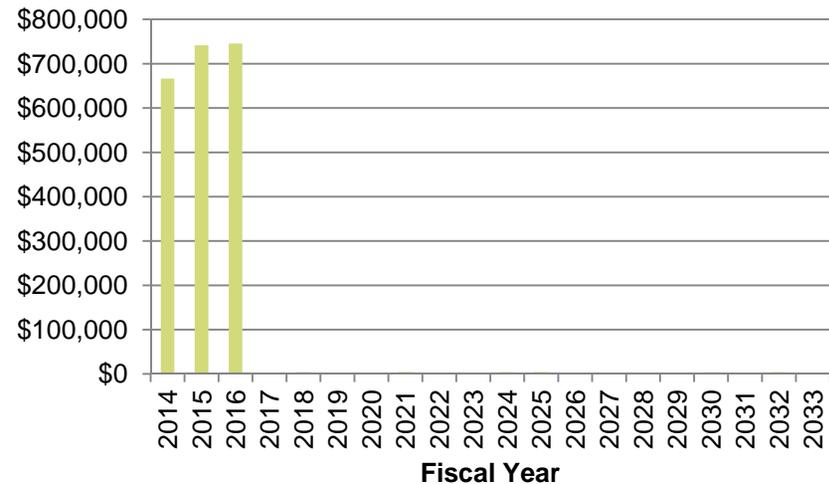


3-yr Upfront Savings

Series 2003A TABs Debt Service vs. Projected Series 2013 Refunding TABs



Debt Service Savings



SUCCESSOR AGENCY TO IMPERIAL BEACH REDEVELOPMENT AGENCY



Refinancing of 2003A TABs: 5-yr & 10-yr Upfront Savings

Projected Refunding Results				
	5-yr Upfront Savings (Through FY 2018)		10-yr Upfront Savings (Through FY 2023)	
	Total	City's Share (26.47 %)	Total	City's Share (26.47 %)
Avg. Annual Savings	\$439,000 (FY2014-18)	\$116,000 (FY2014-18)	\$246,000 (FY2014-23)	\$64,000 (FY2014-23)
Gross Savings	\$2,257,392	\$597,532	\$2,494,908	\$648,676
NPV Savings (\$)	\$1,260,286	\$333,598	\$1,248,864	\$324,705
NPV Savings (%)	7.02%		6.95%	
All-in-Cost	5.00%		5.01%	

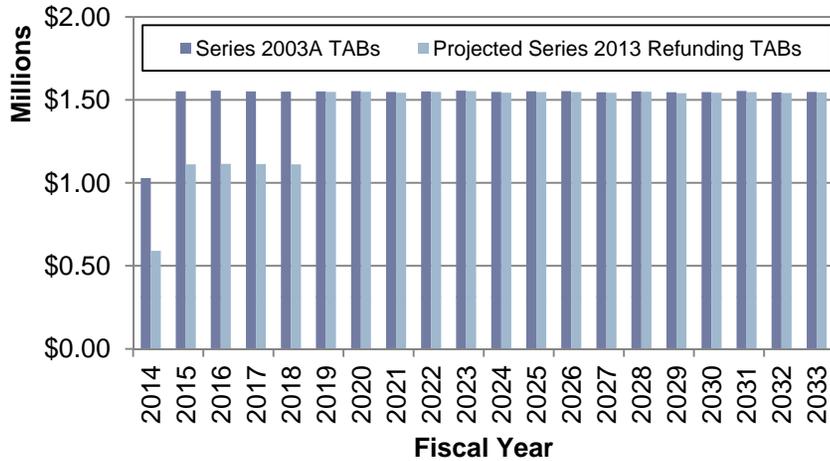
SUCCESSOR AGENCY TO IMPERIAL
BEACH REDEVELOPMENT AGENCY



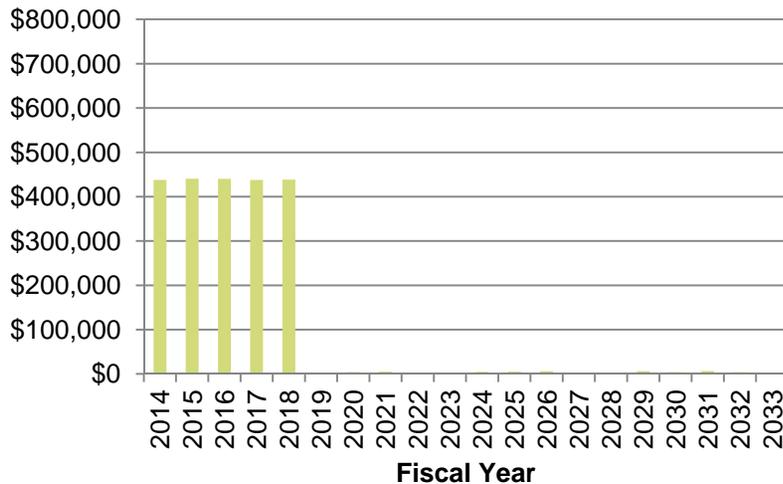
Debt Service Comparison: 5-yr & 10-yr Upfront Savings

5-yr Upfront Savings

Series 2003A TABs Debt Service vs. Projected Series 2013 Refunding TABs

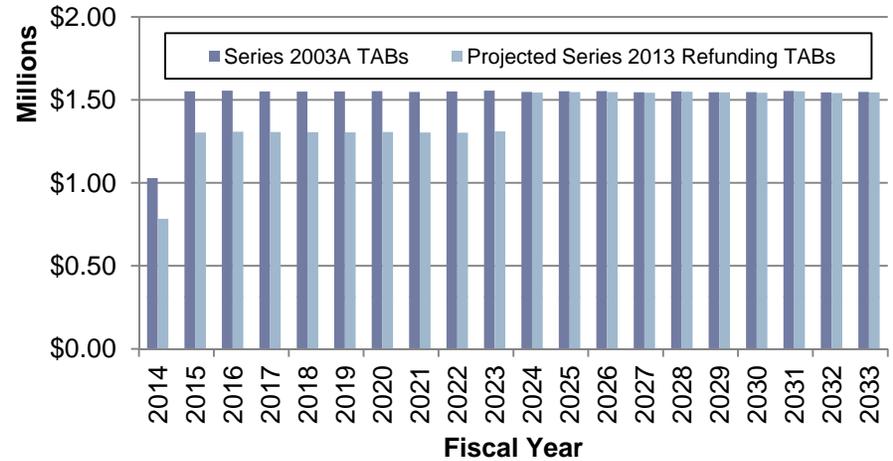


Debt Service Savings

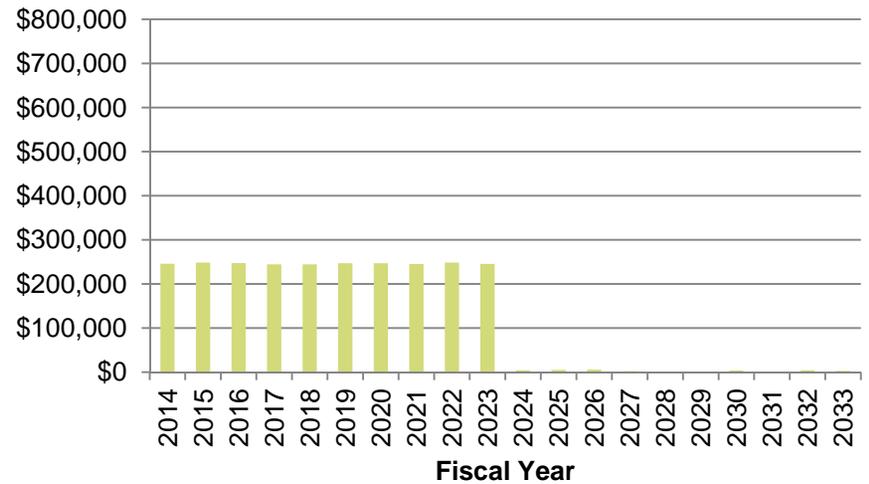


10-yr Upfront Savings

Series 2003A TABs Debt Service vs. Projected Series 2013 Refunding TABs



Debt Service Savings



SUCCESSOR AGENCY TO IMPERIAL BEACH REDEVELOPMENT AGENCY

Interest Rate Environment

Section III

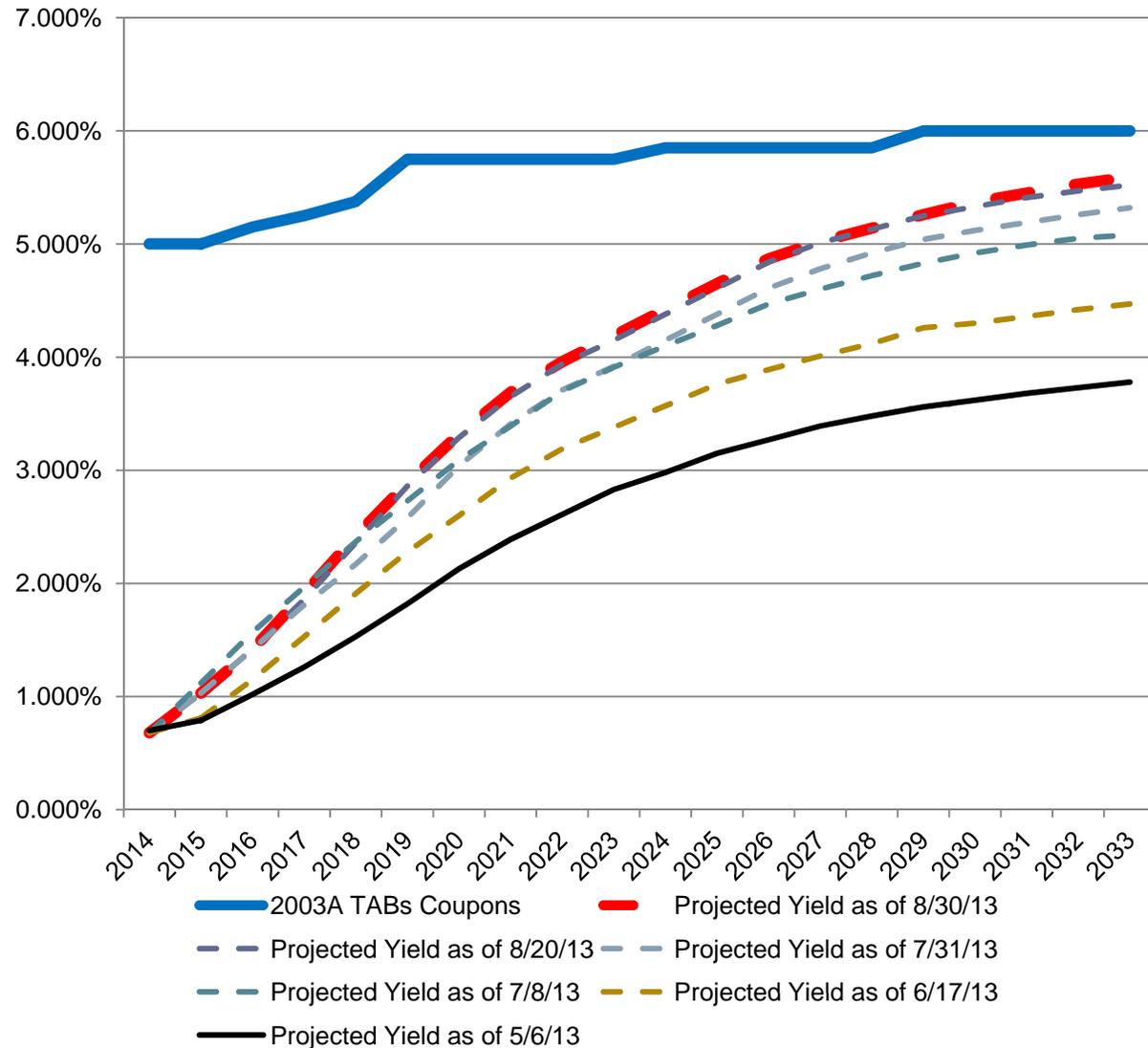


S U C C E S S O R A G E N C Y T O I M P E R I A L
B E A C H R E D E V E L O P M E N T A G E N C Y



Coupon Rates of 2003A TABs vs. Current Refunding Yields (8/30/13)

- The outstanding coupons of the Series 2003A TABs are still higher than August 30, 2013 market yields for the Refunding Bonds, creating the opportunity for refunding savings
- Projected interest rates for the Refunding Bonds have increased markedly since May 2013

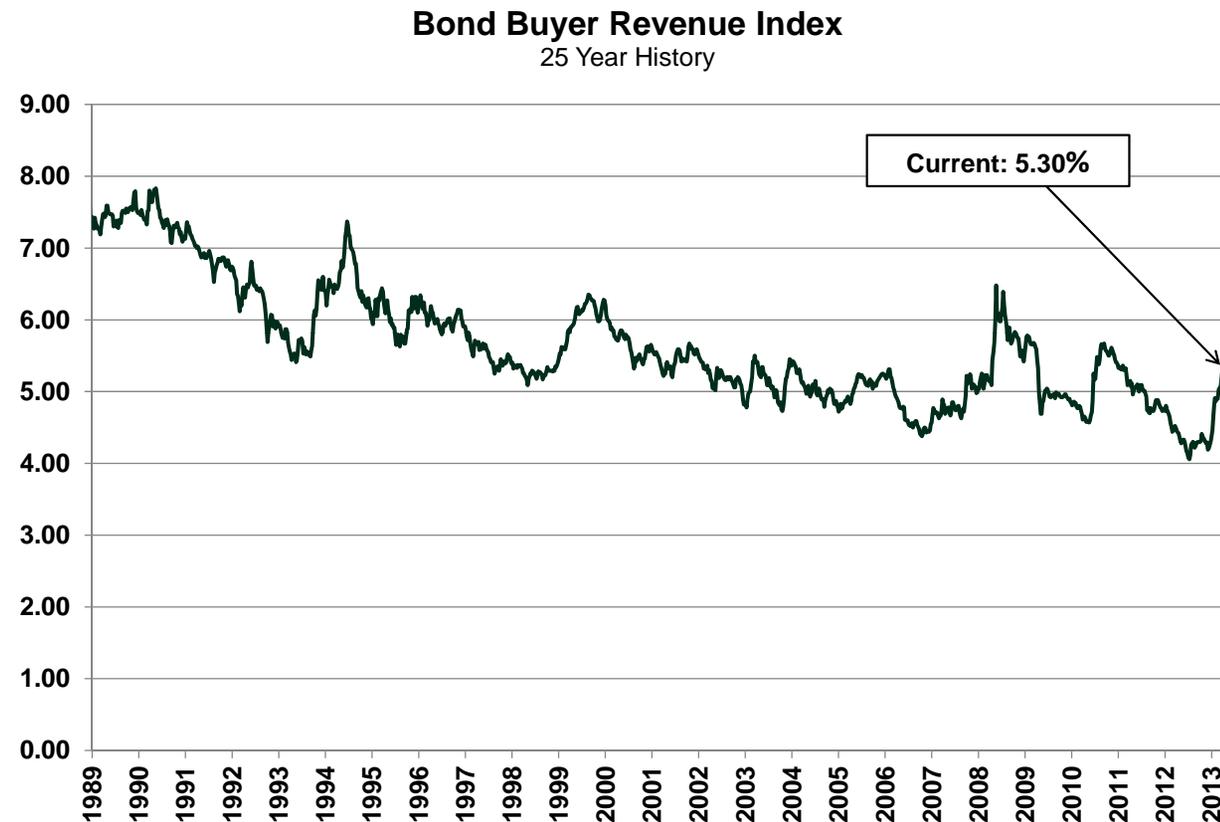


SUCCESSOR AGENCY TO IMPERIAL BEACH REDEVELOPMENT AGENCY



Bond Buyer Revenue Bond Index – 25 Year History through August 29, 2013

- The Bond Buyer Revenue Bond Index (“RBI”) is the average yield for the 30-year maturity of 25 different revenue bond issues. The 25 bonds in the RBI index have an average credit rating of “A+”
- The RBI serves as a rough proxy for the Successor Agency’s tax-exempt cost of funds
- 25 Year RBI Statistics
 - Current Rate: 5.30%
 - Average Rate: 5.65%
 - Highest Rate: 8.31%
 - Lowest Rate: 4.06%

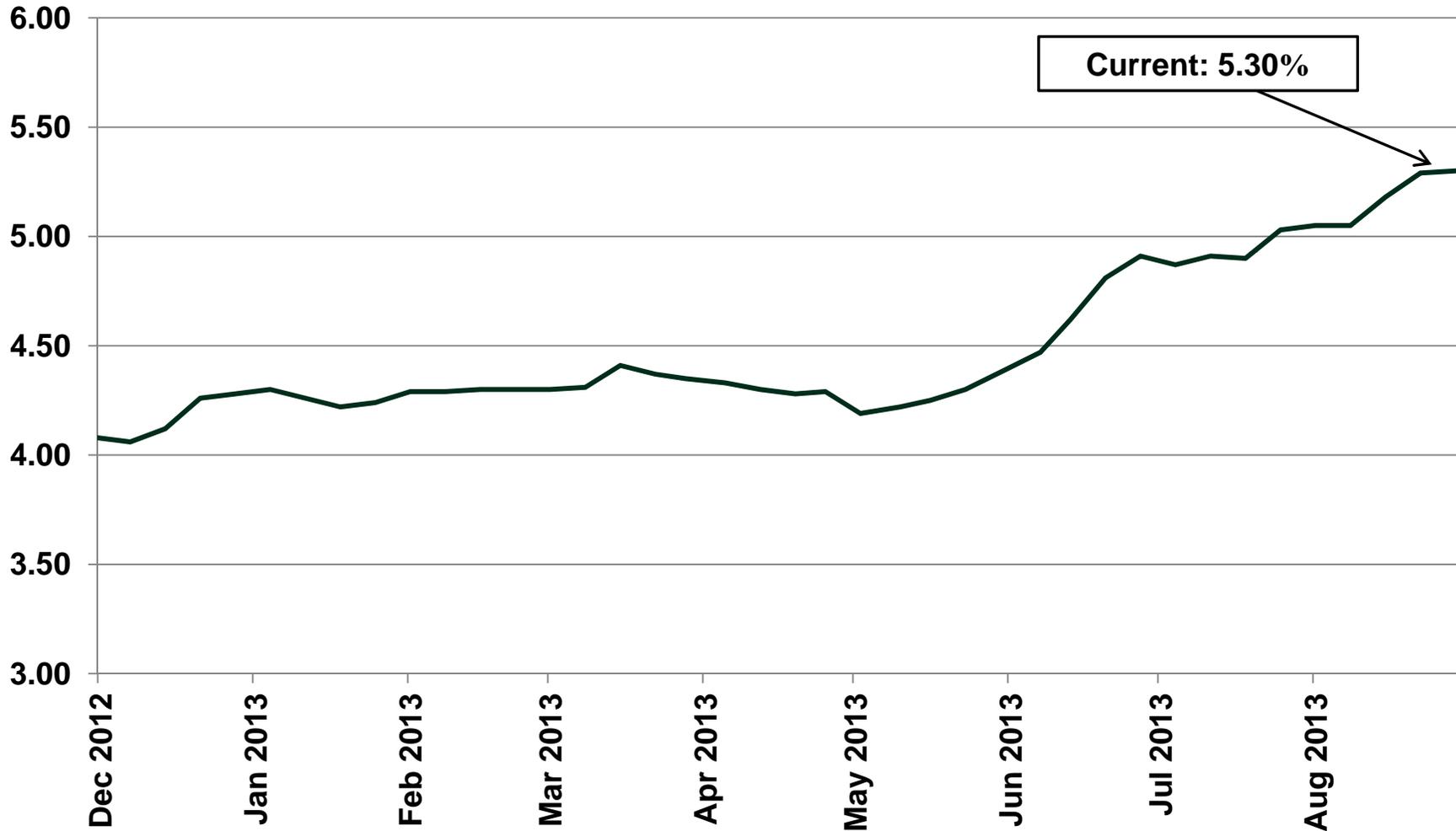


SUCCESSOR AGENCY TO IMPERIAL
BEACH REDEVELOPMENT AGENCY



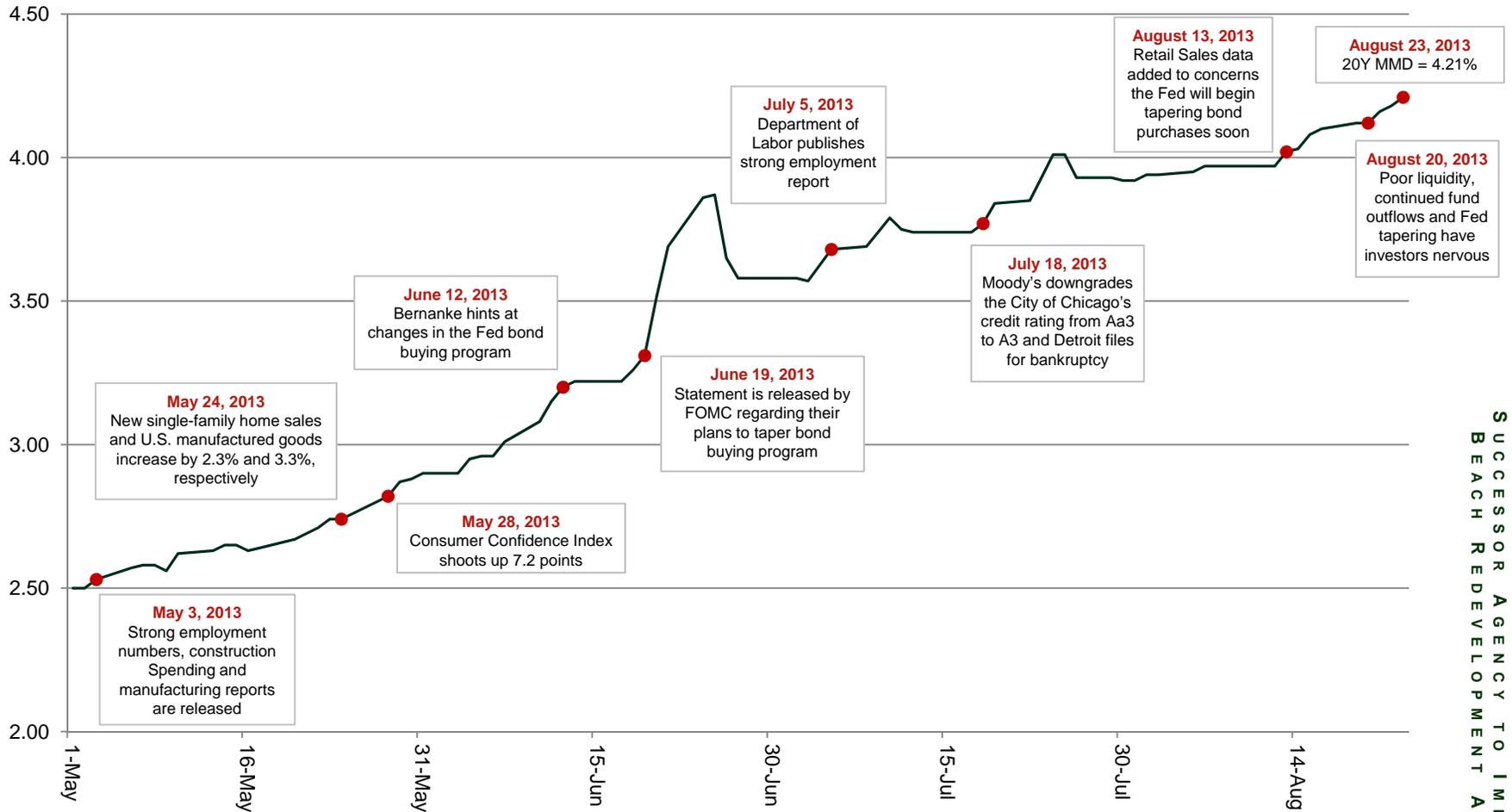
Since May 2013, the BB RBI has increased by 1.11%

Bond Buyer Revenue Bond Index Dec 2012 - Aug 2013



S U C C E S S O R A G E N C Y T O I M P E R I A L
B E A C H R E D E V E L O P M E N T A G E N C Y

Change in 20-Year AAA-rated Muni Market Index Since May 1, 2013



SUCCESSOR AGENCY TO IMPERIAL BEACH REDEVELOPMENT AGENCY

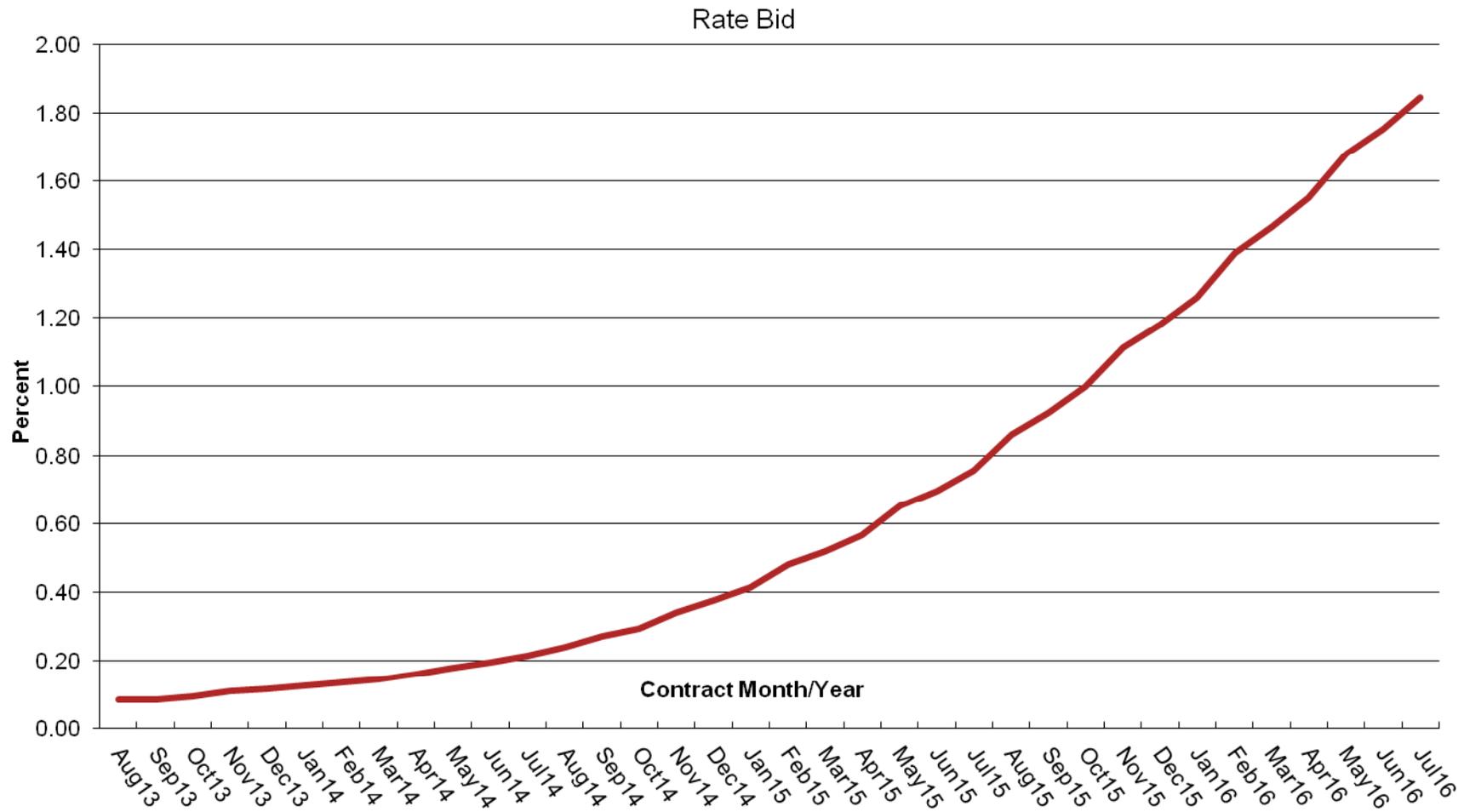
Source: Thomson Reuters (TM3) MMD Interactive



\$64K Question: “Where Will Tax-Exempt Interest Rates be in 2-3 Months?”

- U.S. Treasury Rates are influenced by:
 - Fed monetary policy and messages from Board members
 - National and global economic expectations (includes inflation) and currency rates
 - Other factors such as the Federal Budget, foreign conflicts, EU fiscal distress, etc.
 - California tax-exempt interest rates are a function of:
 - U.S. Treasury Rates
 - Federal and state income tax rates
 - Supply of municipal bonds nationally and in California
 - Demand for munis (attractiveness to investors relative to stocks and taxable bonds)
 - Debt issue specifics such as maturity range, underlying credit rating, credit enhancement and prepayment terms
 - The Answer: Tough to predict due to many factors*
 - Short-Term: Supply and demand in the T-E market is stabilizing. If Fed action on Quantitative Easing doesn't meet the market's expectations incorporated into higher interest rates, then a temporary correction to lower interest rates is possible
 - Long-Term: Most interest rates are ranging between their historical lows and averages; therefore, they are more likely to rise than fall as the pace of U.S. economic growth accelerates out of the Great Recession
- * *U.S. President Harry S. Truman: “All my economists say, ‘On the one hand, on the other hand...’ Give me a one-handed economist!”*

Fed Funds Futures (1 Month Rates)



Source: Bloomberg

SUCCESSOR AGENCY TO IMPERIAL
BEACH REDEVELOPMENT AGENCY

FirstSouthwest National Municipal Market Commentary

Appendix



S U C C E S S O R A G E N C Y T O I M P E R I A L
B E A C H R E D E V E L O P M E N T A G E N C Y

AUGUST 26 – AUGUST 30, 2013

Constructive week for tax-exempts as the market settled in at new levels. The tone seems to be more positive as the erosion that had been the norm slowed this week. Primary transactions priced with little difficulty as the buy-side lined up to participate.

There seems to be no end in sight for mutual fund redemptions as we saw outflows of \$3.768 billion for the week ending August 21. That is 13 weeks in a row and counting to the tune of \$35 billion.

The benchmark AAA MMD scale in 10 years posted a 2.94% or unchanged for the week; the 30-year posted a 4.45% or improved/down in yield by 1 basis point for the week.

Slightly over \$4.3 billion made it to market this week. The market is quiet heading into the holiday weekend and next week's calendar holds no real threat at slightly over \$1.56 billion. As we head into September, there is certainly enough headline risk to go around with QE tapering, Syria and the debt ceiling, just to name a few.

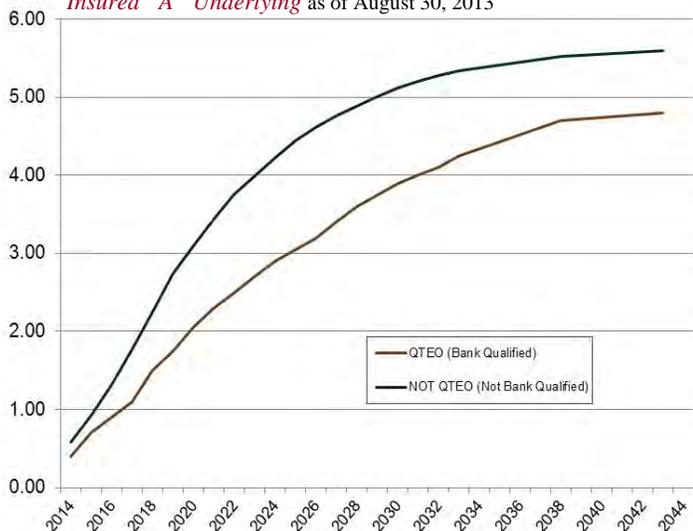
After one of the most constructive weeks the market has seen in quite a while, we might be tempted to say we have found some stability; however, since May 1, 2013, the municipal market has moved up in yield a staggering 128 basis points in 10 years and 166 basis points in 30 years, according to the AAA MMD scale. "Caution" continues to be the name of the game.

Which brings to mind the question: With the challenges ahead, have yields moved up enough?

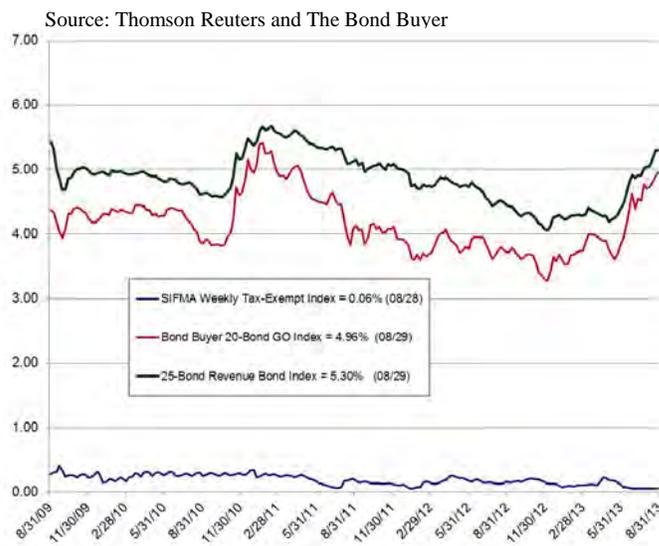
Selected Recent National Sales

Issuer	Ins.	Ratings (M's/S&P/ Fitch)	Pricing Date	Amount (\$000s)	Tax	Yields (some bonds may have calls; not all maturities shown)						
						1 Yr	3 Yr	5 Yr	10 Yr	20 Yr	25 Yr	30 Yr
California GO	N/A	A1/A/A	8/27	\$198,910	T/E	0.20%	0.82%	1.63%	3.41%	--	--	--
Atlanta Water & Wastewater Rev	N/A	Aa3/A+/A+	8/27	\$200,140	T/E	--	0.91%	1.94%	3.69%	--	--	--
Maine Municipal Bond Bank Rev	N/A	A1/A+/NR	8/27	\$220,660	TAX	--	1.708%	2.904%	4.252%	--	--	--
Red River Education Finance Corp -TCU	N/A	Aa3/ NR/AA-	8/27	\$100,000	T/E	--	--	--	3.46%	4.84%	4.95%	5.07%
Guam International Airport Revenue	N/A	Baa2/BBB/NR	8/28	\$199,040	AMT	2.00%	2.85%	4.00%	4.95%	--	--	6.48%
N J Hlth Care Auth Robert Wood Johnson Univ Hosp	N/A	A2/A/NR	8/28	\$111,260	T/E	--	1.28%	2.30%	4.03%	--	--	5.53%
Deltonia Utility System Rev	*AGM	A/A+/NR	8/28	\$79,745	T/E	0.52%	1.14%	2.13%	3.88%	5.15%	--	--

Tax Exempt Yield Curve
Bank Qualified vs. Not Bank Qualified Pricing
Insured "A" Underlying as of August 30, 2013



4-Year History of Weekly Floating Rate Index (SIFMA) vs. 20-Year Fixed Rate (BBI) and Bond Buyer 25-Bond Revenue Bond Index (RBI)

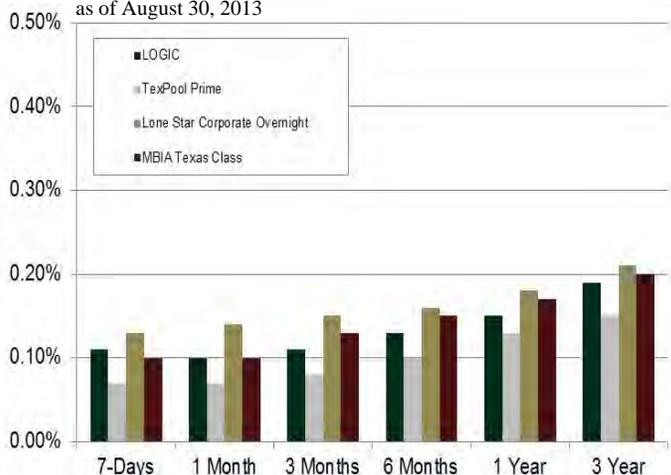


*These graphs depict historical interest rates and their respective relationships. Future interest rates are dependent upon many factors such as, but not limited to, interest rate trends, tax rates, supply, changes in laws, rules and regulations, as well as changes in credit quality and rating agency considerations. The effect of such changes in such assumptions may be material and could affect the projected results. These results should be viewed with these potential changes in mind as well as the understanding that there may be interruptions in the short term market or no market may exist at all.

AUGUST 26 – AUGUST 30, 2013

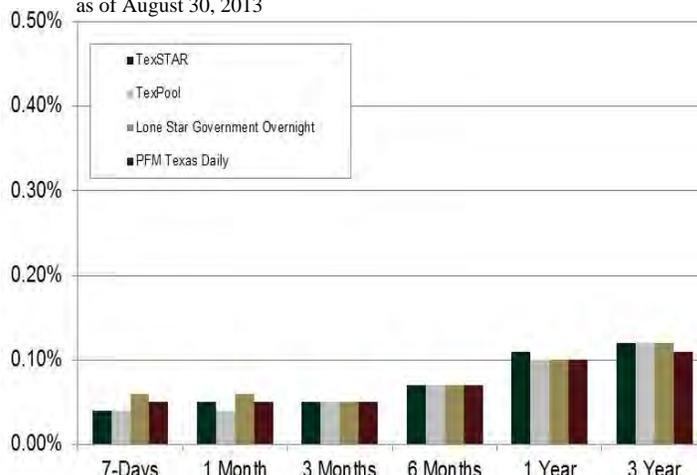
Commercial Paper Pool Comparison

as of August 30, 2013



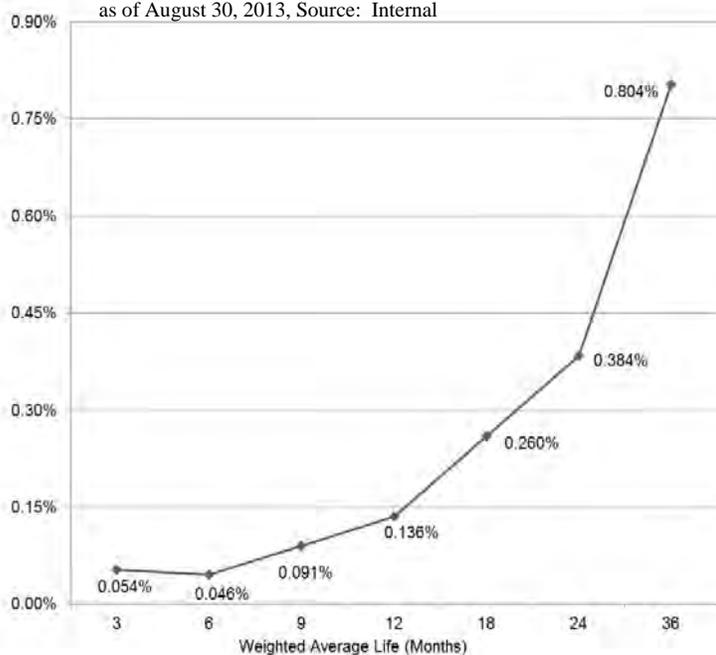
Government Investment Pool Average Rate Summary

as of August 30, 2013



Yields on Collateralized Investment Agreements*

as of August 30, 2013, Source: Internal



*Collateralized guaranteed investment contracts consists of United States Treasury securities and AAA-rated agency securities

Market Movers

Source: Bloomberg

Date	Event	Estimate	Actual
8/26	Durable Goods Orders	-4.00%	-7.30%
8/26	Durables Ex Transportation	0.50%	-0.60%
8/26	Dallas Fed Manf. Activity	3.9	5
8/27	Consumer Confidence Index	79.5	81.5
8/28	Pending Home Sales MoM	0.10%	-1.30%
8/29	Initial Jobless Claims	330K	331K
8/29	Continuing Claims	2988K	2989K
8/30	Personal Income	0.20%	0.10%
8/30	Personal Spending	0.30%	0.10%
8/30	Univ. of Michigan Confidence	80.5	82.1
9/3	ISM Manufacturing	54	--
9/4	Total Vehicle Sales	15.80M	--
9/5	ADP Employment Change	180K	--
9/5	Initial Jobless Claims	330K	--
9/5	Unit Labor Costs	1.00%	--
9/5	Factory Orders	-3.50%	--
9/6	Change in Nonfarm Payrolls	180K	--
9/6	Change in Private Payrolls	175K	--
9/6	Unemployment Rate	7.40%	--
9/6	Average Hourly Earnings MoM	0.20%	--

Fed Outlook

Date of FOMC Meeting	7/31/13	9/18/13	10/30/13	12/18/13	1/29/14	3/19/14	4/30/14	6/18/14	7/30/14	9/17/14
FED Funds Forecast (Bloomberg)	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%

Interest Rates for Short Term Debt Issues

as of August 30, 2013

Days	7	30	60	90	120	150	180	210	240	360
Taxable(LIBOR) (Bloomberg)	0.14%	0.18%	0.22%	0.26%	--	--	0.39%	--	--	0.66%
Tax-Exempt MIG1 (Thomson/Reuters)	0.06%	0.13%	0.14%	0.14%	0.14%	0.15%	0.15%	0.16%	0.17%	0.19%

Contact

Jack Addams

Direct: 214/953-4102

Toll Free: 800.678.3792

jack.addams@firstsw.com

FirstSW.com

Disclosure: This paper is intended for issuers for educational and informational purposes only and does not constitute legal or investment advice, nor is it an offer or a solicitation of an offer to buy or sell any investment or other specific product. Information provided in this paper was obtained from sources that are believed to be reliable; however, it is not guaranteed to be correct, complete, or current, and is not intended to imply or establish standards of care applicable to any attorney or advisor in any particular circumstances. The statements within constitute FirstSouthwest views as of the date of the report and are subject to change without notice. This paper represents historical information only and is not an indication of future performance.

AUGUST 26 – AUGUST 30, 2013

Economic Summary

The next FOMC meeting is scheduled for September 17th and 18th, and the general expectation is that Fed officials will announce some type of QE3 tapering plan at the conclusion. Most market analysts are calling for a purchase reduction in the range of \$10 to \$15 billion per month. It appears the bond market has already factored in a considerably larger QE3 reduction on its own, which may open the door for some amount of correction if the Fed's stance doesn't match market expectations.

Much of the recent economic data has been on the softer side, suggesting that the Fed could possibly delay the start of any taper until the late October meeting. However, the FOMC's ultimate decision at the September meeting will rely heavily on the August employment report, which is scheduled for release on September 6.

The big question that few are talking about is whether the sharp rise in interest rates will push the economic recovery off its tracks. The 13.4% decline in July new home sales was a sign that higher rates were already having a negative effect on housing. Last Monday's July durable goods number signaled that U.S. companies might be feeling the pinch as well. Headline durables fell by 7.3%. A drop was largely expected, just not this big. The median forecast was for a smaller 4.0% decline. When volatile transportation orders are excluded, orders fell by 0.6%. The median forecast here was for a 0.5% increase. Capital goods orders, excluding defense and aircraft, dropped by 3.3%, well short of the forecasted 0.5% gain. When all of these numbers are tallied, it appears as though third quarter economic growth is losing momentum.

The first revision to second quarter GDP, released last Thursday, brought the prior quarter's economic growth figure up from 1.8% to 2.5%. The positive revision was entirely expected and due to a change in the trade deficit data, which is not likely to carry into the third quarter. Within the deficit number, imports were revised downward from 9.5% to 7.0%, while exports were revised upward from 5.4% to 8.6%. As a result, net exports were flat in the first revision, thus negating the 0.8% by which net exports had reduced GDP in the initial reading.

On Friday, personal spending and personal income came in below forecast. Both income and spending rose by just 0.1% in July, missing expectations for gains of 0.2% and 0.3%. Analysts have suggested that even though job creation has picked up in recent months, many of these jobs are of the low paying variety, which doesn't support robust spending. Also released last Friday was the Personal Consumption Expenditures (PCE) deflator, which is the inflation number Fed officials watch most closely. The PCE number was up just 0.1% for the month of July, while the year-over-year inflation rate rose by 1.4%, exactly matching expectations. This is still well below the Fed's target inflation rate of 2.0%. Tame inflation will allow the Fed to maintain its accommodative stance for a longer period, if necessary.

Disclaimer: This data is intended for issuers for educational and informational purposes only and does not constitute legal or investment advice, nor is it an offer or a solicitation of an offer to buy or sell any investment or other specific product. Information provided in this data was obtained from sources that are believed to be reliable; however, it is not guaranteed to be correct, complete, or current, and is not intended to imply or establish standards of care applicable to any attorney or advisor in any particular circumstances. The statements within constitute First Southwest Company views as of the date of the report and are subject to change without notice. This data represents historical information only and is not an indication of future performance.

S U C C E S S O R A G E N C Y T O I M P E R I A L
B E A C H R E D E V E L O P M E N T A G E N C Y

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2013

**NEW ISSUE
FULL BOOK ENTRY**

**Rating: Standard & Poor's: "___"
See "RATING" herein**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described in this Official Statement, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

\$ _____ *

**IMPERIAL BEACH REDEVELOPMENT AGENCY
SUCCESSOR AGENCY
(Palm Avenue/Commercial Redevelopment Project)
2013 Tax Allocation Refunding Bonds**

Dated: Date of Delivery

Due: June 1, as shown inside front cover

Purpose of the Bonds. The above-captioned bonds (the "Bonds" or "Series 2013 Bonds") are being issued by the Imperial Beach Redevelopment Agency Successor Agency (the "Successor Agency"), as successor agency to the Imperial Beach Redevelopment Agency (the "Original Agency"), to prepay two loan agreements entered into in 2003 by the Original Agency in connection with the issuance by the Imperial Beach Financing Authority of its \$22,765,000 original amount of Tax Allocation Revenue Bonds, 2003 Series A (Palm Avenue/Commercial Redevelopment Project) (the "Prior Bonds").

Book-Entry. The Bonds will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the Bonds. Principal of, premium if any, and semiannual interest on the Bonds due December 1 and June 1 of each year, commencing _____ 1, 201____, will be payable by Wells Fargo Bank, National Association, as Trustee, to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Bonds (see "THE BONDS—Book-Entry System"). See "THE BONDS."

Redemption. The Bonds are subject to optional and mandatory redemption prior to maturity as described herein.

Security for the Bonds. The Bonds are payable from and secured by the Tax Revenues (as defined in this Official Statement), on a parity basis with bonds issued in 2010, to be derived from the Palm Avenue/Commercial Redevelopment Project (the "Project Area") and moneys in certain funds and accounts established under an Indenture of Trust, dated as of November 1, 2010, by and between the Original Agency and the Trustee, as supplemented by a First Supplemental Indenture of Trust dated _____ 1, 2013 (together, the "Indenture") as further described in this Official Statement. See "SECURITY FOR THE BONDS."

The Successor Agency will increase the amount in a parity debt service reserve account for the Bonds and the 2010 Bonds in connection with the pricing of the Bonds. The Successor Agency agrees in the Indenture to maintain the Reserve Account in an amount equal to the "Reserve Requirement," as defined in the Indenture.

Parity Bonds. The Bonds are secured by and payable from Tax Revenues on a parity basis with the Original Agency's \$21,595,000 aggregate principal amount of Palm Avenue/Commercial Redevelopment Project Tax Allocation Bonds, 2010 Tax Allocation Bonds, currently outstanding in the aggregate principal amount of \$21,465,000. See "SECURITY FOR THE BONDS- Additional Debt."

Limited Obligations. The Bonds are special obligations of the Successor Agency and are secured by an irrevocable pledge of, and are payable as to principal, interest and premium, if any, from Tax Revenues and other funds described in this Official Statement. The Bonds, interest and premium, if any, thereon are not a debt of the City of Imperial Beach (the "City"), the County of San Diego (the "County"), the State of California (the "State") or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State nor any of their political subdivisions except the Successor Agency is liable thereon. The Bonds, interest thereon and premium, if any, are not payable out of any funds or properties other than those set forth in the Indenture. Neither the members of the Successor Agency, the Oversight Board, the County Board of Supervisors nor any persons executing the Bonds are liable personally on the Bonds.

**MATURITY SCHEDULE
(see inside cover)**

This cover page contains information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Bonds. Investors should review the entire Official Statement before making any investment decision with respect to the Bonds.

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, a Professional Law Corporation, San Francisco, California, Bond Counsel, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel. Certain matters will also be passed upon for the Successor Agency by Kane, Ballmer & Berkman, San Diego, California, as Successor Agency Special Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about _____, 2013.

[UNDERWRITER LOGO]

Dated: _____, 2013

* Preliminary, subject to change.

MATURITY SCHEDULE

**IMPERIAL BEACH REDEVELOPMENT AGENCY
SUCCESSOR AGENCY
Palm Avenue/Commercial Redevelopment Project
2013 Tax Allocation Refunding Bonds**

(Base CUSIP[†]: _____)

\$ _____

<u>Maturity</u> (June 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> [†] (_____)
-----------------------------	-----------------------------------	--------------------------------	--------------	--

\$ _____ % Term Bonds due June 1, _____; Yield: _____%; CUSIP[†]: _____

[†] Copyright 2013, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the Successor Agency nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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

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

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

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

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

TABLE OF CONTENTS

	<u>Page</u>	<u>Page</u>
INTRODUCTION	2	
General	2	
The City and the Successor Agency	3	
The Project Area	4	
The Bonds	4	
Tax Allocation Financing	5	
Security for the Bonds	5	
Limited Obligation	7	
Reserve Account	7	
Bondowners' Risks	7	
Continuing Disclosure	7	
Tax Matters	8	
Professionals Involved in the Offering	8	
Summaries of Documents	8	
Other Information	8	
REFUNDING PLAN	9	
The Refunding	9	
Estimated Sources and Uses	10	
Debt Service Schedules	11	
THE BONDS	13	
Authority for Issuance	13	
Description	13	
Redemption	14	
General Redemption Provisions	15	
Discontinuance of Book-Entry System	16	
SECURITY FOR THE BONDS	16	
Discontinuance of Book-Entry System	17	
Discontinuance of Book-Entry System	17	
Pledge of Tax Revenues	20	
Reserve Account	23	
Additional Debt	23	
Limited Obligation	24	
Recognized Obligation Payment Schedules	24	
Statement of Indebtedness Error! Bookmark not defined.		
THE SUCCESSOR AGENCY	27	
THE PROJECT AREA	27	
Fiscal Consultant	27	
Map of the Project Area	27	
The Redevelopment Plan	29	
The Project Area	29	
Assessed Valuation	30	
Distribution of Taxes	31	
Major Property Owners	34	
Appeals of Assessed Values	34	
		Low and Moderate Income Housing.....37
		Senate Bill 1045
		Senate Bill 1096
		Statutory Tax Sharing.....38
		Bonded Indebtedness
		39
		PROJECTED TAX REVENUES AND DEBT
		SERVICE COVERAGE
		41
		BONDOWNERS' RISKS.....47
		Recognized Obligation Payment Schedule
		47
		Syncora Litigation – Challenge to Dissolution
		Act.....48
		Reduction in Taxable Value
		50
		Reduction in Inflationary Rate
		50
		Levy and Collection
		51
		State Budget Issues
		51
		Natural Disasters.....52
		Hazardous Substances
		52
		Bankruptcy Risks.....52
		Secondary Market
		53
		No Acceleration on Default.....53
		LIMITATIONS ON TAX REVENUES
		54
		Property Tax Limitations—Article XIII A
		54
		Challenges to Article XIII A.....55
		Implementing Legislation.....55
		Unitary Property
		56
		Property Tax Collection Procedures.....57
		Appropriations Limitations—Article XIII B.....58
		Exclusion of Tax Revenues for General
		Obligation Bonds Debt Service
		58
		Proposition 218
		59
		AB 1290.....59
		SB211
		Error! Bookmark not defined.
		Future Initiatives and Legislation
		59
		Low and Moderate Income Housing.....59
		CERTAIN LEGAL MATTERS
		60
		Legal Opinions
		60
		Enforceability of Remedies.....60
		RATING
		61
		CONTINUING DISCLOSURE.....61
		ABSENCE OF LITIGATION.....61
		TAX MATTERS.....62
		UNDERWRITING
		63
		MISCELLANEOUS
		63
APPENDIX A:	AUDITED FINANCIAL STATEMENTS OF THE SUCCESSOR AGENCY FOR THE FISCAL YEAR	
	ENDING JUNE 30, 2012	
APPENDIX B:	FISCAL CONSULTANT'S REPORT	
APPENDIX C:	GENERAL INFORMATION ABOUT THE CITY AND SAN DIEGO COUNTY	
APPENDIX D:	SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE	
APPENDIX E:	FORM OF BOND COUNSEL OPINION	
APPENDIX F:	FORM OF CONTINUING DISCLOSURE CERTIFICATE	
APPENDIX G:	DTC AND THE BOOK-ENTRY SYSTEM	
APPENDIX H:	DEPARTMENT OF FINANCE APPROVAL LETTER	

**IMPERIAL BEACH REDEVELOPMENT AGENCY
SUCCESSOR AGENCY
(San Diego County, California)**

BOARD OF DIRECTORS

James C. Janney, Chair
Lorie Bragg, Vice Chair
Brian P. Bilbray, Director
Robert Patton, Director
Edward J. Spriggs, Director

SUCCESSOR AGENCY OFFICIALS

Andy Hall, *Successor Agency Executive Director*
Gregory Wade, *Successor Agency Deputy Director*

PROFESSIONAL SERVICES

Trustee

Wells Fargo Bank National Association
Los Angeles, California

Bond Counsel and Disclosure Counsel

Jones Hall, a Professional Law Corporation
San Francisco, California

Successor Agency Counsel

Kane, Ballmer & Berkman
San Diego, California

Fiscal Consultant

Fraser & Associates
Roseville, California

Financial Advisor

First Southwest Company
Santa Monica, California

OFFICIAL STATEMENT

\$ _____ *

**IMPERIAL BEACH REDEVELOPMENT AGENCY
SUCCESSOR AGENCY**

**Palm Avenue/Commercial Redevelopment Project
2013 Tax Allocation Refunding Bonds**

*This Official Statement, including the cover page and appendices hereto, is provided to furnish information in connection with the sale by the Imperial Beach Redevelopment Agency Successor Agency (the "**Successor Agency**"), as successor in interest to the Imperial Beach Redevelopment Agency (the "**Original Agency**"), of its Palm Avenue/Commercial Redevelopment Project, 2013 Tax Allocation Refunding Bonds (the "**Bonds**").*

INTRODUCTION

This Introduction contains a brief summary of certain information contained in this Official Statement; such summaries do not purport to be comprehensive or definitive and are not intended to be complete and are qualified by the more detailed information contained elsewhere in this Official Statement. References to the Bonds are qualified in their entirety by reference to the form of the Bonds included in the Indenture. Copies of the Indenture and other documents described in this Official Statement may be obtained from the Successor Agency as described under the subheading "Other Information" below. Definitions of certain terms used in this Official Statement are set forth in "APPENDIX D – Summary of Certain Provisions of the Indenture."

General

The Bonds are issued according to the terms set forth in the Indenture of Trust, dated as of November 1, 2010 (the "**Series 2010 Indenture**"), by and between the Original Agency and Wells Fargo Bank, National Association (the "**Trustee**"), as supplemented by a First Supplemental Indenture of Trust dated _____ 1, 2013 (the "**First Supplemental Indenture**" and together with the Series 2010 Indenture, the "**Indenture**"), and in accordance with Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "**Refunding Law**"), Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code enacted by Assembly Bill X1 26 ("**AB X1 26**"), as amended on June 27, 2012 by Assembly Bill No. 1484 ("**AB 1484**"), enacted as Chapter 26, Statutes of 2012 (AB X1 26 and AB 1484 are collectively referred to herein as the "**Dissolution Act**"), and the Constitution and other applicable laws of the State of California (the "**State**"). The issuance of the Bonds was approved by Resolution No. _____ adopted by the Successor Agency on _____, 2013 (the "**Resolution**"), and by Resolution No. _____ adopted by the Oversight Board for the Issuer on _____, 2013 (the "**Oversight Board Resolution**"). See "THE BONDS – Authority for Issuance."

* Preliminary, subject to change.

Proceeds from the sale of the Bonds will be used to prepay two loan agreements entered into in 2003 by the Original Agency in connection with the issuance by the Imperial

Beach Financing Authority (the "**Authority**") of its \$22,765,000 original amount of Tax Allocation Revenue Bonds, 2003 Series A (Palm Avenue/Commercial Redevelopment Project) (the "**2003 Bonds**") to finance redevelopment projects.

The City and the Successor Agency

The City. The City of Imperial Beach (the "**City**"), the most southwesterly city in the continental United States, is located in San Diego County (the "**County**"). The City was incorporated in 1956, and now contains approximately 4.5 square miles in total area. The City population was estimated to be 26,496 as of January 1, 2013. For certain information with respect to the City, see Appendix C "GENERAL INFORMATION ABOUT THE CITY AND SAN DIEGO COUNTY."

The Original Agency. The Imperial Beach Redevelopment Agency (the "**Original Agency**") was a redevelopment agency with all of the powers vested in such organizations under provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State (the "**Redevelopment Law**"). The City Council of the City was the governing board of the Original Agency.

Dissolution Act. On June 29, 2011, AB X1 26 was enacted together with a companion bill, Assembly Bill No. X1 27 ("**AB X1 27**") as part of the 2011 State Budget Act. The provisions of AB X1 26 provided for the dissolution of all redevelopment agencies. The provisions of AB X1 27 permitted redevelopment agencies to avoid such dissolution by the payment of certain amounts. A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al., v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. Dec. 29, 2011), challenging the constitutionality of AB X1 26 and AB X1 27. The California Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the California Supreme Court in the California Redevelopment Association case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Original Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

The primary provisions enacted by AB X1 26 relating to the dissolution and wind down of former redevelopment agency affairs are Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as amended on June 27, 2012 by AB 1484, enacted as Chapter 26, Statutes of 2012 (AB X1 26 and AB 1484 are herein referred to as the "**Dissolution Act**").

As a consequence of the *Matosantos* decision all redevelopment agencies, in the State, including the Original Agency, dissolved by operation of law on February 1, 2012. All property tax revenues that would have been allocated to redevelopment agencies are now allocated to the applicable redevelopment property tax trust fund created by the county auditor-controller for the "successor agency." Such funds are to be used for payments on indebtedness and other "enforceable obligations" (as defined in the Dissolution Act), and to pay certain administrative costs and any amounts in excess of that amount are to be considered property taxes that will be distributed to taxing agencies. In addition, under the Dissolution Act tax increment is no longer deemed to flow directly to the successor agency. Further, the Dissolution Act is interpreted to no longer require successor agencies to deposit a portion of the tax increment into a low and moderate income housing fund. Rather, all funds are considered property taxes.

Successor Agency. Pursuant to Section 34173 of the Dissolution Act, on January 5, 2012, the City Council of the City of Imperial Beach adopted Resolution No. 2012-7136 electing for the City to serve as the successor agency to the Original Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Successor Agency is a separate public entity and legal entity from the City, that the two entities shall not merge, and that the liabilities of the Original Agency will not be transferred to the City nor will the assets of the Original Agency become assets of the City. The Dissolution Act also requires an oversight board for each successor agency to be established, and pursuant thereto the Successor Agency duly established the Oversight Board of the Imperial Beach Redevelopment Agency Successor Agency (the “**Oversight Board**”) pursuant to California Health and Safety Code Section 34179(a). Under the Dissolution Act, many actions of the Successor Agency, including issuance of the Bonds, are subject to approval by the Oversight Board, and many actions of the Oversight Board are subject to review or approval by the State of California Department of Finance (the “**Department of Finance**”).

The Project Area

The Redevelopment Plan for the Palm Avenue/Commercial Redevelopment Project (the “**Project Area**”) was originally adopted on February 7, 1996 by Ordinance No. 96-901. The Project Area was amended in July 2001 by Ordinance No. 01-970 to add territory (referred to as the Amendment Area). In December 2006, the Redevelopment Plan was again amended pursuant to Ordinance 2006-1050. That amendment: 1) clarified that there is one bonded indebtedness limit for the Project Area of \$120 million; 2) that tax increment from the combined Project Area could be used to repay debt; and, 3) to extend certain time limits as allowed by the Redevelopment Law. A final amendment to the Redevelopment Plan was completed in March 2008 by Ordinance No. 2008-1066 that extended the time to acquire property through eminent domain in the Original Area by 12 years. See “THE PROJECT AREA” herein.

The Bonds

The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof. Interest on the Bonds will be payable semi-annually on each June 1 and December 1, commencing _____. Principal of and interest on the Bonds are payable by the Trustee to DTC which will be responsible for remitting such principal and interest to the Participants which will in turn be responsible for remitting such principal and interest to the beneficial owners of the Bonds. No physical distribution of the Bonds will be made to the public initially. See “THE BONDS - Book-Entry System” herein.

The Bonds are subject to optional and mandatory redemption prior to maturity as described herein. See “THE BONDS - Redemption” herein.

Tax Allocation Financing

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

Under the Dissolution Act tax increment is no longer deemed to flow directly to the successor agency. Further, the Dissolution Act is interpreted to no longer require successor agencies to deposit a portion of the tax increment into a low and moderate income housing fund. Rather, all funds are considered property taxes. Successor agencies have no power to levy property taxes and must rely on the allocation of taxes as described under the Redevelopment Law and Dissolution Act. See "RISK FACTORS."

The Dissolution Act authorizes the issuance of refunding bonds, including the Bonds, to be secured by a pledge of, and lien on, Tax Revenues created by the Indenture, but subject to the provisions of the Dissolution Act which modify the composition and flow of Tax Revenues as described in the Series 2010 Indenture. The Bonds are further secured by a pledge and lien created by Section 34177.5(g) of the Dissolution Act on monies deposited from time to time in a Redevelopment Property Tax Trust Fund (described herein) held by a county auditor-controller with respect to the Successor Agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects. **DISCUSSIONS HEREIN REGARDING TAX INCREMENT REVENUES NOW REFER TO THOSE MONEYS DEPOSITED BY THE COUNTY AUDITOR INTO THE REDEVELOPMENT PROPERTY TAX TRUST FUND.** See "SECURITY FOR THE BONDS."

Security for the Bonds

Pursuant to the Dissolution Act, the Bonds shall have the same lien priority as the pledge of the 2003 Loan Agreements for payment of the Prior Bonds and shall be valid, binding and enforceable in accordance with their terms. Additionally, the pledge and lien securing the Bonds is a parity pledge with the Original Agency's 2010 Bonds, described herein, provided however, that payments to taxing entities under Tax Sharing Statutes (described herein) have been subordinated to the obligation to pay the 2010 Bonds but have not been subordinated with respect to the Bonds.

Section 33177.5(g) of the Dissolution Act provides that bonds authorized thereunder to be issued by a successor agency are secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized under the Dissolution Act are taxes allocated to the agency pursuant to the provisions of the Redevelopment Law and the State Constitution which provided for the allocation of tax increment revenues under the

Redevelopment Law. Moneys deposited into the Redevelopment Property Tax Trust Fund include funds formerly required to be deposited into a former redevelopment agency's Low and Moderate Income Housing Fund, however the Successor Agency makes no assurance as to the availability of the former housing moneys to pay principal or interest on the Bonds under the Dissolution Act. See "SECURITY FOR THE BONDS - Pledge of Tax Revenues." Investors should assume that the Bonds are secured by and payable solely from the Tax Revenues and moneys in the Special Fund, as described herein.

The Dissolution Act requires the San Diego County Auditor-Controller (the "**County Auditor-Controller**") to determine the amount of property taxes that would have been allocated to the Original Agency from the Project Area had the Original Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for semi-annual transfer to the Successor Agency of an amount sufficient to pay the Successor Agency's enforceable obligations shown on a semi-annually prepared Recognized Obligation Payment Schedule submitted by the Successor Agency to the Oversight Board and the Department of Finance for approval. Upon approval and transfer, such transfer to the Successor Agency is required to be deposited in a Redevelopment Obligation Retirement Fund (the "**Redevelopment Obligation Retirement Fund**") established and held by the Successor Agency pursuant to Section 34170.5(a) of the Dissolution Act, from which moneys for the payment of the Successor Agency's enforceable obligations are derived. See "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedules."

The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved Original Agency, with the same lien priority and legal effect as if the bonds had been issued prior to effective date of AB X1 26, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date, and are to be included on the Successor Agency's Recognized Obligation Payment Schedules.

In 2010, the Original Agency issued its \$21,595,000 aggregate principal amount of Palm Avenue/Commercial Redevelopment Project Tax Allocation Bonds, 2010 Tax Allocation Bonds, currently outstanding in the aggregate principal amount of \$21,465,000 (the "**2010 Bonds**"). The Bonds are secured by and payable from Tax Revenues described herein, on a parity basis with the 2010 Bonds, provided however, that payments to taxing entities under Tax Sharing Statutes (described herein) have been subordinated to the obligation to pay the 2010 Bonds but have not been subordinated with respect to payment of the Bonds. See "SECURITY FOR THE BONDS - Pledge of Tax Revenues."

Tax Revenues are defined in the Indenture using pre-Dissolution Act terminology, but remain moneys to be derived from the Project Area as described herein, all of the moneys in the Special Fund (established under the Indenture) and now held as a subaccount of the Redevelopment Obligation Retirement Fund, and all of the moneys in the Debt Service Fund (including the Interest Account, the Principal Account, the Reserve Account, and the Redemption Account therein) established and held by the Trustee under the Indenture, all as more fully set forth in the Indenture. Taxes levied on the property within the Project Area on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various territories within the Project Area, to the extent they constitute Tax Revenues, as described herein and now subject to the Dissolution Act, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Successor Agency's Redevelopment Obligation Retirement Fund on January 2

and June 1 of each year to the extent required for payments listed in the Successor Agency's Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act. See "SECURITY FOR THE BONDS"

Limited Obligation

The Bonds are special obligations of the Successor Agency and are secured by an irrevocable pledge of, and are payable as to principal, interest and premium, if any, on a parity basis with the 2010 Bonds from Tax Revenues and other funds. The Bonds, interest and premium, if any, thereon are not a debt of the City, the County, the State or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State nor any of their political subdivisions except the Successor Agency are liable thereon. The Bonds, interest thereon and premium, if any, are not payable out of any funds or properties other than those set forth in the Indenture. No member of the Successor Agency, the Oversight Board, the County Board of Supervisors or any person executing the Bonds is liable personally on the Bonds by reason of their issuance.

Reserve Account

The Successor Agency will increase the amount in a Reserve Account established for the 2010 Bonds to an amount equal to the "Reserve Requirement," as defined in the Indenture for the combined Bonds and 2010 Bonds, and the Reserve Account will be available for the benefit of the Bonds and the 2010 Bonds on a parity basis. See "SECURITY FOR THE BONDS-Debt Service Reserve Account."

Bondowners' Risks

Prospective investors should review this Official Statement and the Appendices hereto in their entirety and should consider certain risk factors associated with the purchase of the Bonds, some of which have been summarized in the section herein entitled "BONDOWNERS' RISKS" herein.

Continuing Disclosure

The Successor Agency will covenant, pursuant to a Continuing Disclosure Certificate to be executed on the date of delivery of the Bonds, for the benefit of owners and beneficial owners of the Bonds, to provide certain financial information and operating data related to the Successor Agency by not later than nine months following the end of the Successor Agency's Fiscal Year (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the Successor Agency with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report and any notices of significant events is summarized below under the caption "CONTINUING DISCLOSURE" herein. A copy of the Continuing Disclosure Certificate is set forth in APPENDIX F — "FORM OF CONTINUING DISCLOSURE CERTIFICATE." The covenants of the Successor Agency in the Continuing Disclosure Certificate have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Tax Matters

Interest on Bonds is excluded from gross income for federal income tax purposes. In the opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. See "TAX MATTERS."

Professionals Involved in the Offering

The proceedings of the Successor Agency in connection with the issuance of the Bonds are subject to the approval as to their legality of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Jones Hall, A Professional Law Corporation is also serving as Disclosure Counsel to the Successor Agency for the Bonds. Kane, Ballmer & Berkman, San Diego, California is serving as special counsel to the Successor Agency. Wells Fargo Bank, National Association, Los Angeles, California, will act as the Trustee under the Indenture. Fraser & Associates, Roseville, California, serves as Fiscal Consultant to the Successor Agency (the "**Fiscal Consultant**") in connection with the issuance of the Bonds. First Southwest Company, Santa Monica, California is serving as Financial Advisor. The fees of Bond Counsel, Disclosure Counsel and the Trustee are contingent upon the sale and delivery of the Bonds.

Summaries of Documents

Brief descriptions of the Redevelopment Law, the Bond Law, the Dissolution Act, the Bonds, the Indenture, the Successor Agency, the Original Agency, the County and the City are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Redevelopment Law, the Bond Law, the Dissolution Act, the Bonds, the Indenture, the Constitution and the laws of the State as well as the proceedings of the Original Agency, the Successor Agency, the County and the City are qualified in their entirety by reference to such documents and laws. References herein to the Bonds are qualified in their entirety by the form included in the Indenture and by the provisions of the Indenture.

The Fiscal Consultant's Report is contained in Appendix B. Selected information regarding the City and the County is included in Appendix C. A summary of certain provisions of the Indenture is contained in Appendix D. The proposed form of Bond Counsel's legal opinion for the Bonds is set forth in Appendix E. The proposed form of Continuing Disclosure Certificate is included in Appendix F.

All capitalized terms used in this Official Statement and not normally capitalized have the meanings assigned to them in the Indenture, unless otherwise stated in this Official Statement. Definitions of certain terms used in this Official Statement are set forth in APPENDIX D – "Summary of Certain Provisions of the Indenture."

Other Information

This Official Statement speaks only as of its date and the information contained herein is subject to change without notice. Copies of documents referred to herein are available from the Successor Agency upon written request to the Imperial Beach Redevelopment Agency Successor Agency, 825 Imperial Beach Boulevard, Imperial Beach, CA 91932, Attention: Deputy Director. The Successor Agency may impose a charge for copying, mailing and handling expenses related to any request for documents.

REFUNDING PLAN

The Refunding

The Original Agency is obligated to pay the original amount of \$19,375,000 under two Loan Agreements (the "**2003 Loan Agreements**") entered into in connection with the issuance by the Authority of its \$22,765,000 original amount of Tax Allocation Revenue Bonds, 2003 Series A (Palm Avenue/Commercial Redevelopment Project) (the "**2003 Authority Bonds**") pursuant to an Indenture of Trust dated as of November 1, 2003 (the "**2003 Indenture**") by and between the Authority and the Trustee for the purpose of financing programs, projects and activities relating to the Original Agency's Project Area.

Upon issuance of the Bonds, the Successor Agency will deliver the net proceeds of the Bonds to the Trustee, for deposit in an escrow subaccount (the "**Escrow Subaccount**") pursuant to Irrevocable Refunding Instructions given to the Trustee. On _____, 2013, the Trustee will redeem the 2003 Authority Bonds, at a price equal to the principal amount of the 2003 Authority Bonds to be redeemed plus interest accrued to the redemption date, whereupon the obligations of the Authority for defeasance of the 2003 Authority Bonds will be met and the obligations of the Original Agency for payments due under the 2003 Loan Agreements will be satisfied.

On _____, 2013, following the payment and redemption described above and payment of any amounts then owed to the Trustee, the Trustee shall withdraw any amounts remaining on deposit in the Escrow Subaccount and transfer such amounts to the Debt Service Fund established under the Indenture to be used for the purpose of paying interest on the Bonds.

Estimated Sources and Uses

The anticipated sources and uses of funds from the sale of the Bonds and other available moneys are estimated to be applied as follows:

**TABLE 1
IMPERIAL BEACH REDEVELOPMENT AGENCY
SUCCESSOR AGENCY
PALM AVENUE/COMMERCIAL REDEVELOPMENT PROJECT
2013 Tax Allocation Refunding Bonds**

Sources of Funds
Par Amount of Bonds
Less: Net Discount
Available From 2003 Bonds
Available From Successor Agency
Total Sources

Uses of Funds
Deposit to Escrow Fund
Deposit to Reserve Account ⁽¹⁾
Deposit to Costs of Issuance Fund ⁽²⁾
Total Uses

(1) Represents the amount required to cause the balance in the Reserve Account to equal the full amount of the Reserve Requirement, calculated on a parity basis with the 2010 Bonds.
(2) Includes fees of bond counsel, disclosure counsel, financial adviser, fiscal consultant, verification agent, trustee and rating agencies, printing costs and other closing costs.

Debt Service Schedules

The following tables set forth (i) the scheduled annual debt service for the Bonds and (ii) the scheduled annual debt service for the 2010 Bonds.

TABLE 2
2013 Tax Allocation Refunding Bonds
Debt Service Schedule

Payment Date	Bonds Principal	Bonds Interest	Total Bonds Debt Service
June 1, 2014			
December 1, 2014			
June 1, 2015			
December 1, 2015			
June 1, 2016			
December 1, 2016			
June 1, 2017			
December 1, 2017			
June 1, 2018			
December 1, 2018			
June 1, 2019			
December 1, 2019			
June 1, 2020			
December 1, 2020			
June 1, 2021			
December 1, 2021			
June 1, 2022			
December 1, 2022			
June 1, 2023			
December 1, 2023			
June 1, 2024			
December 1, 2024			
June 1, 2025			
December 1, 2025			
June 1, 2026			
December 1, 2026			
June 1, 2027			
December 1, 2027			
June 1, 2028			
December 1, 2028			
June 1, 2029			
December 1, 2029			
June 1, 2030			
December 1, 2030			
June 1, 2031			
December 1, 2031			
June 1, 2032			
December 1, 2032			
June 1, 2033			
December 1, 2033			
June 1, 2034			
December 1, 2034			
June 1, 2035			
December 1, 2035			
June 1, 2036			
Total			

TABLE 3
IMPERIAL BEACH REDEVELOPMENT AGENCY
SUCCESSOR AGENCY
PALM AVENUE/COMMERCIAL REDEVELOPMENT PROJECT
All Parity Bonds
Debt Service Schedule

Bond Year Ending June 1	2010 Bonds Annual Debt Service	Bonds Annual Debt Service	Total Parity Debt Service
2014	\$1,274,556.26		
2015	1,272,581.26		
2016	1,275,381.26		
2017	1,277,562.51		
2018	1,278,781.26		
2019	1,278,987.51		
2020	1,278,131.26		
2021	1,286,140.63		
2022	1,283,156.25		
2023	1,279,353.13		
2024	1,289,368.76		
2025	1,282,943.76		
2026	1,284,893.76		
2027	1,290,268.76		
2028	1,289,518.76		
2029	1,292,643.76		
2030	1,294,518.76		
2031	1,295,143.76		
2032	1,299,393.76		
2033	1,302,143.76		
2034	2,429,518.76		
2035	2,430,018.76		
2036	2,429,687.51		
2037	2,428,212.51		
2038	2,426,484.38		
2039	2,429,118.75		
2040	2,430,731.25		
Total	\$42,709,240.85		

THE BONDS

Authority for Issuance

The Bonds were authorized for issuance pursuant to the Indenture, the Redevelopment Law, the Bond Law, and the Dissolution Act. The issuance of the Bonds and the Indenture were authorized by the Successor Agency pursuant to a Resolution adopted on _____, 2013 (the “**Resolution**”), and by the Oversight Board for the Successor Agency pursuant to a Resolution adopted on _____, 2013 (the “**Oversight Board Resolution**”).

Pursuant to the Dissolution Act, written notice of the Oversight Board Resolution was provided to the Department of Finance, which requested a review of the Oversight Board Resolution. The Department of Finance provided a letter dated _____, 2013 to the Successor Agency stating that based on the Department of Finance’s review and application of the law, the Oversight Board Resolution approving the Bonds is approved by the Department of Finance. See “APPENDIX H –Department of Finance Approval Letter.”

Description

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Bonds will be dated as of their date of delivery (the “**Closing Date**”) and mature on June 1 in the years and in the respective principal amounts and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the respective rates per annum, as set forth on the inside front cover.

Interest on the Bonds accrues from the Closing Date and is payable semiannually on June 1 and December 1 of each year (each, an “Interest Payment Date”) commencing _____ 1, 2014.

Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless: (i) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date; (ii) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or (iii) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Principal, premium, if any, and interest on the Bonds are payable by the Trustee to DTC, which is obligated in turn to remit such amounts to DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds. See APPENDIX G - “DTC and the Book-Entry System”.

Redemption

Optional Redemption. The Bonds maturing on or before June 1, 20__ are not subject to redemption before their stated maturity. The Bonds maturing on or after June 1, 20__ are subject to redemption prior to maturity, at the option of the Successor Agency, in whole or in part among maturities on such basis as designated by the Successor Agency and by lot within a maturity, from any available source of funds, on June 1, 20__, and on any date thereafter, at a redemption price equal to the principal amount to be redeemed, without premium, plus accrued interest thereon to the date of redemption.

Mandatory Sinking Fund Redemption. Term Bonds maturing on June 1, 20__, and June 1, 20__, shall also be subject to mandatory sinking fund redemption prior to their respective stated maturities, in part, by lot, from mandatory sinking fund payments set aside in the Principal Account, in the following amounts and on the following dates, at the principal amount thereof, without premium:

Term Bonds Maturing June 1, _____

Mandatory Redemption Date (June 1)	Principal Amount <u>To Be Redeemed</u>
--	---

Term Bonds Maturing June 1, _____

Sinking Account Redemption Date (June 1)	Principal Amount <u>To Be Redeemed</u>
--	---

Notwithstanding the above, if some but not all of the Term Bonds have been redeemed pursuant to optional redemption the total amount of all future sinking account payments shall be reduced by the aggregate principal amount of Bonds so redeemed, to be allocated among such sinking account payment pro rata in integral multiples of \$5,000 as determined by the Successor Agency.

General Redemption Provisions

Purchase in Lieu of Redemption. In lieu of redemption of any Term Bond, amounts on deposit in the Debt Service Fund or in the Sinking Account of the Debt Service Fund may also be used and withdrawn by the Trustee at any time, upon the written request of the Successor Agency pursuant to the terms of the Indenture, for the purchase of such Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding interest, which is payable from the Interest Fund) as the Successor Agency may in its discretion determine, but not in excess of the principal amount thereof plus accrued interest to the purchase date.

Notice of Redemption. The Trustee will mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and to the Securities Depositories and to one or more Information Services, at least 30 but not more than 60 days prior to the date fixed for redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon.

Such notice will include the date of the notice, the redemption date, the redemption place and the redemption price and must designate the CUSIP numbers, the Bond numbers (if less than all Bonds of a maturity are to be redeemed) and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and must require that such Bonds be then surrendered at the Office of the Trustee identified in such notice for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

The Successor Agency has the right to rescind any notice of the optional redemption of Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default.

Selection of Bonds for Redemption. When less than all the Outstanding Bonds of a series maturing on any one date are called for redemption at any one time, the Successor Agency will select the Bonds to be redeemed by lot in any manner which the Successor Agency in its sole discretion deems appropriate. For purposes of such selection, all Bonds will be deemed to be comprised of separate \$5,000 denominations and such separate denominations will be treated as separate Bonds which may be separately redeemed.

Partial Redemption. If only a portion of any Bond is called for redemption, then upon surrender of such Bond the Successor Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Successor Agency, a new bond or bonds of the same series and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

Effect of Redemption. From and after the date fixed for redemption, if notice of redemption has been duly mailed and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, such Bonds so called shall cease to be entitled to any benefit under the Indenture other than the

right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice.

Transfer and Exchange. *So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of Bonds will be made in accordance with DTC procedures. See "Appendix G" below. Any Bond may, in accordance with its terms, be transferred, upon the registration books of the Trustee, upon surrender of such Bond to the Trustee at its Principal Corporate Trust Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Bond shall be surrendered for registration of transfer, the Successor Agency shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds, of like series, interest rate, maturity and principal amount of authorized denomination. The Trustee may refuse to transfer, either (a) any Bonds during the period fifteen (15) days prior to the date established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected by the Trustee for redemption.*

Discontinuance of Book-Entry System

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the Successor Agency or the Trustee and discharging its responsibilities with respect thereto under applicable law or the Successor Agency may terminate participation in the system of book-entry transfers through DTC or any other securities depository at any time. In the event that the book-entry system is discontinued, the Successor Agency will execute, and the Trustee will authenticate and make available for delivery, replacement Bonds in the form of registered bonds. In addition, the following provisions would apply: the principal of and redemption premium, if any, on the Bonds will be payable at the corporate trust office of the Trustee in Los Angeles, California (or such other office as the Trustee may designate), and interest on the Bonds will be payable by check mailed to the registered owner as of the close of business on the Record Date.

SECURITY FOR THE BONDS

On June 29, 2011, Assembly Bill No. X1 26 ("**AB X1 26**") was enacted together with a companion bill, Assembly Bill No. X1 27 ("**AB X1 27**"). The provisions of AB X1 26 provided for the dissolution of all redevelopment agencies. The provisions of AB X1 27 permitted redevelopment agencies to avoid such dissolution by the payment of certain amounts. A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al., v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. Dec. 29, 2011), challenging the constitutionality of AB X1 26 and AB X1 27. The California Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the California Supreme Court in the California Redevelopment Association case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Original Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

The primary provisions enacted by AB X1 26 relating to the dissolution and wind down of former redevelopment agency affairs are Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as

amended on June 27, 2012 by Assembly Bill No. 1484 (“**AB 1484**”), enacted as Chapter 26, Statutes of 2012 ((AB X1 26 and AB 1484 are herein referred to as the “**Dissolution Act**”).

Tax Allocation Financing

Prior to the enactment of AB X1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations, as was done with respect to the 2010 Bonds pursuant to the Indenture.

The Dissolution Act authorizes refunding bonds, including the Bonds, to be secured by a pledge of moneys, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the county auditor-controller and less tax sharing obligations (to the extent applicable), which would have been tax increment prior to the Dissolution Act, to be deposited from time to time in a Redevelopment Property Tax Trust Fund held by a county auditor-controller for each successor agency (the “**Redevelopment Property Tax Trust Fund**”), to be used for the payment of approved enforceable obligations of such former redevelopment agency. Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described below.

DISCUSSIONS HEREIN REGARDING TAX INCREMENT REVENUES NOW REFER TO THOSE MONEYS DEPOSITED BY THE SAN DIEGO COUNTY AUDITOR INTO THE REDEVELOPMENT PROPERTY TAX TRUST FUND HELD BY THE COUNTY FOR THE SUCCESSOR AGENCY.

Allocation of Taxes

Segregation of Tax increment Under the Dissolution Act. Prior to the Dissolution Act, pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution and as provided in the Redevelopment Plan, taxes levied upon taxable property in the Project Area each year by or for the benefit of the State, any city, county, city and county, district, or other public corporation (herein sometimes collectively called “**taxing agencies**”) after the effective date of the ordinance approving the Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the Redevelopment Plan that added territory to the Project Area, as applicable, were to be divided as follows:

(a) To Taxing Agencies: That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the Project Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to the effective date of the ordinance adopting the Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the Redevelopment Plan that added territory to the Project Area, as applicable (each,

a “**base year valuation**”), will be allocated to, and when collected will be paid into, the funds of the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid; and

(b) To the Redevelopment Agency: Except for that portion of the taxes in excess of the amount identified in (a) above which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989 (however Section 34183 of the Dissolution Act effectively eliminates the January 1, 1989 date) for the acquisition or improvement of real property, which portion shall be allocated to, and when collected shall be paid into, the fund of that taxing agency, that portion of the levied taxes each year in excess of such amount, annually allocated within the Plan Limit, when collected, to be paid into a special fund of the redevelopment agency. Section 34172 of the Dissolution Act now provides that, for purposes of Section 16 of Article XVI of the State Constitution, the Redevelopment Property Tax Trust Fund shall be deemed to be a special fund of the dissolved redevelopment agency to pay the debt service on indebtedness incurred by the Original Agency or the Successor Agency to finance or refinance the redevelopment projects of the Original Agency.

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Original Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the Original Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act. The Dissolution Act further provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the Successor Agency, with the same lien priority and legal effect as if the bonds had been issued by the Original Agency prior to the effective date of AB X1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and are to be included on each of the Successor Agency’s Recognized Obligation Payment Schedule (see “Recognized Obligation Payment Schedules” below).

Section 33177.5(g) of the Dissolution Act provides that bonds authorized thereunder to be issued by a successor agency are secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund of the Successor Agency held by the County Auditor-Controller, and that property tax revenues pledged to any bonds authorized to be issued by the Successor Agency under the Dissolution Act, including the Bonds, are taxes allocated to the Successor Agency pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution. See "Pledge of Tax Revenues" below.

Moneys deposited into each successor agency's Redevelopment Property Tax Trust Fund and held by the County Auditor-Controller include funds formerly required to be deposited into a set-aside fund established by each former redevelopment agency for low and moderate income housing. The Dissolution Act is interpreted to no longer requires such a deposit, but uncertainly exists as to the current availability of the former housing moneys to pay principal or interest on the Bonds under the Dissolution Act. See "Pledge of Tax Revenues" below.

Order of Priority of Distributions from Redevelopment Property Tax Trust Fund. As described above, the County Auditor-Controller will deposit property tax increment revenues into the Redevelopment Property Tax Trust Fund pursuant to the requirements of the Health and Safety Code, including Health and Safety Code Sections 34182, 34183 and 34170.5(b). The Bonds and the 2010 Bonds are payable from the Tax Revenues to be derived from the Project Area consisting of the property tax revenues deposited in the Redevelopment Property Tax Trust Fund and subsequently transferred to the Successor Agency to pay approved enforceable obligations. Moneys representing Tax Revenues transferred by the County Auditor-Controller to the Successor Agency for deposit into the Successor Agency's Redevelopment Obligation Retirement Fund in amounts necessary to pay debt service payments will first be deposited by the Successor Agency in the Special Fund created under the Indenture and will then be transferred by the Successor Agency to the Trustee for deposit in the Debt Service Fund established under the Indenture and administered by the Trustee in accordance with the Indenture for payment of the Bonds and the 2010 Bonds.

Under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, a county auditor-controller is to distribute funds for each six-month period in the following order specified in Section 34183(a) of the Dissolution Act:

(i) first, subject to certain adjustments for subordinations to the extent permitted under the Dissolution Act and no later than each January 2 and June 1, to each local agency and school entity, to the extent applicable, amounts required for pass-through payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including negotiated pass-through agreements and statutory pass-through obligations;

(ii) second, on each January 2 and June 1, to the successor agency for payments listed on its approved Recognized Obligation Payment Schedule, with debt service payments scheduled to be made for tax allocation bonds having the highest priority over payments scheduled for other debts and obligations listed on the Recognized Obligation Payment Schedule;

(iii) third, on each January 2 and June 1, to the successor agency for the administrative cost allowance, as defined in the Dissolution Act; and

(iv) fourth, on each January 2 and June 1, to taxing entities any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii) pursuant to Section 34188, in an amount proportionate to such taxing entity's share of property tax revenues in the tax rate area in that fiscal year.

See "SECURITY FOR THE BONDS – Pledge of Tax Revenues - Statutory Tax Sharing" for information on the impact of tax sharing on the allocation of property tax revenues generated in the Project Area.

Pledge of Tax Revenues

The pledge and lien securing the Bonds is a parity pledge with the Original Agency's 2010 Bonds, described herein, provided however, payments to taxing entities under Tax Sharing Statutes have been subordinated to the obligation to pay the Series 2010 Bonds but have not been subordinated with respect to the Bonds.

Tax Revenues are defined in the Indenture using pre-Dissolution Act terminology, but remain moneys to be derived from the Project Area as described herein, all of the moneys in the Special Fund (established under the Indenture) and now held as a subaccount of the Redevelopment Obligation Retirement Fund, and all of the moneys in the Debt Service Fund (including the Interest Account, the Principal Account, the Reserve Account, and the Redemption Account therein) established and held by the Trustee under the Indenture, all as more particularly described below and more fully set forth in the Indenture. Taxes levied on the property within the Project Area on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various territories within the Project Area, to the extent they constitute Tax Revenues, as described herein and now subject to the Dissolution Act, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Successor Agency's Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year to the extent required for payments listed on the Successor Agency's approved Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act. See "Recognized Obligation Payment Schedules" below.

Section 34177.5(g) of the Dissolution Act provides that bonds, such as the Bonds and the 2010 Bonds:

"...shall be considered indebtedness incurred by the dissolved redevelopment agency, with the same legal effect as if the bonds had been issued, incurred, or entered into prior to June 29, 2011, in full conformity with the applicable provisions of the [Redevelopment Law] that existed prior to that date...and shall be secured by a pledge of and lien on, and shall be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund..."

On a parity basis with the 2010 Bonds, the Bonds are payable from and secured by the pledge described above, as well as by an irrevocable first pledge and lien, on a parity basis with the 2010 Bonds, on all of the moneys in the Debt Service Fund (including the Interest Account, the Principal Account, the Reserve Account, and the Redemption Account therein) established and held by the Trustee in trust for the Bondowners under the Indenture.

The Bonds, interest thereon and premium, if any, are not a debt of the City, the State of California or any political subdivision thereof (other than the Successor Agency), and neither the City, the State nor any political subdivision thereof (other than the Successor Agency) is liable thereon.

Under the Series 2010 Indenture, the term "Tax Revenues" was defined using pre-Dissolution Act terminology, as follows:

"...those taxes paid to the Agency with respect to the Redevelopment Project pursuant to Article 6 of Chapter 6 of the Redevelopment Law, and Section 16 of

Article XVI of the Constitution of the State, or pursuant to other applicable State law, and as provided in the Redevelopment Plan, and (b) reimbursements, subventions (but excluding payments to the [Original] Agency with respect to personal non-taxable property within the Redevelopment Project 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; including that portion of such taxes otherwise required by Section 33334.3 of the Redevelopment Law to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the Bonds and any Parity Debt (including applicable reserves and financing costs) attributed to amounts deposited in the Low and Moderate Income Housing Fund for use pursuant to Section 33334.2 or 33334.6 of the Redevelopment Law to increase, improve or preserve the supply of low and moderate income housing within or of benefit to the Redevelopment Project, but excluding all other amounts of such taxes (if any) required to be deposited into the Low and Moderate Income Housing Fund of the [Original] Agency pursuant to Section 33334.3 of the Redevelopment Law and all amounts (if any) required to be paid pursuant to Tax Sharing Statutes, unless subordinated to the payment of the Bonds and any other applicable issue of Parity Debt.

Payments to taxing entities under Tax Sharing Statutes have been subordinated to the obligation to pay the Series 2010 Bonds but have not been subordinated with respect to the Bonds. See "Statutory Tax Sharing" below.

Under the First Supplemental Indenture, the definition of Tax Revenues as defined in the Series 2010 Indenture is converted to become the definition of "Prior Tax Revenues" and the term "**Tax Revenues**" is redefined to facilitate Dissolution Act terminology and provide for changes in law, as follows:

"... all taxes that were eligible for allocation to the Original Agency with respect to the Project Area and are allocated to the Successor Agency pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws and that are paid to the Successor Agency for deposit into the Special Fund of the Redevelopment Obligation Retirement Fund, plus, as to Tax Revenues available for payment of the Series 2010 Bonds, amounts of such taxes required to be paid pursuant to Tax Sharing Statutes but subordinated to the Series 2010 Bonds. In the event that the applicable property tax revenues provisions of the Dissolution Act are determined by a court in a final judicial decision to be invalid and, in place of the invalid provisions of the Dissolution Act, provisions of the Redevelopment Law or the equivalent shall become applicable to the Bonds, then the term "Tax Revenues" shall mean the Prior Tax Revenues.

Housing Set-Aside. Moneys deposited into each successor agency's Redevelopment Property Tax Trust Fund include funds formerly required to be deposited into a set-aside fund established by each former redevelopment agency for low and moderate income housing. However, Section 33177.5(g) of the Dissolution Act provides that the Bonds shall "be secured by a pledge of, and lien on, and shall be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund," which deposited moneys now include money which would have been the housing set-aside prior to the Dissolution Act. The Dissolution Act is

interpreted to no longer require such a deposit, but the definition of Tax Revenues pledged for payment of the Bonds and the 2010 Bonds contained in the Indenture includes the housing set-aside to the extent a portion of the proceeds of the Bonds were deposited into the Original Agency's Low and Moderate Income Housing Fund. None of the proceeds of the 2010 Bonds were used for low and moderate income housing purposes; however 25% of the proceeds of the 2003 Loans were used for such purposes. As such, the Original Agency had deposited a portion of its 2003 Loans proceeds into the housing fund; the 2003 Loans obligations are being refunded by the Bonds, so under the definition of Tax Revenues in the Indenture a portion of the former housing set-aside is pledged to repayment of the 2013 Bonds. Nonetheless, due to the uncertainty of the effect of the Dissolution Act on a pledge of a former redevelopment agency's housing set-aside moneys to pay bonds, the Successor Agency makes no assurance as to the availability of the former housing moneys to pay principal or interest on the Bonds. Investors should assume that the Bonds are secured by and payable solely from the Tax Revenues on deposit in the Successor Agency's Redevelopment Property Tax Trust Fund held by the County Auditor-Controller meeting both the requirements of the Indenture and the Dissolution Act, as described herein.

Statutory Tax Sharing. The Redevelopment Law authorized redevelopment agencies to make payments to school districts and other taxing agencies to alleviate any financial burden or detriments to such taxing agencies caused by a redevelopment project. The Original Agency was not allowed to enter into pass-through agreements because of statutory restrictions (“**AB1290**” legislation) imposed based upon the date of formation of the Project Area (post-1993).

Additionally, Sections 33607.5 and 33607.7 of the Redevelopment Law required mandatory tax sharing applicable to redevelopment projects adopted after January 1, 1994, or amended thereafter in certain manners specified in such statutes (the “**Statutory Tax-Sharing Payments**”). For a description of the Statutory Tax-Sharing Payments payable to taxing entities within the Project Area, see “THE PROJECT AREA - Statutory Tax Sharing.”

The Dissolution Act requires the county auditor-controller to distribute from the redevelopment property tax trust fund amounts required to be distributed and for statutory pass-through amounts to the taxing entities for each six-month period before amounts are distributed by the County Auditor-Controller from the redevelopment property tax trust fund to the Redevelopment Obligation Retirement Fund of the successor agency on each January 2 and June 1, unless (i) pass-through payment obligations have previously been made subordinate to debt service payments for the bonded indebtedness of the former agency, as succeeded by the successor agency, (ii) the successor agency has reported, no later than the December 1 and May 1 preceding the January 2 or June 1 distribution date, that the total amount available to the successor agency from the redevelopment property tax trust fund allocation to the redevelopment obligation retirement fund of the successor agency, from other funds transferred from the former redevelopment agency, and from funds that have or will become available through asset sales and all redevelopment operations is insufficient to fund the enforceable obligations, pass-through payments of the successor agency, and the administrative cost allowance of the successor agency for the applicable six-month period, and (iii) the State Controller has concurred with the successor agency that there are insufficient funds for such purposes for the applicable six-month period.

The Dissolution Act provides for a procedure by which the successor agency may make Statutory Tax-Sharing Payments subordinate to the Bonds; however, the Successor Agency has determined not to undertake such procedure, and therefore, the Statutory Tax-Sharing

Payments are not subordinate to the Bonds. For the 2010 Bonds, the Original Agency did obtain subordinations of the Statutory Tax-Sharing Payments, accordingly, payments to taxing entities under Tax Sharing Statutes have been subordinated to the obligation to pay the 2010 Bonds but have not been subordinated with respect to the Bonds. See "THE PROJECT AREA - Statutory Tax Sharing." See also APPENDIX B - FISCAL CONSULTANT'S REPORT."

Reserve Account

Under the Indenture, upon issuance of the 2010 Bonds the Trustee established a Reserve Account for the 2010 Bonds. The Indenture provides that after the 2003 Bonds are defeased or no longer outstanding the Successor Agency may elect in a subsequent agreement authorizing the issuance of Parity Debt, that the Reserve Account shall become a reserve for the Bonds and for any such Parity Debt of the Successor Agency. In such case "**Reserve Requirement**" shall mean, as of the date of issuance of any Parity Debt, an amount equal to the lesser of (a) 10% of the original principal amount of the Bonds and other Parity Debt of the Successor Agency, or (b) the maximum annual debt service on the Bonds and other Parity Debt of the Successor Agency coming due and payable in the current or any future Bond Year, or (c) 125% of average annual Bond Year Debt Service on the Bonds and other Parity Debt of the Successor Agency. Pursuant to the Indenture, the Agency has elected that the Reserve Account will be designated as a parity reserve to be held by the Trustee in trust for the benefit of the owners of the Bonds, the 2010 Bonds and any other Parity Debt. The amount on deposit in the Reserve Account will be maintained at an amount equal to the Reserve Requirement, calculated on a combined basis for the Bonds and the 2010 Bonds. .]]]

If immediately prior to any Interest Payment Date the Trustee holds insufficient moneys to pay the principal and interest due on the Bonds and 2010 Bonds on such Interest Payment Date, the Trustee shall withdraw from the Reserve Account, to the extent of available funds therein, and transfer to the Debt Service Fund an amount required to cause the balance in the Debt Service Fund and the accounts therein to equal the amount needed to pay principal of and interest on the Bonds and 2010 Bonds coming due and payable on such Interest Payment Date. The Reserve Account is replenished only from Tax Revenues and the Successor Agency and the City have no liability to replenish it from other funds. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix D.

Additional Debt

Existing Parity Debt. On November 18, 2010 the Authority issued \$21,595,000 2010 Tax Allocation Bonds (Palm Avenue/Commercial Redevelopment Project) (the "**2010 Bonds**"). The 2010 Bonds, which are currently outstanding in the aggregate principal amount of \$21,465,000, are secured by Tax Revenues on a parity basis with the Bonds.

Future Parity Debt. The Indenture allows for the issuance of other loans, advances, or indebtedness payable from Tax Revenues on parity with the Bonds and 2010 Bonds; however the Agency has no enforceable obligations outstanding which require the issuance of bonds and due to limitations imposed by the Dissolution Act it is unlikely any new obligations other than refunding obligations would be approved by the Oversight Board and Department of Finance.

Refunding Obligations. The Successor Agency may issue or incur other loans, advances, or indebtedness payable from Tax Revenues to refund other Original Agency obligations, provided that (a) the Successor Agency complies with the requirements of Health

and Safety Code section 34177.5 and (b) the Successor Agency complies with the provisions of the Indenture regarding the issuance of Parity Debt (as defined in the Indenture).

Limited Obligation

The Bonds are not a debt of the City, the County, the State or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State or any of their political subdivisions except the Successor Agency are liable therefor. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. No member of the Successor Agency, the Oversight Board or the Board of Supervisors of the County shall be individually or personally liable for the payment of the principal of or interest or redemption premium (if any) on the Bonds; but nothing contained in the Indenture relieves any such member, officer, agent or employee from the performance of any official duty provided by law.

Recognized Obligation Payment Schedules

Submission of Recognized Obligation Payment Schedule. Not less than 90 days prior to each to each January 2 and June 1, the Dissolution Act requires successor agencies to prepare, and submit to the successor agency's oversight board and the Department of Finance for approval, a Recognized Obligation Payment Schedule (the "**Recognized Obligation Payment Schedule**") pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation.

Payment of Amounts Listed on the Recognized Obligation Payment Schedule. As defined in the Dissolution Act, "**enforceable obligation**" includes bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency, payments required by the federal government, obligations imposed by State law, or any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and, under certain circumstances, amounts borrowed from the former redevelopment agency's low and moderate income housing fund.

Creation or maintenance of a reserve may be included on the Recognized Obligation Payment Schedule and held by the successor agency when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bonds for the next payment due in the following half of the calendar year. In the First Supplemental Indenture the Successor Agency covenants that it will place on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and Department of Finance, to the extent necessary, the amounts to be held by the Successor Agency as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to provide for the payment of principal and interest under the Indenture when the next property tax allocation is projected to be insufficient to pay all obligations due under the Indenture and for the next payment due thereunder and hereunder in the following six-month period.

Sources of Payments for Enforceable Obligations. Under the Dissolution Act, the categories of sources of payments for enforceable obligations listed on a Recognized Obligation Payment Schedule are the following: (i) the low and moderate income housing fund, (ii) bond proceeds, (iii) reserve balances, (iv) administrative cost allowance (successor agencies are entitled to receive not less than \$250,000, unless that amount is reduced by the oversight board), (v) the Redevelopment Property Tax Trust Fund (but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or otherwise required under the Dissolution Act), or (vi) other revenue sources (including rents, concessions, asset sale proceeds, interest earnings, and any other revenues of the former redevelopment agency, as approved by the oversight board).

The Dissolution Act provides that only those payments listed in the Recognized Obligation Payment Schedule may be made by a successor agency and only from the funds specified in the Recognized Obligation Payment Schedule.

Failure to Submit a Recognized Obligation Payment Schedule. The Recognized Obligation Payment Schedule must be approved by the oversight board and must be submitted by a successor agency to the county auditor-controller and the Department of Finance by 90 days before the date of the next January 2 or June 1 property tax distribution. If the successor agency does not submit a Recognized Obligation Payment Schedule by the applicable deadline, the Successor Agency may not receive the property tax revenues that it otherwise would have received and the city that established the former redevelopment agency will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the Department of Finance. Additionally, the successor agency's administrative cost allowance is reduced by 25% if the successor agency did not submit a Recognized Obligation Payment Schedule by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the Recognized Obligation Payment Schedule for the subsequent six-month period. For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications thereof on the Bonds, see "RISK FACTORS – Recognized Obligation Payment Schedule."

Final and Conclusive Determination by Department of Finance. Health and Safety Code Section 34177.5(i) permits a successor agency to petition the Department of Finance to provide written confirmation that its determination of the enforceable obligations of the successor agency that provide for an irrevocable commitment of property tax revenue over time as approved in a Recognized Obligation Payment Schedule is final and conclusive, and reflects the approval by the Department of Finance of subsequent payments made pursuant to the enforceable obligations. If the confirmation is granted, then the review by the Department of Finance of such payments in future Recognized Obligation Payment Schedules is limited to confirming that they are required by the prior enforceable obligations.

In a letter to the Successor Agency dated _____, 2013, the Department of Finance stated that based on its review and application of the law, the Oversight Board Resolution was approved and that should the requirements of Health and Safety Code Section 34177.5(i) be satisfied in due course following the delivery of the Bonds, the Department of Finance will issue a letter with respect to the Bonds confirming the determination by the Department of Finance that the Bonds as approved in a Recognized Obligation Payment Schedule is final and conclusive and reflects approval of subsequent payments made pursuant to the Refunding Bonds, provided the conditions described in such letter are satisfied.

In addition, pursuant to the First Supplemental Indenture, the Successor Agency covenants to petition the Department of Finance to confirm that its determination that the Refunding Bonds constitute enforceable obligations is final and conclusive.

Relevant Covenant by the Successor Agency. In this regard, the Successor Agency covenants in the First Supplemental Indenture that it will comply with all requirements of the Redevelopment Law and the Dissolution Act to insure the allocation and payment to it of the Tax Revenues for payment of enforceable obligations, including without limitation the timely filing of its Recognized Obligation Payment Schedule with appropriate officials of the County, the Oversight Board, and the State. The Successor Agency shall not enter into any agreement with any other governmental unit, or amend any such agreement, if such agreement or amendment would have the effect of causing the amount of Tax Revenues available to the Successor Agency for payment of the Bonds to be insufficient to meet debt service on the Bonds and the 2010 Bonds, unless in the written opinion of an Independent Redevelopment Consultant is filed with the Trustee to the effect that such agreement or amendment will not adversely affect the security granted to the Bond Owners.

The Successor Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Tax Revenues available in any six-month period to pay the principal of and interest on the Bonds (see "RISK FACTORS").

Statement of Indebtedness. Prior to adoption of the Dissolution Act, Section 33675 of the Redevelopment Law required the Original Agency to file not later than the first day of October of each year with the County Auditor-Controller a statement of indebtedness certified by the chief fiscal officer of the Original Agency for each redevelopment plan which provides for the allocation of taxes (i.e., the Redevelopment Plan). The statement of indebtedness was required to contain the date on which the bonds were delivered, the principal amount, term, purposes and interest rate of the bonds and the outstanding balance and amount due on the bonds. Similar information was required to be given for each loan, advance or indebtedness that the Original Agency had incurred or entered into which is payable from tax increment. Section 33675 also provided that payments of tax increment revenues from the County Auditor-Controller to the Original Agency could not exceed the amounts shown on the Original Agency's statement of indebtedness. The Dissolution Act eliminates this requirement and provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, the Recognized Obligation Payment Schedule supersedes the statement of indebtedness previously required under the Redevelopment Law, and commencing from such date, the statement of indebtedness will no longer be prepared nor have any effect under the Redevelopment Law.

THE SUCCESSOR AGENCY

The Dissolution Act dissolved the Original Agency as of February 1, 2012. Pursuant to Section 34173 of the Dissolution Act, on January 5, 2012, the City Council adopted Resolution No. 2012-7136 electing for the City to serve as the Successor Agency to the Original Agency upon the dissolution of the Original Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Successor Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Original Agency will not be transferred to the City nor will the assets of the Original Agency become assets of the City.

Under AB X1 26 the Successor Agency is obligated to perform certain powers and duties, including but not limited to, making payments and performing obligations required by enforceable obligations and expeditiously winding down the affairs of the Original Agency.

AB X1 26 also requires that there shall be an oversight board ("**Oversight Board**") established for each of the former California redevelopment agency's successor agencies. The Oversight Board supervises the activities of the Successor Agency and the wind down of the dissolved redevelopment agency's affairs pursuant to AB X1 26. It approves certain actions of the Successor Agency and provides direction to the Successor Agency. It has a fiduciary responsibility to holders of enforceable obligations and taxing entities that benefit from the distributions of property tax and other revenues of the Successor Agency. Under the Dissolution Act, substantially all Successor Agency actions are subject to approval by the Oversight Board, as well as review by the Department of Finance. California has strict laws regarding public meetings (known as the Ralph M. Brown Act), which generally make all Successor Agency and Oversight Board meetings open to the public in similar manner as City Council meetings.

THE PROJECT AREA

Fiscal Consultant

In connection with the issuance of the Bonds, the Successor Agency has engaged Fraser & Associates, Roseville, California (the "Fiscal Consultant") to prepare a Fiscal Consultant Report dated _____ 2013. See "APPENDIX B – FISCAL CONSULTANT'S REPORT".

Map of the Project Area

The following map shows the boundaries of the Project Area.

[INSERT PROJECT AREA MAP]

The Redevelopment Plan

The Redevelopment Plan for the Project Area was originally adopted on February 7, 1996 by Ordinance No. 96-901 (referred to as the Original Area). The Project Area was amended in July 2001 by Ordinance No. 01-970 to add territory (referred to as the Amendment Area). Because a portion of land in the Amendment Area is in the City of San Diego, the San Diego City Council approved Ordinance No. 00-18971 on August 7, 2001 authorizing the Original Agency to undertake redevelopment activities in that area. Three additional amendments were made to the Redevelopment Plan between 2001 and 2010 that clarified certain issues in regard to the Original Agency's time and financial limits. Those limits are shown in the chart below: The Redevelopment Plan limits as amended are summarized below:

	Original Area	Amendment Area
Debt Establishment	02/07/2016	07/18/2021
Plan Effectiveness	02/07/2027	07/18/2032
Debt Repayment	02/07/2042	07/18/2047
Bonded Debt Limit	\$120 million combined	

For more information on Redevelopment Plan limitations, see "APPENDIX B – FISCAL CONSULTANT'S REPORT."

The Project Area

General. The Project Area consists of approximately 1,377 gross acres, comprising slightly in excess of 2 square miles of land. Of this, 250 acres are in the Original Area and 1,125 acres are in the Amendment Area. The Amendment Area includes approximately 68 acres of land that are outside the boundaries of the City and within the City of San Diego.

Land Use. The Original Area includes a mix of commercial and residential uses, including the major commercial areas in the City. The Amendment Area is predominately residential. The table below summarizes land use, as shown on the County Assessor's tax roll, within the Project Area for Fiscal Year 2012-13.

TABLE 4
IMPERIAL BEACH REDEVELOPMENT AGENCY
SUCCESSOR AGENCY
Palm Avenue/Commercial Redevelopment Project Area
Land Use Category Summary- 2012-13 Fiscal Year

Total Project Area

	<u>Parcels</u>	<u>Taxable Value</u>	<u>% of Total</u>
Residential	5,538	\$1,292,311,474	89.33%
Commercial	169	100,164,632	6.92
Industrial	9	7,245,391	0.50
Vacant Land	107	12,949,555	0.90
Other	94	19,611,972	1.36
Total Secured	5,917	1,432,283,024	99.00%
Unsecured / State Assessed		14,446,374	1.00
Grand Total		\$1,446,729,398	100.00%

Source: Fraser & Associates

Assessed Valuation

Tax Revenues to be used for payment of the Bonds are generated from increases in the total assessed value above the base year value. See "SECURITY FOR THE BONDS – Tax Revenues." The method by which a county allocates property taxes and tax increment revenues can have a significant impact on the receipt of such revenues. San Diego County calculates tax increment to the Project Area by applying the current year tax rate to both secured and unsecured incremental taxable values. Redevelopment agencies also receive an allocation of unitary and supplemental property taxes. Supplemental taxes are a result of new construction or changes of ownership after the January 1 lien date.

Assembly Bill 8 ("**AB8**") provided procedures for an equitable allocation of 1% property taxes that would change in proportion with the increase or decrease of assessed values. The basic premise of AB8 is to allocate to each taxing jurisdiction the amount it received in the prior year, plus a share of the change that has occurred in the current year within its boundaries. Tax increment generated from the tax roll is allocated based on the Project Area's AB8 apportionment factor applied to the actual collections of county-wide property tax revenues. Given this, the Successor Agency's receipt of tax increment revenues can be reduced by delinquent property taxes. The Project Area receives a share of prior year delinquent property taxes when they are paid, along with penalties and interest revenue that are due on delinquent taxes. The County also adjusts tax increment payments for roll corrections, such as refunds of property taxes due to successfully appealed assessments, based on the Project Area's AB8 factor.

Secured taxable values decreased by 9% or \$143.3 million in 2009-10 and 2010-11. Of this amount, the Original Area fell by \$13.4 million and the Amendment Area by \$129.9 million. The major reason for the decline during the period was due to either residential value reductions under Proposition 8 (see "Appeals of Assessed Values"), or sales of property. There were 721 residential parcels that were reduced under Proposition 8 by \$139.1 million through 2011-12, most of which had occurred with the release of the 2010-11 tax roll. In addition, there were 493 residential sales that occurred prior to January 1, 2010 and reduced value by \$67.3 million. Value reductions were offset by new investment in the Project Area (\$7.2 million) and residential

property that sold at a value higher than the tax roll value (\$61.2 million) prior to January 1, 2010.

In 2012-13 and 2013-14, secured taxable values have increased by \$74 million. There were a number of changes of ownership which increased value by \$43 million. This included the sale of two major properties (Imperial Strand LLC and Mariners Point Holding) that increased secured values by a combined total of \$16 million. In 2013-14, the County also began the process of reversing some of the across the board residential Proposition 8 reductions. A total 208 residential parcels were increased in 2013-14 by a total of \$19 million, with an average increase per parcels of 34 percent. The balance of growth in the Project Area can be attributed to the annual 2 percent inflations adjustment.

The following table shows the historical taxable values of the Project Area over the past five years. Taxable values have declined over this period by a total of \$70.4 million. The reductions largely occurred in 2009-10 and 2010-11. In both 2012-13 and 2013-14, taxable values have increased. The total percentage change over the period was -4.50 percent. The average annual percentage change in values was -0.92 percent.

TABLE 5
IMPERIAL BEACH REDEVELOPMENT AGENCY
SUCCESSOR AGENCY
Palm Avenue/Commercial Redevelopment Project Area
Historic Assessed Value and Incremental Value

Fiscal Year	Locally-Assessed Secured Value	Unsecured Value	Total Taxable Value	Percentage Change	Total Incremental Value ⁽¹⁾
2009-10	\$1,454,824,970	\$12,086,846	\$1,466,911,816	-6%	\$724,219,435
2010-11	1,404,184,578	11,623,445	1,415,808,023	-3	673,115,642
2011-12	1,403,278,841	10,972,967	1,414,251,808	0	671,559,427
2012-13	1,432,283,024	14,446,374	1,446,729,398	2	704,037,017
2013-14	1,478,131,750	14,924,343	1,493,056,093	3	750,363,712

Total Percentage Change: -4.50%

Average Percentage Change: -0.92%

⁽¹⁾ Taxable Value above base year value of \$742,692,381.

Source: Fraser & Associates.

For additional information regarding assessed valuation in the Project Area, see the Fiscal Consultant Report in Appendix B.

Distribution of Taxes

As discussed in the subsection "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS - Property Tax Rate Limitations - Article XIII A," the property tax rate applicable within the Project Area is limited by the State Constitution to \$1 per \$100 of taxable property value plus the rate necessary to service certain indebtedness approved by the voters. Secured taxes are due in two equal installments. Installments of taxes levied upon secured property become delinquent on December 10 and April 10. Taxes on unsecured property are due March 1 and become delinquent August 31.

The County Auditor-Controller is responsible for the aggregation of the taxable values assigned by the Assessor as of the January 1st lien date for property within the boundaries of the Project Area. This results in the reported total current year Project Area taxable value and becomes the basis of determining tax increment revenues due to the Successor Agency. Although adjustments to taxable values for property within the Project Area may occur throughout the fiscal year to reflect escaped assessments, roll corrections, etc., such adjustments are not assumed in the tax increment projection shown herein.

Tax increment generated from the tax roll is allocated based on the Project Area's apportionment factor applied to the actual collections of County-wide property tax revenues. The apportionment factor represents the Project Area's tax increment revenue in relation to total Countywide property taxes. Therefore, the Successor Agency's receipt of tax increment revenues can be reduced by delinquent property taxes. The Project Area receives a share of prior year delinquent property taxes when they are paid, along with penalties and interest revenue that are due on delinquent taxes. The County also adjusts tax increment payments for roll corrections, such as refunds of property taxes due to successfully appealed assessments, based on the Project Area's apportionment factor.

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Original Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the Original Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act. For information on the allocation of taxes collected to the Successor Agency, see "SECURITY FOR THE BONDS - Allocation of Taxes" above.

The following table shows the tax levy and receipts in the Project Area during fiscal years 2008-09 through 2012-13. For additional information, see the Fiscal Consultant Report in Appendix B.

TABLE 6
IMPERIAL BEACH REDEVELOPMENT AGENCY
SUCCESSOR AGENCY
Palm Avenue/Commercial Redevelopment Project Area
Historic Tax Levy and Receipts

	Levy per County ⁽¹⁾	Tax Increment ⁽²⁾ Receipts Less Supplementals	% of Levy Received	Supplementals	Total Tax Increment Receipts	% of Levy Received
2008-09	\$8,225,343	\$8,142,393	98.99%	\$191,398	\$8,333,791	101.32%
2009-10	7,260,905	7,197,522	99.13	79,772	7,277,294	100.23
2010-11	6,763,982	6,624,550	97.94	181,304	6,805,854	100.62
2011-12	6,760,400	6,528,958	96.58	87,116	6,616,074	97.87
2012-13	6,912,127	7,509,458	106.64	N/A	7,509,458	108.64

(1) Initial levy reported by San Diego County.

(2) Receipts per Successor Agency records, inclusive of property tax administrative fees and pass through payments.

Source: Fraser & Associates.

Major Property Owners

The following table lists the ten largest payers of secured property taxes in the Project Area for fiscal year 2013-14. The aggregate assessed value of the top ten property taxpayers accounted for approximately 6.22% of the secured assessed value of the Project Area for 2013-14. The aggregate incremental secured assessed value of the top ten property taxpayers accounted for approximately 12.42% of the secured incremental assessed value of the Project Area for 2013-14.

TABLE 7
IMPERIAL BEACH REDEVELOPMENT AGENCY
SUCCESSOR AGENCY
Palm Avenue/Commercial Redevelopment Project Area
Ten Largest Taxpayers by Assessed Valuation ⁽¹⁾
Fiscal Year 2013-14

Assessee	No. of Parcels	Type of Use	2013-14 Secured Assessed Value ⁽¹⁾	Percent Project Area AV ⁽²⁾	Percent Incremental AV ⁽²⁾
Imperial Strand LLC	2	Residential	\$16,787,833	1.14%	2.27
Sea Coast Inn	1	Hotel	14,016,704	0.95	1.89
Mariners Point Holdings LLC ⁽³⁾	1	Residential	12,038,393	0.81	1.63
Kreutzkamp Revocable 2000 Trust 08-17-00	18	Residential	9,789,267	0.66	1.32
D&A Daily Mortgage Fund III LP	9	Residential/Hotel	9,179,665	0.62	1.24
Shurgard-Resco III LLC	1	Industrial	6,779,963	0.46	0.92
1400 13th Street Imperial House Apts LLC ⁽³⁾	1	Residential	6,500,000	0.44	0.88
Dugan Company LP	15	Residential	6,152,143	0.42	0.83
Apple Blossom Family Ltd Partnership	6	Residential	5,946,480	0.40	0.80
Albertsons LLC LF Imperial Beach Promenade LLC ⁽³⁾	1	Grocery Store	4,798,675	0.32	0.65
			\$91,989,123	6.22%	12.42%

(1) Based on ownership of locally-assessed secured and unsecured property.

(2) Based on 2012-13 Project Area secured taxable value of \$1,478,131,750 and secured incremental value of \$740,804,770.

(3) Each of these owners has an outstanding assessment appeal.

Source: Fraser & Associates.

Appeals of Assessed Values

Proposition 8 Appeals. Most of the appeals that might be filed in the Project Area would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property shall be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Pursuant to California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

Based on information in the Fiscal Consultant's Report, the taxable value for 721 residential parcels (inclusive of both single and multifamily parcels) had been reduced on the 2011-12 tax roll by a total of \$139.1 million. The San Diego County Assessor has indicated that most of the Proposition 8 reductions were for properties that were sold or completed construction between 2003 and 2007. In terms of future Proposition 8 reductions, recent sales data indicates that property is selling for more than the value recorded on the current tax roll. The table below shows the recent trends for calendar years 2012 and 2013 through March. See "APPENDIX B – FISCAL CONSULTANT'S REPORT- Section E- Assessment Appeals."

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. See also "RISK FACTORS – Litigation Regarding 2% Limitation."

Base Year Appeals. A second type of assessment appeal is called a Base Year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Current Appeals. According to the Fiscal Consultant Report and based on information provided by the County Assessment Appeals Office, the following represent the open Proposition 8 appeals in the Project Area. For more information, see "APPENDIX B - FISCAL CONSULTANT'S REPORT."

TABLE 8
IMPERIAL BEACH REDEVELOPMENT AGENCY
SUCCESSOR AGENCY
Palm Avenue/Commercial Redevelopment Project Area
Summary of Open Appeals ⁽¹⁾

Assessee	2013-14 Value	Estimated Resolved Value ⁽¹⁾	Estimated Value Reduction
Original Project Area			
1400-13Th Street Imperial House	\$6,500,000	\$4,899,050	\$1,600,950
Albertsons Llc Lf Imp. Beach	4,798,675	3,616,761	1,181,914
Arriba Vista Inc	2,400,000	1,808,880	591,120
Irene Kooyers Manning	1,914,327	1,442,828	471,498
Bikeway Village LLC	1,400,000	1,055,180	344,820
Bikeway Village LLC	1,400,000	1,055,180	344,820
John & Mahin Nobel	1,242,924	936,792	306,132
Joel & Anne Marie Tubao Family Trust	1,235,000	930,820	304,181
Fauzi Zora	1,213,246	914,424	298,822
Narinder Makkar	1,170,353	882,095	288,258
G&M Oil Co/George Pearson	1,160,996	875,043	285,953
All Others ⁽²⁾	7,401,409	5,578,442	1,822,967
Original Area Total	31,836,930	23,995,494	7,841,435
Amended Project Area			
Mariners Point Holdings Llc	12,038,393	9,073,337	2,965,056
William Mundt Trust	3,775,000	2,845,218	929,783
Cox Com, Inc	3,002,964	2,263,334	739,630
Cox Com, Inc	2,856,938	2,153,274	703,664
Arriba Vista Inc	1,655,000	1,247,374	407,627
Southeastern Ca Conf. Of Seventh Day Adv	1,324,357	998,168	326,189
All Others ⁽²⁾	21,535,018	16,230,943	5,304,075
Amended Area Total	46,187,670	34,811,647	11,376,023
Total	\$78,024,600	\$58,807,141	\$19,217,459

⁽¹⁾ Estimated at 24.6% reduction.

⁽²⁾ Represents numerous appeals with assessed value of less than \$1.0 million.

Source: Fraser & Associates.

As shown above, there are 17 assesses that have outstanding appeals in the Project Area with a taxable value above \$1.0 million. Three of the applicants (1400-13th Street Imperial House, Albertsons and Mariners Point Holdings) are part of the Top 10 Assessee's list. The Fiscal Consultant has grouped a total of 76 appeals with value at less than \$1.0 million, most of which are residential parcels, on the table above. The data provided by the County did not include the applicants requested value reduction. In order to estimate the impact of the appeals, the Fiscal Consultant reviewed recent information on prior success ratios for appeals. Between 2008 and 2011, a total of 441 appeals were filed, with 357 of these resolved. For the resolved appeals, value was reduced by an average of 25%. For purposes of the estimated resolved value shown above, the Fiscal Consultant has assumed that each applicant would receive reductions equal to 24.6% of the tax roll value. For purposes of the tax increment projections

shown on Table 11, taxable value was reduced by \$20.2 million in 2014-15 for the estimated impact of appeals. See APPENDIX B - FISCAL CONSULTANT'S REPORT."

Compliance with Laws. The Successor Agency has covenanted in the Indenture to comply with all requirements of law to insure the allocation and payment to it of the necessary Tax Revenues for payment of its enforceable obligations, including without limitation the timely filing of the required Recognized Obligation Payment Schedules.

Low and Moderate Income Housing

Before the Dissolution Act, it was clear that the Redevelopment Law required the Original Agency to set aside not less than 20% of all tax increment generated in the Project Area into a low and moderate income housing fund to be used for the purpose of increasing, improving and/or preserving the supply of low and moderate income housing. These tax increment revenues were commonly referred to as "**Housing Set-Aside.**"

The Dissolution Act is interpreted to eliminate the characterization of certain tax increment revenues as Housing Set-Aside. Although it is not entirely clear from the Dissolution Act, the Successor Agency may no longer be required to make a housing set-aside deposit, yet AB 1484 specifically states that the AB 1290 payments are to be made as if the housing deposit were still being made. For more information on the effect of the former Housing Set-Aside, see "SECURITY FOR THE BONDS - Pledge of Tax Revenues" above.

Affordable Housing Coalition of San Diego County Litigation. On April 25, 2012, a lawsuit was filed against the San Diego County Auditor Controller ("County A-C") and successor agencies to the former redevelopment agencies in the County of San Diego, including the Imperial Beach Redevelopment Agency Successor Agency, captioned *The Affordable Housing Coalition of San Diego County v. Tracy Sandoval, et al.*, Sacramento SC Case No. 34-2012-80001158-CU-WM-GDS. The alleged purpose of the action is to "ensure that AB 1X 26 is implemented in accordance with its provisions and the State Constitution, so as not to impair alleged implied contracts arising from the Redevelopment Law statutes which give rise to affordable housing obligations."

The Affordable Housing Coalition of San Diego County (the "Petitioner") alleges that the municipalities that now serve as successor agencies have failed to: (1) identify their respective redevelopment agencies' past, unmet affordable housing development obligations, and (2) place such projects or needed funds, including deferrals and loans owed to their Low Moderate Income Housing Funds, on their initial Recognized Obligation Payment Schedules ("ROPS") as "enforceable obligations." Petitioner claims that certain provisions of the Redevelopment Law (prior to the Dissolution Act) related to low and moderate income set-asides are obligations imposed by State law which created implied contracts between the State and the former redevelopment agencies, and now the successor agencies, which cannot be impaired and that, unless the ROPS of each successor agency identifies their former redevelopment agency's past, unmet affordable housing obligations for each project area and includes projects to meet them, as well as repayment of all deferrals and loans owed to the Low Moderate Income Housing Funds, AB 26 will have disabled fulfillment of the above referenced obligations imposed by State law and impair the implied contracts arising from the Redevelopment Law's affordable housing statutes. As a result, the action seeks a writ of mandate and declaratory relief from the court to have the alleged enforceable obligations listed on the ROPS and to have the Department of Finance recognize them as such.

The litigation is in its early stages and the Successor Agency has not attempted to quantify the effect on Tax Revenues which could result from a result in favor of the Petitioner. Given the uncertainty of aspects of the current provisions of the Dissolution Act upon the housing set-aside under the Redevelopment Law as it existed prior to the Dissolution Act, the Successor Agency has caused to be prepared Tax Revenue projection tables, shown under the caption "PROJECTED TAX REVENUES AND DEBT SERVICE COVERAGE," both with and without consideration of the housing set-aside. In addition, the Successor Agency is of the opinion that any obligations a successful lawsuit would place upon it would be subordinate to bond debt service, given the priority of payments listed in the Dissolution Act. Specifically, Section 34183 (a)(2)(A) states that debt service payments on tax allocation bonds has priority over all other obligations listed on a ROPS.

Senate Bill 1045

Senate Bill 1045 adopted by the Legislature in connection with the State's budget for fiscal year 2003-04 provided that the termination date of redevelopment plans may be extended by one year by reason of its Education Revenue Augmentation Fund (the "ERAF") payment that redevelopment agencies were obligated to make under provisions of the 2003-04 budget legislation. The City Council has amended the Redevelopment Plan, in accordance with the Law as amended by Senate Bill 1045, to extend by one year the termination date of the Redevelopment Plan and by extension the last date to repay indebtedness.

Senate Bill 1096

Legislation adopted by Senate Bill 1096 in connection with the State's 2004-05 budget provided that the termination dates and last dates to repay indebtedness of redevelopment plans with less than 20 years remaining may be extended by one year for each of the two ERAF payments that redevelopment agencies were obligated to make under other provisions of the 2004-05 budget legislation. The Project Area is not eligible for such extension due to the 20-year limitation.

Statutory Tax Sharing

Under former Redevelopment Law, some redevelopment agencies were allowed to enter into so called "pass-through agreements" with overlapping public agencies whereby the agency agreed to pay an affected taxing agency a portion of the tax increment the agency received in order to alleviate any financial burden or detriment caused by the redevelopment plan. Under certain agreements, the obligations under the pass-through agreement have a priority interest in tax increment over the agency's obligations to use tax increment to pay bonds.

The Original Agency was not allowed to enter into pass-through agreements because of statutory restrictions ("AB1290" legislation) imposed based upon the date of formation of the Project Area (post-1993).

Pursuant to legislation, AB 1290, the Original Agency was required to make payments pursuant to Section 33607.5 of the Redevelopment Law to the affected taxing entities from tax increment generated in the Project Area pursuant to what is commonly referred to as "statutory tax sharing" and which represents a replacement methodology for the pre-1994 voluntary pass-through agreements. AB1290 establishes a specific schedule of payments to be made by agencies to affected taxing entities. Affected taxing entities are defined in Section 33353.2 of the Redevelopment Law as any governmental taxing agency that levied a property tax within the

project area in the fiscal year prior to the year in which the report establishing the base year assessed value is prepared pursuant to Section 33328. Section 33607.5 applies to redevelopment plans adopted on or after January 1, 1994 (and territory added by subsequent amendments thereto) and amendments to pre-1994 plans adding territory (although the section then only applies to the added territory). It specifically states that all amounts calculated pursuant to that section shall be calculated *after* the agency deducts the amount of tax increments deposited into its low- and moderate-income housing fund.

For treatment of Statutory Tax Sharing payments under the Dissolution Act, see "SECURITY FOR THE BONDS - Pledge of Tax Revenues - Statutory Tax Sharing" above.

Payments made under Section 33607.5 are to be allocated among the affected taxing entities in proportion to the percentage share of property taxes each affected taxing entity receives *during the fiscal year the funds are allocated*. (In other words, if the percentage shares of the taxing entities are changed in any given year, the payments are adjusted in accordance with the changes in percentage.) The tax sharing payments are based on a three tier formula. See "SECURITY FOR THE BONDS – Tax Sharing Statutes."

Payments to taxing entities under Tax Sharing Statutes have been subordinated to the obligation to pay the Series 2010 Bonds but have not been subordinated with respect to the Bonds.

See Tables 10 and 11 under the caption "PROJECTED TAX REVENUES AND DEBT SERVICE COVERAGE" for the Successor Agency's statutory tax sharing obligations. See also APPENDIX B - FISCAL CONSULTANT'S REPORT."

Bonded Indebtedness

Other than the 2010 Bonds, upon refunding of the Prior Bonds the Successor Agency currently has no outstanding bonded indebtedness. The Indenture provides that the Successor Agency may incur loans, bonds, notes, advances or indebtedness secured by and payable from the Tax Revenues on parity with the Bonds, the 2010 Bonds and the other Parity Debt, but only for the purpose of refunding the Bonds or the 2010 Bonds or any future Parity Debt. See "SECURITY FOR THE BONDS - Additional Debt" and "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Issuance of Parity Debt" in Appendix B.

See "DEBT SERVICE SCHEDULE" herein for the future debt service requirements on the 2010 Bonds.

Historic Tax Revenues

The following table shows a five-year history of net Tax Revenues in the Project Area.

**TABLE 9
IMPERIAL BEACH REDEVELOPMENT AGENCY
SUCCESSOR AGENCY**

**Palm Avenue/Commercial Redevelopment Project Area
Historic Net Tax Revenues**

Category	2008-09	2009-10	2010-11	2011-12	2012-13
Tax Increment	\$8,142,393	\$7,197,522	\$6,624,550	\$6,528,958	\$7,509,458
Supplemental Taxes	191,398	79,772	181,304	87,116	N/A
Total Tax Increment (1)	8,333,791	7,277,294	6,805,854	6,616,074	7,509,458
<i>Liens on Tax Increment</i>					
Property Tax Administration Fees	76,719	95,762	94,777	113,622	116,153
Housing Set-Aside (2)	1,666,758	1,455,459	1,361,171	0	0
AB 1290 Tax Sharing (3)	1,686,211	1,458,932	1,361,170	1,323,215	1,548,497
Net Tax Revenue	\$4,904,103	\$4,267,141	\$3,988,736	\$5,179,237	\$5,844,808

(1) Reflects actual receipts based on the records of the Agency.

(2) It appears that the housing set-aside is no longer required under the Dissolution Act, and so the Agency did not make a deposit to the housing fund in 2011-12 or 2012-13.

(3) Required per Section 33607.5 of the Redevelopment Law.

Source: *Fraser & Associates*.

PROJECTED TAX REVENUES AND DEBT SERVICE COVERAGE

Table 10 sets forth estimated Tax Revenues for Fiscal Year 2013-14, as determined by the Fiscal Consultant.

**TABLE 10
IMPERIAL BEACH REDEVELOPMENT AGENCY
SUCCESSOR AGENCY
Palm Avenue/Commercial Redevelopment Project Area
Estimate of Tax Revenues for Fiscal Year 2013-14 ⁽¹⁾**

	Excluding Housing Set- Aside Taxable Value ⁽¹⁾	Including Housing Set- Aside Taxable Value ⁽¹⁾
<u>Local Secured</u>		
Land	\$716,160,643	\$716,160,643
Improvements	782,125,762	782,125,762
Personal Property	<u>1,221,119</u>	<u>1,221,119</u>
Gross Local Secured	1,499,507,524	1,499,507,524
Exempt	<u>(21,375,774)</u>	<u>(21,375,774)</u>
Net Local Secured	1,478,131,750	1,478,131,750
State Assessed	0	0
<u>Unsecured</u>		
Land	0	0
Improvements	6,959,243	6,959,243
Personal Property	<u>8,953,306</u>	<u>8,953,306</u>
Total Unsecured	15,912,549	15,912,549
Exempt	<u>(988,206)</u>	<u>(988,206)</u>
Net Unsecured	14,924,343	14,924,343
Total Value	1,493,056,093	1,493,056,093
Base Year Taxable Value	<u>(742,692,381)</u>	<u>(742,692,381)</u>
Incremental Taxable Value	750,363,712	750,363,712
Tax Increment	7,503,637	7,503,637
<u>Liens on Tax Increment</u>		
Property Tax Administration Fees ⁽²⁾	123,795	123,795
Housing Set-Aside ⁽³⁾	0	1,500,727
Statutory Tax Sharing Payments ⁽⁴⁾	1,573,020	1,573,020
Tax Revenue	\$5,806,822	\$4,306,095

(1) Based on actual taxable values per San Diego County Auditor Controller.

(2) Calculated at 1.6% of total tax increment.

(3) Reflects 20% of total tax increment revenue. The amount has not been reduced for the portion of bond debt service that can be paid from the Housing Set-Aside for the Bonds.

(4) Required per Section 33607.5 of the Redevelopment Law.

Source: Fraser & Associates.

The table below sets forth the projected Tax Revenues for the Project Area, along with a table showing the projected debt service on the Bonds and the 2010 Bonds. Prior to the Dissolution Act, the Original Agency was required to deposit not less than 20% of the tax increment generated in the Project Area into a low and moderate income housing fund. Although not entirely clear, the Dissolution Act is interpreted to no longer require such a deposit, but the definition of pledged Tax Revenues contained in the Indenture only include the housing set-aside to the extent a portion of the proceeds of the Bonds were deposited into the housing fund. Due to this, the tables below, as well as the estimate of tax revenues in table above, shows the full housing set-aside deposit as included and as excluded. The Original Agency had deposited 25% of its Prior Bond proceeds into the housing fund, which is being refunded by the Bonds, so a portion of the former housing set-aside is pledged to the repayment of the 2013 Bonds per the Redevelopment Law as it existed prior to the Dissolution Act. See "SECURITY FOR THE BONDS - Pledge of Tax Revenues" above.

In projecting non-housing Tax Revenues, the Successor Agency assumed the following:

- The tax rate is 1%.
- Real property values have been held constant in 2014-15 and then increased based on a 2% inflation factor (the maximum inflation factor allowed). *No assurance can be given that actual growth will achieve the 1% or 2% projection.*
- There are no increases assumed due to new development.
- Taxable value is reduced in 2014-15 by \$19.2 million for the estimated impact of appeals.
- The County administrative fee is equal to 1.6% of gross tax increment and will be paid from tax increment allocated to the Redevelopment Property Tax Trust Fund prior to allocation to the Successor Agency for payment of debt service.
- Statutory tax sharing payments to taxing entities are made prior to debt service payments on the 2010 Bonds and the Bonds.

TABLE 11
IMPERIAL BEACH REDEVELOPMENT AGENCY
SUCCESSOR AGENCY
Palm Avenue/Commercial Redevelopment Project Area
Projected Tax Revenues - Dollars in Thousands
Housing Set-Aside Excluded ⁽¹⁾

Fiscal Year Ending	Total Value ⁽²⁾	Value over Base of \$742,692	Total Tax Increment ⁽³⁾	Property Tax Admin Fees ⁽⁴⁾	Total Housing Set-Aside	Statutory Tax Sharing ⁽⁵⁾	Net Tax Revenues
2014	\$1,493,056	\$750,364	\$7,504	\$124	\$0	\$1,573	\$5,807
2015	1,473,839	731,147	7,311	121	0	1,513	5,678
2016	1,503,132	760,440	7,604	125	0	1,612	5,867
2017	1,533,011	790,319	7,903	130	0	1,720	6,053
2018	1,563,488	820,795	8,208	135	0	1,832	6,240
2019	1,594,574	851,881	8,519	141	0	1,947	6,432
2020	1,626,281	883,589	8,836	146	0	2,063	6,627
2021	1,658,623	915,931	9,159	151	0	2,182	6,826
2022	1,691,612	948,920	9,489	157	0	2,304	7,029
2023	1,725,260	982,568	9,826	162	0	2,428	7,236
2024	1,759,582	1,016,890	10,169	168	0	2,554	7,447
2025	1,794,590	1,051,898	10,519	174	0	2,683	7,663
2026	1,830,298	1,087,606	10,876	179	0	2,814	7,883
2027	1,866,720	1,124,028	11,240	185	0	2,948	8,107
2028	1,903,871	1,161,179	11,612	192	0	3,085	8,335
2029	1,941,765	1,199,072	11,991	198	0	3,224	8,569
2030	1,980,416	1,237,724	12,377	204	0	3,375	8,798
2031	2,019,841	1,277,148	12,771	211	0	3,528	9,033
2032	2,060,054	1,317,361	13,174	217	0	3,685	9,272
2033	2,101,071	1,358,379	13,584	224	0	3,844	9,516
2034	2,142,909	1,400,217	14,002	231	0	4,045	9,726
2035	2,185,583	1,442,891	14,429	238	0	4,250	9,941
2036	2,229,111	1,486,419	14,864	245	0	4,459	10,160
2037	2,273,510	1,530,817	15,308	253	0	4,672	10,384
2038	2,318,796	1,576,104	15,761	260	0	4,889	10,612
2039	2,364,988	1,622,296	16,223	268	0	5,111	10,844
2040	2,412,105	1,669,412	16,694	275	0	5,337	11,082
Cumulative Total			\$309,954	\$5,114	\$0	\$83,676	\$221,165

(1) Although the Dissolution Act is interpreted to no longer require the housing set-aside, the definition of pledged Tax Revenues excludes the housing set-aside, except for a small portion that can be used to make payments on the 2013 Bonds. The total housing set-aside is shown above.

(2) Prior Year Real Property held constant for 2014-15 and then increased by 2% per year. The value for 2014-15 has been reduced by the estimated impact of appeals. Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property. No new development is included in the projections.

(3) Based on the application of 1% tax rate to incremental taxable value.

(4) Per SB 2557, reflects Project Area share of County's property tax administrative costs. Also includes estimate of County costs for the implementation of the Dissolution Act.

(5) Required per the provisions of Section 33607.5 of the Redevelopment Law.

Source: Fraser Associates.

TABLE 12
IMPERIAL BEACH REDEVELOPMENT AGENCY
SUCCESSOR AGENCY
Palm Avenue/Commercial Redevelopment Project Area
Projected Tax Revenues - Dollars in Thousands
Housing Set-Aside Included ⁽¹⁾

Fiscal Year Ending	Total Value ⁽²⁾	Value over Base of \$742,692	Total Tax Increment ⁽³⁾	Property Tax Admin Fees ⁽⁴⁾	Total Housing Set-Aside	Statutory Tax Sharing ⁽⁵⁾	Net Tax Revenues
2014	1,493,056	\$750,364	\$7,504	\$124	\$1,501	\$1,573	\$4,306
2015	1,473,839	731,147	7,311	121	1,462	1,513	4,215
2016	1,503,132	760,440	7,604	125	1,521	1,612	4,346
2017	1,533,011	790,319	7,903	130	1,581	1,720	4,472
2018	1,563,488	820,795	8,208	135	1,642	1,832	4,599
2019	1,594,574	851,881	8,519	141	1,704	1,947	4,728
2020	1,626,281	883,589	8,836	146	1,767	2,063	4,860
2021	1,658,623	915,931	9,159	151	1,832	2,182	4,994
2022	1,691,612	948,920	9,489	157	1,898	2,304	5,131
2023	1,725,260	982,568	9,826	162	1,965	2,428	5,271
2024	1,759,582	1,016,890	10,169	168	2,034	2,554	5,414
2025	1,794,590	1,051,898	10,519	174	2,104	2,683	5,559
2026	1,830,298	1,087,606	10,876	179	2,175	2,814	5,707
2027	1,866,720	1,124,028	11,240	185	2,248	2,948	5,859
2028	1,903,871	1,161,179	11,612	192	2,322	3,085	6,013
2029	1,941,765	1,199,072	11,991	198	2,398	3,224	6,170
2030	1,980,416	1,237,724	12,377	204	2,475	3,375	6,323
2031	2,019,841	1,277,148	12,771	211	2,554	3,528	6,478
2032	2,060,054	1,317,361	13,174	217	2,635	3,685	6,637
2033	2,101,071	1,358,379	13,584	224	2,717	3,844	6,799
2034	2,142,909	1,400,217	14,002	231	2,800	4,045	6,926
2035	2,185,583	1,442,891	14,429	238	2,886	4,250	7,055
2036	2,229,111	1,486,419	14,864	245	2,973	4,459	7,187
2037	2,273,510	1,530,817	15,308	253	3,062	4,672	7,322
2038	2,318,796	1,576,104	15,761	260	3,152	4,889	7,460
2039	2,364,988	1,622,296	16,223	268	3,245	5,111	7,600
2040	2,412,105	1,669,412	16,694	275	3,339	5,337	7,743
Cumulative Total			\$309,954	\$5,114	\$61,991	\$83,676	\$159,174

(1) Although the Dissolution Act is interpreted to no longer require the housing set-aside, the definition of pledged Tax Revenues excludes the housing set-aside, except for a small portion that can be used to make payments on the 2013 Bonds. The total housing set-aside is shown above.

(2) Prior Year Real Property held constant for 2014-15 and then increased by 2% per year. The value for 2014-15 has been reduced by the estimated impact of appeals. Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property. No new development is included in the projections.

(3) Based on the application of 1% tax rate to incremental taxable value.

(4) Per SB 2557, reflects Project Area share of County's property tax administrative costs. Also includes estimate of County costs for the implementation of the Dissolution Act.

(10) Required per the provisions of Section 33607.5 of the Redevelopment Law.

Source: *Fraser Associates*.

TABLE 13
IMPERIAL BEACH REDEVELOPMENT AGENCY
SUCCESSOR AGENCY
Palm Avenue/Commercial Redevelopment Project Area
Projected Debt Service Coverage- Excluding Housing Set-Aside
(Based On Tax Revenue Projections Shown In Fiscal Consultant's Report)

Fiscal Year Ending June 30	Tax Revenues Available for Debt Service ⁽¹⁾	2010 Bonds Debt Service ⁽²⁾	Bonds Debt Service	Total Parity Obligations Debt Service	Coverage Ratio
2014	\$5,807	\$1,275			
2015	5,678	1,273			
2016	5,867	1,275			
2017	6,053	1,278			
2018	6,240	1,279			
2019	6,432	1,279			
2020	6,627	1,278			
2021	6,826	1,286			
2022	7,029	1,283			
2023	7,236	1,279			
2024	7,447	1,289			
2025	7,663	1,283			
2026	7,883	1,285			
2027	8,107	1,290			
2028	8,335	1,290			
2029	8,569	1,293			
2030	8,798	1,295			
2031	9,033	1,295			
2032	9,272	1,299			
2033	9,516	1,302			
2034	9,726	2,430			
2035	9,941	2,430			
2036	10,160	2,430			
2037	10,384	2,428			
2038	10,612	2,426			
2039	10,844	2,429			
2040	11,082	2,431			

- (1) Projected Net Revenues are based on projection contained in Fiscal Consultant's Report.
(2) Reflects debt service on a Bond year basis ending December 1.

TABLE 14
IMPERIAL BEACH REDEVELOPMENT AGENCY
SUCCESSOR AGENCY
Palm Avenue/Commercial Redevelopment Project Area
Projected Debt Service Coverage- Including Housing Set-Aside
(Based On Tax Revenue Projections Shown In Fiscal Consultant's Report)

Fiscal Year Ending June 30	Tax Revenues Available for Debt Service ⁽¹⁾	2010 Bonds Debt Service ⁽²⁾	Bonds Debt Service	Total Parity Obligations Debt Service	Coverage Ratio
2014	\$4,306	\$1,275			
2015	4,215	1,273			
2016	4,346	1,275			
2017	4,472	1,278			
2018	4,599	1,279			
2019	4,728	1,279			
2020	4,860	1,278			
2021	4,994	1,286			
2022	5,131	1,283			
2023	5,271	1,279			
2024	5,414	1,289			
2025	5,559	1,283			
2026	5,707	1,285			
2027	5,859	1,290			
2028	6,013	1,290			
2029	6,170	1,293			
2030	6,323	1,295			
2031	6,478	1,295			
2032	6,637	1,299			
2033	6,799	1,302			
2034	6,926	2,430			
2035	7,055	2,430			
2036	7,187	2,430			
2037	7,322	2,428			
2038	7,460	2,426			
2039	7,600	2,429			
2040	7,743	2,431			

(1) Projected Net Revenues are based on projection contained in Fiscal Consultant's Report.

(2) Reflects debt service on a Bond year basis ending December 1.

BONDOWNERS' RISKS

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

Recognized Obligation Payment Schedule

The Dissolution Act provides that only those payments listed in a Recognized Obligation Payment Schedule may be made by a successor agency from the funds specified in the Recognized Obligation Payment Schedule. Before each six-month period, the Dissolution Act requires each successor agency to prepare and approve, and submit to the successor agency's oversight board and the Department of Finance for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Consequently, Tax Revenues will not be withdrawn from the Redevelopment Property Tax Trust Fund by the county auditor-controller and remitted to the Successor Agency without a duly approved and effective Recognized Obligation Payment Schedule. See "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule" and "PROPERTY TAXATION IN CALIFORNIA – Property Tax Collection Procedures – Recognized Obligation Payment Schedule." In the event the Successor Agency were to fail to file a Recognized Obligation Payment Schedule with respect to a six-month period, the availability of Tax Revenues to the Successor Agency could be adversely affected for such period.

Under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, a county auditor-controller is to distribute funds for each six-month period in the following order specified in Section 34183(a) of the Dissolution Act:

- (i) first, subject to certain adjustments for subordinations to the extent permitted under the Dissolution Act (if any, as described above under "SECURITY FOR THE BONDS-Statutory Pass-Through Amounts") and no later than each January 2 and June 1, to each local agency and school entity, to the extent applicable, amounts required for pass-through payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including negotiated pass-through agreements and statutory pass-through obligations;
- (ii) second, on each January 2 and June 1, to the successor agency for payments listed in its Recognized Obligation Payment Schedule, with debt service payments scheduled to be made for tax allocation bonds having the highest priority over payments scheduled for other debts and obligations listed on the Recognized Obligation Payment Schedule;
- (iii) third, on each January 2 and June 1, to the successor agency for the administrative cost allowance, as defined in the Dissolution Act; and
- (iv) fourth, on each January 2 and June 1, to taxing entities any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii) in accordance with Section 34188, in an

amount proportionate to such taxing entity's share of property tax revenues in the tax rate area in that fiscal year.

If a successor agency does not submit a Recognized Obligation Payment Schedule within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations and the Department of Finance does not provide a notice to the county auditor-controller to withhold funds from distribution to taxing entities, amounts in the Redevelopment Property Tax Trust Fund for such six-month period would be distributed to taxing entities pursuant to clause (iv) above.

With respect to the Bonds, the Successor Agency has covenanted to take all actions required under the Dissolution Act to insure the allocation and payment to it of the Tax Revenues for the payment of approved enforceable obligations, including without limitation the timely filing of its Recognized Obligation Payment Schedules with appropriate officials of the County, the Oversight Board, and the State. See "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedules."

AB 1484 also adds new provisions to the Dissolution Act implementing certain penalties in the event a successor agency does not timely submit a Recognized Obligation Payment Schedule for a six-month period. Specifically, a Recognized Obligation Payment Schedule must be submitted by the successor agency to the oversight board, to the county auditor-controller and the Department of Finance no later than 90 days before the date of the next January 2 or June 1 property tax distribution with respect to each subsequent six-month period. If a successor agency does not submit a Recognized Obligation Payment Schedule by such deadlines, the city or county that established the redevelopment agency will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the Department of Finance. Additionally, a successor agency's administrative cost allowance is reduced by 25% if the successor agency does not submit an oversight board-approved Recognized Obligation Payment Schedule by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the Recognized Obligation Payment Schedule for subsequent six-month periods.

Syncora Litigation – Challenge to Dissolution Act

With respect to California successor agencies and the Dissolution Act in general, on August 1, 2012, Syncora Guarantee Inc. and Syncora Capital Assurance Inc. (collectively, "**Syncora**") filed a lawsuit against the State, the State Controller, the Director of Finance, and the Auditor-Controller of San Bernardino County on his own behalf and as the representative of all other County Auditors in the State (Superior Court of the State of California, County of Sacramento, Case No. 34-2012-80001215) (the "**Syncora Lawsuit**"). Syncora are monoline financial guaranty insurers domiciled in the State of New York, and as such, provide credit enhancement on bonds issued by state and local governments and do not sell other kinds of insurance such as life, health, or property insurance. Syncora provided bond insurance and other related insurance policies for bonds issued by former California redevelopment agencies.

The complaint alleges that the Dissolution Act, and specifically the "**Redistribution Provisions**" thereof (i.e., California Health and Safety Code Sections 34172(d), 34174, 34177(d), 34183(a)(4), and 34188) violate the "contract clauses" of the United States and California Constitutions (U.S. Const. art. 1, §10, cl.1; Cal. Const. art. 1, §9) because they unconstitutionally impair the contracts among the former redevelopment agencies, bondholders and Syncora. The complaint also alleges that the Redistribution Provisions violate the "Takings

Clauses” of the United States and California Constitutions (U.S. Const. amend. V; Cal Const. art. 1 §19) because they unconstitutionally take and appropriate bondholders’ and Syncora’s contractual right to critical security mechanisms without just compensation. Specifically, the complaint alleges that the security mechanism created by the irrevocable pledge of tax increment revenues to repay the redevelopment agency debts was a critical feature of the redevelopment bonds’ marketability in at least three manners:

(i) tax increment revenues which have been previously irrevocably pledged are now subject to restrictive terms such as periodic Recognized Obligation Payment Schedules, oversight board approval, and Department of Finance approval, that unconstitutionally impair the contract providing for such pledge;

(ii) excess tax increment revenues previously could be held by a redevelopment agency in reserve to protect against potential future shortfalls (in contrast to the provisions under the Dissolution Act that require the County Auditor-Controller to distribute surplus monies from the Redevelopment Property Tax Trust Fund amounts to taxing entities each six-month period); and

(iii) the pre-Dissolution Act Redevelopment Law and bond indentures or trust agreements governing redevelopment bonds typically included requirements and covenants for the redevelopment agency to use surplus tax increment revenues received in excess of amounts required for debt service on redevelopment activities, which were calculated under the Redevelopment Law to stimulate growth and general increases in assessed valuation, and therefore increase additional security for the bonds, and such covenants have been substantially and unconstitutionally impaired by the Dissolution Act, in particular the Redistribution Provisions.

The Syncora Lawsuit was brought as a petition for writ of mandate, complaint for declaratory relief, inverse condemnation and injunctive relief. The injunctive relief sought includes an injunction enjoining the respondents from implementing enforcing, and/or carrying out the Redistribution Provisions, ordering respondents to immediately return all money remitted by successor agencies to local taxing agencies pursuant to the Redistribution Provisions, and ordering respondents to hold all future tax increment revenues in the Redevelopment Property Tax Trust Fund, or a similar fund, for the exclusive benefit of, and distribution to, the bondholders, until such a time when the bondholders are completely repaid.

If Syncora were to be successful in obtaining the injunctive relief or writ of mandate sought or if the court in the Syncora Lawsuit were to determine that the Dissolution Act or the Redistribution Provisions or other provisions thereof unconstitutionally impaired the contracts between the former redevelopment agencies and the holders of interests in bonds issued by such agencies, it is possible that the mechanisms currently provided for under the Dissolution Act to provide for distribution of Tax Revenues to the Successor Agency for payment on the Bonds could be impeded and result in a delinquency or default in the timely payment of principal of, and interest on, the Bonds.

The Successor Agency does not guarantee that the Syncora Lawsuit will not result in an outcome that may have a detrimental effect on the Successor Agency’s ability to timely pay debt service on the Bonds. However, the definition of Tax Revenues does incorporate “Prior Tax Revenues” in the event the Dissolution Act is overturned.

On May 29, 2013, the Superior Court issued a preliminary ruling, in which it denied Syncora's claims that the Dissolution Act unconstitutionally impaired its contracts on the grounds that those claims are premature; the court noted that Syncora had provided no evidence that successor agencies actually are unable to meet their obligations as they become due, or that successor agencies will be prevented from ultimately paying all redevelopment obligations. The Superior Court concluded that Syncora's takings claims are not necessarily premature, but that an evidentiary hearing should be conducted to address those claims. Finally the superior court concluded that possible certification of a class of county auditor-controller was moot because the auditor-controllers have no role or duty in connection with the alleged takings or in providing compensation for those takings.

Reduction in Taxable Value

Tax Revenues received by the Successor Agency are determined by the amount of incremental taxable value in the Redevelopment Project allocable to the Redevelopment Project and the current rate or rates at which property in the Redevelopment Project is taxed. The reduction of taxable values of property caused by economic factors beyond the Successor Agency's control, such as a relocation out of the Redevelopment Project by one or more major property owners, or the transfer, pursuant to California Revenue and Taxation Code Section 68, of a lower assessed valuation to property within the Redevelopment Project by a person displaced by eminent domain or similar proceedings, or the discovery of hazardous substances on a property within the Redevelopment Project (see "Hazardous Substances," below) or the complete or partial destruction of such property caused by, among other eventualities, an earthquake (see "Natural Disasters," below), flood, fire or other natural disaster, could cause a reduction in the Tax Revenues securing the Bonds. Property owners may also appeal to the County Assessor for a reduction of their assessed valuations or the County Assessor could order a blanket reduction in assessed valuations based on then current economic conditions. See "THE PROJECT AREA - Appeals of Assessed Values."

Reduction in Inflationary Rate

As described in greater detail below (see "LIMITATIONS ON TAX REVENUES"), 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 several times:

Fiscal Year	Inflation Rate
1983-84	1.000%
1995-96	1.190
1996-97	1.11%
1999-00	1.850
2004-05	1.867
2010-11	(0.237)
2011-12	0.753

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

Levy and Collection

The Successor Agency has no independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues and, accordingly, could have an adverse impact on the ability of the Successor Agency to make debt service payments on the Bonds. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the Successor Agency's ability to make timely debt service payments on the Bonds. The County currently allocates Tax Revenues collected with respect to unsecured property to the Redevelopment Property Tax Trust Fund, and subsequently to the Successor Agency, based upon the tax increment actually collected.

State Budget Issues

AB X1 26 and AB 1484 were enacted by the State Legislature and signed by the Governor as trailer bills necessary to implement provisions of the State's budget acts for its fiscal years 2011-12 and 2012-13, respectively. The 2011-12 State budget included projected State savings estimated to aggregate \$1.7 billion in 2011-12 associated with AB X1 27, which would have allowed redevelopment agencies to continue in operation provided their establishing cities or counties agreed to make an aggregate \$1.7 billion in payments to K-12 schools. However, AB X1 27 was found in December 2011 by the California Supreme Court to violate the State Constitution, which altered this budgetary plan of the State. According to the State's Summary of the 2012-13 State budget, AB 1484 implements a framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services, with assets transferred to schools offsetting State general fund costs (projected savings of \$1.5 billion). There can be no assurance that additional legislation will not be enacted in the future to additionally implement provisions relating to the State budget or otherwise that may affect successor agencies or former tax increment revenue, such as the Tax Revenues. The full text of each State Assembly bill cited above may be obtained from the "Official California Legislative Information" website maintained by the Legislative Counsel of the State of California pursuant to State law, at the following web link: <http://www.leginfo.ca.gov/bilinfo.html>.

Information about the State budget and State spending is available at various State maintained websites. Text of the 2012-13 Budget Summary, the current State budget, the Governor's proposed budget for 2013-14 and other documents related to the State budget may be found at the website of the Department of Finance, www.dof.ca.gov. A nonpartisan analysis of the budget is posted by the Legislative Analyst's Office at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer, www.treasurer.ca.gov.

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

Natural Disasters

A reduction of taxable values of property in the Project Area caused by economic factors beyond the Successor Agency's control, such as the discovery of hazardous substances on one or more properties within the Project Area or the complete or partial destruction of such property caused by, among other eventualities, an earthquake, flood, fire or other natural disaster, could cause a reduction in the Tax Revenues securing the Bonds. Such reduction of Tax Revenues could have an adverse effect on the Successor Agency's ability to make timely payments of principal of and interest on the Bonds.

Pursuant to California law, the County Assessor may determine that the then current market values require a general reduction in taxable value or a property owner may apply for a reduction of the property taxable values of such owner's property by filing with the County Assessor, a written application in the form prescribed by the State Board of Equalization with the appropriate county assessment appeals board. A reduction in property taxable values within the Project Area and the refund of taxes which may arise out of successful appeals by property owners would reduce the amount of Tax Revenues available for payment of the Bonds.

Hazardous Substances

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

Bankruptcy Risks

The enforceability of the rights and remedies of the owners of the Bonds and the obligations of the Successor Agency may become subject to the following: 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; usual equitable principles which may limit the specific enforcement under state law of certain remedies: the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations of the police power inherent in the sovereignty of the State of California 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.

Secondary Market

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

Acceleration on Default

The principal due on the Bonds is subject to acceleration upon the occurrence of an Event of Default. As a practical matter in the event of a payment default by the Successor Agency, it is unlikely the Successor Agency would have the financial resources to meet accelerated obligations. No real or personal property in the Project Area is pledged to secure the Bonds, and it is not anticipated that the Successor Agency will have available moneys sufficient to redeem all of the Bonds in the event of a default.

LIMITATIONS ON TAX REVENUES

Property Tax Limitations—Article XIII A

California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property to mean “the county assessor’s valuation of real property as shown on the fiscal year 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 two percent 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. The amendment further limits the amount of any *ad valorem* tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII was adopted in October 1986 by initiative which exempts any bonded indebtedness approved by two-thirds (55% in certain instances) of the votes cast by the voters for the acquisition or improvement of real property from the one percent limitation.

On September 22, 1978, the California Supreme Court upheld Proposition 13 over challenges on several state and federal constitutional grounds (*Amador Valley Joint Union School District v. State Board of Equalization*). The Court reserved certain constitutional issues and the validity of legislation implementing the amendment for future determination in proper cases.

In the general elections of 1986, 1988 and 1990, the voters of the State approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children, do not constitute a “purchase” or “change of ownership” triggering reassessment under Article XIII A. This amendment has reduced local property tax revenues. Other amendments permitted the Legislature to allow persons over 55 who sell their residence on or after November 5, 1986, 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, and permitted the Legislature to authorize each county under certain circumstances to adopt an ordinance making such transfers of assessed value applicable to situations in which the replacement dwelling purchased or constructed after November 8, 1988, is located within the county and the original property is located in another county within California.

In the October 1990 election, the voters approved additional amendments to Article XIII A permitting the State Legislature to extend the replacement dwelling provisions applicable to persons over 55 to severely disabled homeowners for replacement dwellings purchased or newly constructed on or after June 5, 1990, and to exclude from the definition of “new construction,” triggering reassessment, improvements to certain dwellings for the purpose of making the dwelling more accessible to severely disabled persons. In the November 1990 election, the voters approved the amendment of Article XIII A to permit the State Legislature to exclude from the definition of “new construction” seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Challenges to Article XIII A

The U.S. Supreme Court struck down as a violation of equal protection certain property tax assessment practices in West Virginia, which had resulted in vastly different assessments of similar properties. Since Proposition 13 provides that property may only be reassessed up to two percent per year, except upon change of ownership or new construction, recent purchasers may pay substantially higher property taxes than long-time owners of comparable property in a community. The Supreme Court in the West Virginia case expressly declined to comment in any way on the constitutionality of Proposition 13.

Based on the decision in the West Virginia case, property owners in California brought three suits challenging the acquisition value assessment provisions of Article XIII A. Two cases involved residential property, and one case involved commercial property. In all three cases, State trial and appellate courts have upheld the constitutionality of Article XIII A's assessment rules and concluded that the West Virginia case did not apply to California's laws. On June 3, 1991, the U.S. Supreme Court agreed to hear the appeal in the challenge relating to commercial property, but the plaintiff subsequently withdrew its case. On June 18, 1992, the U.S. Supreme Court upheld the decision in *Nordlinger v. Hahn*, one of the challenges relating to residential property.

Implementing Legislation

Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax, except to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIII A.

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

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

Unitary Property

Assembly Bill 454 Statutes of 1987, Chapter 921 ("AB 454"), provided that revenues derived from Unitary Property (consisting mostly of operations property owned by utility companies), commencing with fiscal year 1988-89, will be allocated as follows: (1) for revenues generated from the one percent tax rate, (a) each jurisdiction, including redevelopment project areas, will receive a percentage up to 102% of its prior year State-assessed unitary revenue; and (b) if county-wide revenues generated from Unitary Property are greater than 102% of the previous year's revenues, each jurisdiction will receive a percentage share of the excess unitary revenues by a specified formula, and (2) for revenue generated from the application of the debt service tax rate to county-wide unitary taxable value, each jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes. This provision applies to all Unitary Property except railroads whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of assessment of any State-assessed properties nor a revision of the method of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions within a county.

On February 1, 1991, the Superior Court for the County of Sacramento issued a Statement of Decision in *AT&T Communications of California, et al. v. State Board of Equalization* which reduced the valuation of certain unitary property owned by AT&T for property tax purposes. Under the decision, the valuation method used by the State Board of Equalization to assess unitary public utility property was declared illegal and a new method of valuation, resulting in significantly lower values and therefore significantly lower potential property tax revenues, was imposed. The effect on AT&T's statewide assessed value was to reduce it from approximately \$1,750,000,000 to approximately \$1,100,000,000. As a result of this case, on May 1, 1992, 57 of California's 58 counties, the State Board of Equalization and a number of other utility companies whose unitary property valuations could be affected by the principles announced in the Superior Court decision entered into a settlement agreement. On July 14, 1993, the Superior Court for the County of Sacramento entered a judgment validating the settlement agreement.

Although the settlement agreement is complex and extensive, its substance is represented by the signatory public utilities' agreement (except AT&T) to abandon their right to refunds since 1983 in return for lowered assessed valuations for the next eight fiscal years pursuant to an agreed formula.

To administer the allocation of unitary tax revenues to redevelopment agencies, the County no longer includes the taxable value of utilities as part of the reported taxable values of project areas, therefore, the base year values of project areas have been reduced by the amount of utility value that existed originally in the base year.

Property Tax Collection Procedures

Classifications. In California, property which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by the County becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax which 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 for the amount of taxes which are delinquent.

Penalties. A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is declared in default 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 upon 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 the roll after July 31, if unpaid, are delinquent on the last day of the month succeeding the month of enrollment.

Supplemental Assessments. Legislation enacted in 1983 (Chapter 498, Statutes of 1983) provides for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction.

Chapter 498 provided increased revenue to redevelopment agencies to the extent that supplemental assessments of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the January 1 lien date. To the extent such

State supplemental assessments occur within the Project Area, the Tax Revenues for the Project Area may increase.

Tax Collection Fees. In 1990, the State Legislature enacted Senate Bill 2557 (Chapter 466, Statutes of 1990) (“SB 2557”) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis. Two recent decisions have interpreted the provisions of SB 2557 and have upheld the inclusion of redevelopment agencies as a local government agency which must share the cost of property tax administration. The 1992 enactment of Senate Bill 1559 (Chapter 697) and the decision of the California Court of Appeal in *Arcadia Redevelopment agency v. Ikemoto* have clarified that redevelopment agencies, such as the Original Agency, are to share in the cost of property tax administration charged by most California counties, including the County.

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 provided 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 redevelopment agency of proceeds of taxes levied by or on behalf of the redevelopment 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.

Exclusion of Tax Revenues for General Obligation Bonds Debt Service

An initiative to amend the California Constitution entitled “Property Tax Revenues Redevelopment Agencies” was approved by California voters at the November 8, 1988 general election. Under prior law, a redevelopment agency using tax increment revenue received additional property tax revenue whenever a local government increased its property tax rate to pay off its general obligation bonds. This initiative amended the California Constitution to allow the California Legislature to prohibit redevelopment agencies from receiving any of the property tax revenues raised by increased property tax rates imposed by local governments to make payments on their bonded indebtedness.

The initiative only applies to tax rates levied to finance general obligation bonds approved by the voters on or after January 1, 1989. Any revenue reduction to redevelopment agencies would depend on the number and value of the general obligation bonds approved by voters in prior years, which tax rate will reduce due to increased valuation subject to the tax or the retirement of the indebtedness.

Proposition 218

On November 5, 1996, California voters approved Proposition 218-Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges-Initiative Constitutional Amendment. Proposition 218 added Articles XIIC and XIID to the 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 which were limited by Proposition 218.

AB 1290

In 1993, the California Legislature enacted Assembly Bill 1290 (“**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 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. See “THE PROJECT AREA—Redevelopment Plan Limitations.”

The Redevelopment Plan is fully in compliance with AB 1290.

Future Initiatives and Legislation

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

Low and Moderate Income Housing

Chapter 1337, Statutes of 1976, added Sections 33334.2 and 33334.3 to the Redevelopment Law requiring redevelopment agencies to set aside not less than 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 could 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.

Under the Dissolution Act, moneys deposited into each successor agency's Redevelopment Property Tax Trust Fund include funds formerly required to be deposited into a set-aside fund established by each former redevelopment agency for low and moderate income housing. Although not entirely clear, the Dissolution Act is interpreted to no longer require such a deposit, but uncertainly exists as to the current availability of the former housing moneys to pay principal or interest on the Bonds under the Dissolution Act. See "SECURITY FOR THE BONDS - Pledge of Tax Revenues" above.

Statement of Indebtedness

Prior to adoption of the Dissolution Act, Section 33675 of the Redevelopment Law required the Original Agency to file not later than the first day of October of each year with the County Auditor-Controller a statement of indebtedness certified by the chief fiscal officer of the Original Agency for each redevelopment plan which provides for the allocation of taxes (i.e., the Improvement Plan). The statement of indebtedness was required to contain the date on which the bonds were delivered, the principal amount, term, purposes and interest rate of the bonds and the outstanding balance and amount due on the bonds. Similar information was required to be given for each loan, advance or indebtedness that the Original Agency had incurred or entered into which is payable from tax increment. Section 33675 also provided that payments of tax increment revenues from the County Auditor-Controller to the Original Agency could not exceed the amounts shown on the Original Agency's statement of indebtedness.

The Dissolution Act eliminates this requirement and provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, the Recognized Obligation Payment Schedule supersedes the statement of indebtedness previously required under the Redevelopment Law, and commencing from such date, the statement of indebtedness will no longer be prepared nor have any effect under the Redevelopment Law.

CERTAIN LEGAL MATTERS

Legal Opinions

The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel, approving the validity of the Bonds, will be made available to purchasers at the time of original delivery of the Bonds and the proposed form thereof appears in Appendix E hereto. Bond Counsel's employment as bond counsel is limited to a review of the legal proceedings required for the authorization of the Bonds and to rendering the opinion set forth in Appendix E hereto. Copies of such approving opinion will be available at the time of delivery of the Bonds. Jones Hall, A Professional Law Corporation is also serving as Disclosure Counsel. Certain legal matters will be passed upon for the Successor Agency by Kane, Ballmer & Berkman, San Diego, California, as special counsel to the Successor Agency.

Payment of the fees and expenses of Bond Counsel and Disclosure Counsel is contingent upon the sale and delivery of the Bonds.

Enforceability of Remedies

The remedies available to the Trustee and to the registered owners of the Bonds upon an event of default under the Indenture and any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of the legal documents with respect to the Bonds are subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

RATING

The Bonds have received the rating of “___” by Standard & Poor’s Investors Services (“S&P”). Such rating reflects only the views of S&P’s, and an explanation of the significance of such rating may be obtained from S&P’s.

There is no assurance that such rating will be retained for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating obtained may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE

The Successor Agency has covenanted for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Successor Agency by not later than nine months following the end of the Successor Agency’s Fiscal Year (which reporting date would be March 31), commencing with the report for the 2012-13 Fiscal Year (the “**Annual Report**”), and to provide notices of the occurrence of certain enumerated events. The Annual Report notices of significant events will be filed by the Successor Agency with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of significant events is set forth in the Form of Continuing Disclosure Certificate in Appendix F hereto. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). See APPENDIX F — “FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

The Original Agency had never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events. **[CONFIRM]**

ABSENCE OF LITIGATION

At the time of delivery of and payment for the Bonds, the Successor Agency will certify that, except as disclosed in this Official Statement, to its best knowledge there is no litigation, action, suit, proceeding or investigation, at law or in equity, before or by any court, governmental agency or body, pending against or threatened against the Successor Agency in any way affecting the existence of the Successor Agency or the titles of its officers to their respective offices or seeking to restrain or enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or the collection or application of Tax Revenues pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture, or any action of the Successor Agency contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or the powers of the Successor Agency or its authority with respect to the Indenture or any action of the Successor Agency contemplated by said document, or which would adversely affect the exclusion of interest paid on the Bonds from gross income for Federal income tax purposes or the exemption of interest paid on the Bonds from California personal income taxation, nor, to the knowledge of the Successor Agency, is there any basis therefor.

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Successor Agency comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the Bonds. The Successor Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers

who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

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

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

UNDERWRITING

The Bonds will be purchased by _____ (the "Underwriter") at the purchase price of \$_____ (which is the aggregate principal amount of the Bonds, less an underwriting discount of \$_____, less original issue discount of \$_____).

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

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 Indenture and other documents and statutes contained herein do not purport to be complete, and reference is made to such documents, Indenture and statutes for full and complete statements of their provisions.

Unless otherwise noted, all information contained in this Official Statement pertaining to the Successor Agency and the Project Area has been furnished by the Successor Agency. Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Successor Agency and the purchasers or registered owners of any of the Bonds.

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

IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY

By _____
Executive Director

APPENDIX A

**AUDITED FINANCIAL STATEMENTS OF THE
SUCCESSOR AGENCY FOR THE
FISCAL YEAR ENDING JUNE 30, 2012**

APPENDIX B
FISCAL CONSULTANT'S REPORT

APPENDIX C

GENERAL INFORMATION ABOUT THE CITY AND SAN DIEGO COUNTY

The information regarding the City set forth in this Appendix A is for background informational purposes only. The City is not in any way obligated to pay debt service on the Bonds from its own funds.

General

The City is located on the coast of Southern California in San Diego County about 14 miles south of downtown San Diego and 132 miles south of Los Angeles. It is bordered by Tijuana, Mexico to the south, Coronado, California to the north, San Diego Bay to the east and the Pacific Ocean to the West. City limits cover approximately 4.5 square miles and the City's estimated population was 26,496 as of January 1, 2013.

San Diego County is California's fifth largest county, covering approximately 6,000 square miles. It is located in the geographic center of the State and is the nation's leading crop-producing county.

Population

Population figures for the City, San Diego County and the State of California for the last five years are shown in the following table, as of January 1.

CITY OF IMPERIAL BEACH Population Estimates Calendar Years 2009 through 2013

Calendar Year	City of <u>Imperial Beach</u>	County <u>San Diego</u>	State of <u>California</u>
2009	26,283	3,064,436	36,966,713
2010	26,394	3,091,579	37,223,900
2011	26,437	3,115,810	37,427,946
2012	26,483	3,128,734	37,668,804
2013	26,496	3,150,178	37,966,471

Source: Department of Finance estimates (as of January 1).

Commercial Activity

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, retail stores data for 2009 and after is not comparable to that of prior years.

Total taxable sales during the first quarter of calendar year 2012 in the City were reported to be \$18,070,000, a 12.4% increase over the total taxable sales of \$16,074,000 reported during the first quarter of calendar year 2011. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City is presented in the following table. Annual figures for 2012 are not yet available.

CITY OF IMPERIAL BEACH
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2007	223	\$68,347	382	\$72,336
2008	226	66,584	375	70,822
2009 ⁽¹⁾	255	59,456	344	64,238
2010 ⁽¹⁾	263	64,779	354	68,976
2011 ⁽¹⁾	248	66,691	333	70,228

(1) Not comparable to prior years. "Retail" category now includes "Food Services."
Source: State Board of Equalization.

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, retail stores data for 2009 and after is not comparable to that of prior years.

Total taxable sales during the first quarter of calendar year 2012 in the County were reported to be \$11,255,431,000 a 8.0% increase over the total taxable sales of \$10,421,128,000 reported during the first quarter of calendar year 2011. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the County is presented in the following table. Annual figures are not yet available for 2012.

SAN DIEGO COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2007	40,011	\$34,038,545	85,341	\$47,485,988
2008	41,695	31,715,672	87,050	45,329,136
2009 ⁽¹⁾	52,808	27,958,518	80,595	39,728,657
2010 ⁽¹⁾	55,462	29,475,489	83,194	41,623,636
2011 ⁽¹⁾	56,723	31,985,292	83,971	45,090,382

(1) Not comparable to prior years. "Retail" category now includes "Food Services."
Source: State Board of Equalization.

Employment and Industry

The unemployment rate in the San Diego County was 7.3% in June 2013, up from a revised 6.8% in May 2013, and below the year-ago estimate of 9.3%. This compares with an unadjusted unemployment rate of 8.8% for California and 7.8% for the nation during the same period. The City is included in the San Diego-Carlsbad-San Marcos Metropolitan Statistical Area (MSA), which includes all of San Diego County.

The table below provides information about employment by industry type for San Diego County for calendar years 2009 through 2013, as of January.

SAN DIEGO COUNTY MSA Civilian Labor Force, Employment and Unemployment (Annual Averages)

	2009	2010	2011	2012	2013
Civilian Labor Force ⁽¹⁾	1,554,100	1,558,700	1,574,000	1,584,300	1,602,500
Employment	1,423,900	1,388,400	1,408,900	1,433,400	1,464,500
Unemployment	130,300	170,300	165,200	150,900	138,000
Unemployment Rate	8.4%	10.9%	10.5%	9.5%	8.6%
Wage and Salary Employment: ⁽²⁾					
Agriculture	9,100	9,700	9,900	9,000	8,900
Mining and Logging	400	400	400	400	400
Construction	66,000	55,700	53,600	54,100	55,700
Manufacturing	101,000	92,200	92,800	92,500	92,500
Wholesale Trade	42,100	38,700	40,600	41,600	42,800
Retail Trade	134,100	129,900	131,500	136,400	135,700
Transportation, Warehousing and Utilities	27,900	26,200	26,100	26,300	28,200
Information	30,500	25,700	24,400	24,400	24,700
Finance and Insurance	44,500	41,600	41,500	42,900	43,700
Real Estate and Rental and Leasing	27,100	25,400	25,400	25,300	25,600
Professional and Business Services	211,700	201,900	208,000	207,100	218,200
Educational and Health Services	141,500	144,400	147,400	151,000	156,400
Leisure and Hospitality	152,600	147,300	148,300	151,300	156,000
Other Services	46,300	45,500	45,700	47,200	49,400
Federal Government	42,600	45,500	46,600	46,700	46,700
State Government	42,300	42,200	42,900	42,500	42,700
Local Government	141,300	136,800	140,600	137,500	138,500
Total, All Industries ⁽³⁾	1,261,000	1,209,100	1,225,700	1,236,200	1,266,100

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

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

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Major Employers

The major employers as of July 2013 in the County are shown below.

**SAN DIEGO COUNTY
Major Employers
July 2013**

Employer Name	Location	Industry
32nd St Naval Station	San Diego	Federal Government-National Security
Barona Casino	Lakeside	Casinos
Barona Resort	Lakeside	Resorts
General Dynamics NASSCO	San Diego	Ship Builders & Repairers (Mfrs)
Hairspray	San Diego	Cosmetics & Perfumes-Retail
Kaiser Permanente	San Diego	Clinics
Kaiser Permanente Medical Grp	San Diego	Hospitals
Kyocera Communications Inc	San Diego	Electronic Equipment & Supplies-Mfrs
Marine Corps Recruit Depot	San Diego	Military Bases
Merchants Building Maintenance	San Diego	Janitor Service
Palomar Health Downtown Campus	Escondido	Hospitals
Palomar Pomerado Health Rehab	Escondido	Rehabilitation Services
San Diego County Sheriff	Santee	Police Departments
San Diego Naval Medical Ctr	San Diego	Military Bases
Scripps Clinic	La Jolla	Physicians & Surgeons
Scripps Research Institute	La Jolla	Research Service
Sea World San Diego	San Diego	Amusement & Theme Parks
Sharp Grossmont Hospital	La Mesa	Hospitals
Sharp Mary Birch Hosp-Women	San Diego	Hospitals
Sharp Memorial Hospital	San Diego	Hospitals
Sony Electronics Inc	San Diego	Audio-Visual Equipment Manufacturers
Sycuan Casino	El Cajon	Casinos
Tyco Health Care	San Diego	Manufacturers
UTC Aerospace Systems	Chula Vista	Aircraft Components-Manufacturers
Viejas Casino & Outlet Ctr	Alpine	Casinos

Source: State of California Employment Development Department, America's Labor Market Information System (ALMIS) Employer Database, 2013 2nd Edition.

Construction Activity

The table below summarizes building activity in the City for the past five years:

**CITY OF IMPERIAL BEACH
Building Activity and Valuation
Calendar Years 2008 through 2012
(Dollars in thousands)**

	2008	2009	2010	2011	2012
Permit Valuation:					
New Single-family	\$2,008.9	\$219.0	\$540.0	\$336.8	\$1,587.5
New Multi-family	0.0	0.0	0.0	420.0	1,888.5
Res. Alterations/Additions	<u>3,766.8</u>	<u>1,810.1</u>	<u>1,838.1</u>	<u>1,808.6</u>	<u>1,530.7</u>
Total Residential	5,775.7	2,029.1	2,378.1	2,565.4	5,006.7
New Commercial	0.0	0.0	0.0	13,913.1	517.4
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	198.3	75.7	83.1	0.0	0.0
Com. Alterations/Additions	<u>355.4</u>	<u>438.0</u>	<u>223.1</u>	<u>1,516.9</u>	<u>3,374.0</u>
Total Nonresidential	553.7	513.7	306.2	15,430.0	3,891.4
New Dwelling Units:					
Single Family	11	1	2	2	5
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>	<u>30</u>
TOTAL	11	1	2	6	35

Source: Construction Industry Research Board, Building Permit Summary.

The following table shows valuation summaries of building permits issued in the County for the past five years:

**SAN DIEGO COUNTY
Building Activity and Permit Valuation
(Dollars in Thousands)**

	2008	2009	2010	2011	2012
Permit Valuation:					
New Single-family	\$754,716.8	\$550,409.3	\$648,573.3	\$711,514.7	\$773,429.6
New Multi-family	319,304.3	132,230.1	127,847.4	375,732.6	613,358.9
Res. Alterations/Additions	<u>265,223.7</u>	<u>196,061.6</u>	<u>198,064.4</u>	<u>335,344.7</u>	<u>222,813.5</u>
Total Residential	1,339,244.8	878,701.0	974,485.1	1,422,592.0	1,609,602.0
New Commercial	338,667.4	91,590.6	95,031.3	252,659.0	595,236.6
New Industrial	57,119.9	25,699.0	7,863.9	3,636.1	24,224.3
New Other	165,385.3	123,633.3	124,348.3	21,025.5	36,851.1
Com. Alterations/Additions	<u>500,628.1</u>	<u>343,041.2</u>	<u>431,623.4</u>	<u>684,283.0</u>	<u>647,051.4</u>
Total Nonresidential	\$1,061,800.6	\$583,964.1	658,867.0	961,603.6	1,303,363.4
New Dwelling Units:					
Single Family	2,352	1,786	2,254	2,242	2,100
Multiple Family	<u>2,802</u>	<u>1,204</u>	<u>1,092</u>	<u>3,038</u>	<u>4,319</u>
TOTAL	5,154	2,990	3,346	5,280	6,419

Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

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

The following table summarizes the total effective buying income for the City of Imperial Beach, County of San Diego, the State and the United States for 2008 through 2012.

**CITY OF IMPERIAL BEACH
COUNTY OF SAN DIEGO
Effective Buying Income
2008 through 2012**

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2008	City of Imperial Beach	\$ 432,605	\$39,463
	San Diego County	72,630,155	50,383
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	City of Imperial Beach	\$ 444,205	\$39,982
	San Diego County	74,134,315	51,773
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of Imperial Beach	\$ 411,340	\$37,102
	San Diego County	70,231,474	48,248
	California	802,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Imperial Beach	406,098	36,942
	San Diego County	70,602,550	48,111
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	City of Imperial Beach	427,173	37,577
	San Diego County	74,593,405	48,634
	California	864,088,828	47,307
	United States	6,737,867,730	41,358

Source: The Nielsen Company (US), Inc.

Transportation

Surface, sea and air transportation facilities serve County residents and businesses. Interstate 5 parallels the coast from Mexico to the Los Angeles Area and points north. Interstate 15 runs inland, leading to Riverside-San Bernardino, Las Vegas, and Salt Lake City. Interstate 8 runs eastward through the southern United States.

Public transit in the metropolitan area is provided by the Metropolitan Transit Development Board and the North County Transit District ("**NCTD**"). The San Diego Trolley, developed by the Metropolitan Transit Development Board beginning in 1979, has been expanded. A total of 17.6 miles were added to the original 108 miles; construction was completed in 1990. Buses operated by NCTD carry passengers in the north San Diego County region, which includes the area south to and including Del Mar, east to Escondido, north to the Orange County and Riverside County lines, and includes Camp Pendleton. NCTD has 165 vehicles in its bus fleet. NCTD's bus fleet carries more than 11 million passengers every year.

San Diego is the terminus of the Santa Fe Railway's main line from Los Angeles. Amtrak passenger service is available at San Diego, with stops at Solana Beach and Oceanside in the North County.

San Diego's harbor is one of the world's largest natural harbors. The Port of San Diego is administered by the San Diego Unified Port District, which includes the cities of San Diego, National City, Chula Vista, Imperial Beach and Coronado.

APPENDIX D
SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

APPENDIX E
FORM OF BOND COUNSEL OPINION

APPENDIX F**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

This CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) is executed and delivered by the IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY (the “Successor Agency”) in connection with the issuance of \$_____ Palm Avenue/Commercial Redevelopment Project, 2013 Tax Allocation Refunding Bonds (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of November 1, 2010, by and between the Imperial Beach Redevelopment Agency and Wells Fargo Bank National Association, as trustee (the “Trustee”), as supplemented by a First Supplemental Indenture of Trust dated _____ 1, 2013 (the “Indenture”), by and between the Successor Agency and the Trustee. The Successor Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Successor Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

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

“*EMMA System*” shall mean the Electronic Municipal Market Access system of the MSRB or such other electronic system designated by the MSRB or the Securities and Exchange Commission for compliance with S.E.C Rule 15c2-12(b).

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

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

“*Participating Underwriter*” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The Successor Agency shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of the Successor Agency's fiscal year (which date currently would be March 31, based upon the June 30 end of the Successor Agency's fiscal year), commencing with the report for the 2012-13 fiscal year, provide to the MSRB through the EMMA System an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the Successor Agency shall provide the Annual Report to the Dissemination Agent (if other than the Successor Agency). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Successor Agency may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the Successor Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the Successor Agency is unable to provide to the MSRB through the EMMA System an Annual Report by the date required in subsection (a), the Successor Agency shall provide to the MSRB, in electronic format as prescribed by the MSRB through the EMMA System, a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Successor Agency, file a report with the Successor Agency certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB through the EMMA System pursuant to this Disclosure Certificate.

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

(a) Audited Financial Statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Successor Agency's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the audited financial statements of the Successor Agency may be submitted separately from the balance of the Annual Report, when available and later than the date required.

(b) The following financial information and operating data set forth in the final Official Statement:

Financial information and operating data with respect to the Issuer for the prior fiscal year of the type included in the Official Statement, in the following categories (to the extent not included in the Issuer's audited financial statements): (i) aggregate assessed values of the Project Area; (ii) list of top ten largest local secured property taxpayers within the Project Area;

(iii) information on any appeals by such top ten taxpayers in the Project Area; and (iv) calculation of the coverage ratio for such fiscal year, including Parity Debt, calculated in the same manner as provided in the Official Statement under the section entitled "PROJECTED TAX REVENUES AND DEBT SERVICE COVERAGE." (All terms have the meaning set forth in the Indenture.)

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 Successor Agency or related public entities, which have been submitted to the MSRB through the EMMA System or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Successor Agency shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The Successor Agency shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the Successor Agency or other obligated person.

- (13) The consummation of a merger, consolidation, or acquisition involving the Successor Agency or an obligated person, or the sale of all or substantially all of the assets of the Successor Agency or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Successor Agency shall, or shall cause the Dissemination Agent (if not the Successor Agency) to, file a notice of such occurrence with the MSRB through the EMMA System, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above 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 under the Indenture.

(c) The Successor Agency acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material." The Successor Agency shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the Successor Agency determines the event's occurrence is material for purposes of U.S. federal securities law.

Section 6. Termination of Reporting Obligation. The Successor Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or upon the delivery to the Dissemination Agent of an opinion of nationally recognized bond counsel retained by the Successor Agency to the effect that continuing disclosure is no longer required. If such termination occurs prior to the final maturity of the Bonds, the Successor Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent.

(a) The Successor Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Successor Agency pursuant to this Disclosure Certificate, unless the Successor Agency is the Dissemination Agent, as provided herein. The initial Dissemination Agent shall be Wells Fargo Bank National Association. If at any time there is no designated Dissemination Agent appointed by the Successor Agency, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of Dissemination Agent hereunder, the Successor Agency shall be the Dissemination Agent and undertake or assume its obligations hereunder.

Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act. The Dissemination Agent may resign its duties hereunder at any time upon written notice to the Successor Agency.

(b) The Dissemination Agent shall be paid compensation by the Successor Agency for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the Successor Agency from time to time and for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent (unless the Successor Agency is the Dissemination Agent) shall have no duty or obligation to review any information provided to it by the Successor Agency hereunder and shall not be deemed to be acting in any fiduciary capacity for the Successor Agency, holders or beneficial owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the Successor Agency or an opinion of nationally recognized bond counsel retained by the Successor Agency.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Successor Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied (provided no amendment or waiver shall be made that affects the duties or rights of the Dissemination Agent without its written consent):

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

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

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

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

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

in the accounting principles shall be sent to the MSRB through the EMMA System in the same manner as for a Listed Event under Section 5(c).

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

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

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. All of the immunities, indemnities, and exceptions from liability in Article VI of the Indenture insofar as they relate to the Trustee shall apply to the Trustee and the Dissemination Agent in this Disclosure Certificate. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Successor Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which 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 Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the Successor Agency or an opinion of nationally recognized bond counsel retained by the Successor Agency. The obligations of the Successor Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person, other than the Successor Agency, shall have any right to commence any action against the Trustee or Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Certificate.

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

Dated: _____

IMPERIAL BEACH REDEVELOPMENT AGENCY
SUCCESSOR AGENCY

By _____

Name _____

Title _____

EXHIBIT A

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

Name of Issuer: Imperial Beach Redevelopment Agency Successor Agency

Name of Bond Issue: Palm Avenue/Commercial Redevelopment Project, 2013 Tax Allocation Refunding Bonds

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Imperial Beach Redevelopment Agency Successor Agency (the "Issuer") has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture of Trust, dated as of November 1, 2010, by and between the Imperial Beach Redevelopment Agency and Wells Fargo Bank National Association, as trustee (the "Trustee"), as supplemented by a First Supplemental Indenture of Trust dated _____ 1. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

**IMPERIAL BEACH REDEVELOPMENT AGENCY
SUCCESSOR AGENCY**

By _____

Name _____

Title _____

cc: Trustee

APPENDIX G**DTC AND THE BOOK-ENTRY SYSTEM**

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

Neither the Successor Agency, the Underwriters nor the Trustee take any responsibility for the information contained in this Section.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and

dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

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

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

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

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

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

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

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

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

FIRST SUPPLEMENTAL INDENTURE OF TRUST

Dated as of _____ 1, 2013

by and between the

IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY

and

**WELLS FARGO BANK, NATIONAL ASSOCIATION
as Trustee**

Relating to

**\$ _____
Imperial Beach Redevelopment Agency Successor Agency
Palm Avenue/Commercial Redevelopment Project
Tax Allocation Refunding Bonds, Series 2013**

TABLE OF CONTENTS

**ARTICLE X
ADDITIONAL DEFINITIONS RELATING TO THE SERIES 2013
BONDS**

SECTION 10.01. Definitions. 3
SECTION 10.02. Tax Revenues Applicable to Series 2013 Bonds..... 4
SECTION 10.03. References in Series 2010 Indenture. 4

**ARTICLE XI
AUTHORIZATION OF SERIES 2013T BONDS**

SECTION 11.01. Authorization of Series 2013 Bonds. 6
SECTION 11.02. Terms of Series 2013 Bonds. 6
SECTION 11.03. Redemption. 7
SECTION 11.04. Form and Execution of Series 2013 Bonds. 7

**ARTICLE XII
APPLICATION OF PROCEEDS OF SERIES 2013 BONDS**

SECTION 12.01. Application of Proceeds of Sale of Series 2013 Bonds. 9
SECTION 12.02. Series 2013 Costs of Issuance Fund. 9
SECTION 12.03. Series 2013 Bonds Escrow Subaccount..... 9
SECTION 12.04. Series 2013 Reserve Account. 9

**ARTICLE XIII
MISCELLANEOUS**

SECTION 13.01. Security for Series 2013 Bonds. 11
SECTION 13.02. Continuing Disclosure. 12
SECTION 13.03. Tax Covenants..... 12
SECTION 13.04. Benefits Limited to Parties. 12
SECTION 13.05. Effect of this First Supplement. 12
SECTION 13.06. Further Assurances. 12
SECTION 13.07. Execution in Counterparts. 13
SECTION 13.08. Governing Law..... 13

EXHIBIT A FORM OF SERIES 2013 BOND
EXHIBIT B DEBT SERVICE SCHEDULE

FIRST SUPPLEMENTAL INDENTURE OF TRUST

This First Supplemental Indenture of Trust (this "First Supplement"), dated as of _____ 1, 2013, is by and between the IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY, a public entity duly organized and existing under the laws of the State of California (the "Successor Agency"), as successor in interest to the IMPERIAL BEACH REDEVELOPMENT AGENCY (the "Original Agency"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee under the hereinafter defined Series 2010 Indenture (the "Trustee");

WITNESSETH:

WHEREAS, the Original Agency is obligated to pay the original amount of \$22,765,000 under two Loan Agreements (the "2003 Loan Agreements") entered into in 2003 in connection with the issuance by the Imperial Beach Financing Authority of its \$22,765,000 original amount of Tax Allocation Revenue Bonds, 2003 Series A (Palm Avenue/Commercial Redevelopment Project) for the purpose of financing programs, projects and activities relating to the Original Agency's Palm Avenue/Commercial Redevelopment Project; payments due on the loan obligations are payable primarily from tax increment revenues derived from the Redevelopment Project (as defined in the hereinafter mentioned Series 2010 Indenture);

WHEREAS, the Original Agency has heretofore issued its \$21,595,000 aggregate principal amount of Palm Avenue/Commercial Redevelopment Project Tax Allocation Bonds, 2010 Tax Allocation Bonds (the "Series 2010 Bonds") for the purpose of financing redevelopment activities with respect to the Redevelopment Project, pursuant to an Indenture of Trust, dated as of November 1, 2010, by and between the Original Agency and the Trustee (the "Series 2010 Indenture");

WHEREAS, the Series 2010 Indenture permits the issuance of Parity Debt (within the meaning of the Series 2010 Indenture) payable from Tax Revenues (as defined in the Series 2010 Indenture) on a parity with the Series 2010 Bonds, subject to certain terms and conditions;

WHEREAS, by implementation of California Assembly Bill X1 26 ("AB X1 26") approved by the Governor of the State of California on June 28, 2011, which amended provisions of the California Redevelopment Law, (found at Health and Safety Code Section 33000, *et.seq.*) and added Part 1.8 and Part 1.85 to Division 24 of the California Health and Safety Code, and due to the California Supreme Court's decision in *California Redevelopment Association v. Matosantos*, the Original Agency was dissolved on February 1, 2012 in accordance with AB X1 26, and on February 1, 2012, the Successor Agency, in accordance with and pursuant to the AB X1 26, assumed the duties and obligations of the Original Agency as provided in the Dissolution Act (defined herein), including, without limitation, the obligations of the Original Agency under the Series 2010 Indenture and related documents to which the Original Agency was a party; and

WHEREAS, the Dissolution Act, at Section 34177.5 of the California Health and Safety Code authorizes the Successor Agency to undertake proceedings for the refunding of outstanding bonds and other obligations of the Original Agency, subject to the conditions precedent contained in Section 34177.5;

WHEREAS, the Successor Agency has determined that it is in the best financial interests of the Successor Agency to refund, at this time, the Series 2003 Loan Agreements and, in order to do so, is proposing to issue its \$_____ aggregate principal amount of its Imperial Beach Redevelopment Agency Successor Agency Palm Avenue/Commercial Redevelopment Project Tax Allocation Refunding Bonds, Series 2013 (the "Series 2013 Bonds") pursuant to the Series 2010 Indenture, as supplemented by this First Supplement (together, the "Indenture");

WHEREAS, the Series 2013 Bonds are being issued as Parity Debt and, to that end, this First Supplement is entered into pursuant to and in accordance with the provisions of and conditions applicable to the issuance of the Series 2013 Bonds as Parity Debt under the Series 2010 Indenture, and for the purposes of supplementing and amending the Series 2010 Indenture; and

WHEREAS, the Successor Agency has certified that all acts and proceedings required by law necessary to make the Series 2013 Bonds, when executed by the Successor Agency, authenticated and delivered by the Trustee, and duly issued, the valid, binding and legal special obligations of the Successor Agency in accordance with the Dissolution Act, and to constitute this First Supplement a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the First Supplement have been in all respects duly authorized.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto do hereby agree as follows:

ARTICLE X

ADDITIONAL DEFINITIONS RELATING TO THE SERIES 2013 BONDS

Section 10.01. *Definitions.* Unless the context otherwise requires, the terms defined in this Section 10.01 shall, for all purposes of this First Supplement, have the respective meanings specified in this Section 10.01. All terms defined in Section 1.01 and not otherwise defined or redefined in this Section 10.01 shall, when used in this First Supplement, have the respective meanings given to such terms in said Sections.

"Agency" means the Imperial Beach Redevelopment Agency, as the Original Agency under this Indenture, or the Imperial Beach Redevelopment Agency Successor Agency, as the successor in interest thereto, as applicable.

"Bonds," subject to Section 10.03, means the Series 2010 Bonds, the Series 2013 Bonds and any Parity Debt issued as bonds pursuant to a Supplemental Indenture.

"Bond Year" means, with respect to the Series 2013 Bonds, the one-year period beginning on December 2 in any year and ending on the next succeeding December 1, both dates inclusive, except that the first Bond Year with respect to the Series 2013 Bonds shall begin on the Closing Date and end on December 1, 2013.

"Closing Date" means, with respect to the Series 2013 Bonds, the date on which the Series 2013 Bonds are delivered to the original purchasers thereof.

"Continuing Disclosure Certificate" means, with respect to the Series 2013 Bonds, that certain Continuing Disclosure Certificate relating to the Series 2013 Bonds executed by the Agency and dated the date of issuance and delivery of the Series 2013 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Department of Finance" means the Department of Finance of the State of California.

"Dissolution Act" means the provisions of Assembly Bill X1 26, signed by the Governor of the State on June 28, 2011, and filed with the Secretary of State June 29, 2011, amending the Redevelopment Law and adding Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code, as amended by Assembly Bill 1484, signed by the Governor on June 27, 2012, and filed with the Secretary of State on June 27, 2012.

"First Supplement" means this First Supplemental Indenture of Trust, dated as of _____ 1, 2013, by and between the Agency and Trustee, as the same may be amended from time to time in accordance with the terms of the Series 2010 Indenture.

"Indenture" means the Series 2010 Indenture, as supplemented and amended by the First Supplement, as it may be further supplemented or amended by any additional Supplemental Indenture entered into pursuant to the provisions thereof.

"Original Agency" means the Imperial Beach Redevelopment Agency, a public body corporate and politic duly organized and existing under the Redevelopment Law prior to the Dissolution Act.

"Oversight Board" means the Oversight Board of the Successor Agency established pursuant to the Section 34179 of the Dissolution Act.

"Prior Tax Revenues" means (a) those taxes paid to the Agency with respect to the Redevelopment Project pursuant to Article 6 of Chapter 6 of the Redevelopment Law, and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State law, and as provided in the Redevelopment Plan, and (b) reimbursements, subventions (but excluding payments to the Agency with respect to personal non-taxable property within the Redevelopment Project 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; including that portion of such taxes otherwise required by Section 33334.3 of the Redevelopment Law to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the Loan and any Parity Debt (including applicable reserves and financing costs) attributed to amounts deposited in the Low and Moderate Income Housing Fund for use pursuant to Section 33334.2 or 33334.6 of the Redevelopment Law to increase, improve or preserve the supply of low and moderate income housing within or of benefit to the Redevelopment Project, but excluding all other amounts of such taxes (if any) required to be deposited into the Low and Moderate Income Housing Fund of the Agency pursuant to Section 33334.3 of the Redevelopment Law and all amounts (if any) required to be paid pursuant to Tax Sharing Statutes, unless subordinated to the Bonds and Parity Debt.

"Redevelopment Property Tax Trust Fund" means the fund established pursuant to Section 34170.5(b) of the California Health and Safety Code and administered by the San Diego County Auditor - Controller.

"Refunding Law" means Article 10 (commencing with Section 53570) and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of title 5 of the California Government Code.

"Reserve Requirement" means, as of the date of issuance of the Series 2013 Bonds, an amount equal to the lesser of (a) 10% of the original principal amount of the Bonds and any other Parity Debt of the Agency, or (b) the maximum annual debt service on the Bonds and any other Parity Debt of the Agency coming due and payable in the current or any future Bond Year, or (c) 125% of average annual Bond Year Debt Service on the Bonds and any other Parity Debt of the Agency.

"Retirement Fund" means the Redevelopment Obligation Retirement Fund established and held by the Successor Agency pursuant to Section 34170.5(a) of the California Health and Safety Code.

"Series 2010 Bonds" means the Agency's 2010 Tax Allocation Bonds (Palm Avenue/Commercial Redevelopment Project) initially issued in the principal amount of \$21,595,000.

"Series 2010 Indenture" means the Indenture of Trust dated as of November 1, 2010, by and between the Agency and the Trustee, as the same may be amended from time to time in accordance with its terms.

"Series 2013 Bonds" means the Agency's Palm Avenue/Commercial Redevelopment Project Tax Allocation Refunding Bonds, Series 2013 initially issued in the principal amount of \$_____.

"Series 2013 Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to Section 12.02.

"Series 2013 Reserve Account" means the subaccount by that name established and held by the Trustee within the Reserve Account pursuant to Section 12.04.

"2013 Resolution" means Resolution No. 2013-_____ adopted by the Successor Agency on _____, 2013.

"Series 2003 Bonds" means the Imperial Beach Financing Authority Tax Allocation Revenue Bonds, 2003 Series A (Palm Avenue/Commercial Redevelopment Project) initially issued in the principal amount of \$22,765,000.

"Series 2003 Bonds Escrow Subaccount" means the subaccount by that name established pursuant to Section 12.03.

"2003 Loan Agreements" means collectively the (i) Loan Agreement No. 1 (Original Area) dated as of November 1, 2003 by and between the Original Agency and the Authority in the original principal amount of \$4,755,000; and (ii) Loan Agreement No. 2 (Amendment Area) dated as of November 1, 2003 by and between the Original Agency and the Authority in the original principal amount of \$18,010,000.

"Series 2003 Refunding Instructions" means the Irrevocable Refunding Instructions dated the Closing Date with respect to the Series 2003 Bonds, given by the Authority and the Successor Agency to the Trustee with respect to the Series 2003 Bonds.

"Tax Revenues" means all taxes that were eligible for allocation to the Original Agency with respect to the Project Area and are allocated to the Successor Agency pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws and that are paid to the Successor Agency for deposit into the Special Fund of the Redevelopment Obligation Retirement Fund, plus, as to Tax Revenues available for payment of the Series 2010 Bonds, amounts of such taxes required to be paid pursuant to Tax Sharing Statutes but subordinated to the Series 2010 Bonds. In the event that the applicable property tax revenues provisions of the Dissolution Act are determined by a court in a final judicial decision to be invalid and, in place of the invalid provisions of the Dissolution Act, provisions of the Law or the equivalent shall become applicable to the Bonds, then the term "Tax Revenues" shall mean the Prior Tax Revenues.

Section 10.02. *Tax Revenues Applicable to Series 2013 Bonds.* The Series 2013 Bonds shall be secured by Tax Revenues on parity with the 2010 Bonds in the manner and to the extent set forth in 2010 Indenture and the Dissolution Act, provided however certain payments to taxing entities under Tax Sharing Statutes have been subordinated to the obligation to pay the Series 2010 Bonds but have not been subordinated with respect to the Series 2013 Bonds.

Section 10.03. *References in Series 2010 Indenture.* The Series 2013 Bonds shall be secured on parity with the 2010 Bonds in the manner and to the extent set forth in the Series 2010 Indenture, as supplemented hereby and by the Dissolution Act. Except as expressly provided in this First Supplemental Indenture or except to the extent inconsistent with this First Supplemental Indenture, every term and condition contained in the foregoing provisions of the Series 2010 Indenture shall apply to the Series 2013 Bonds with full force and effect, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to the issuance and administration of the Series 2013 Bonds as a separate but equal series of Bonds issued later in time. In that regard, references to "Bond" or "Bonds" in Sections 2.01, 2.02 and 2.03 and Sections 3.01 and 3.02 of the 2010 Indenture are deemed to refer to the Series 2010 Bonds described therein.

ARTICLE XI

AUTHORIZATION OF SERIES 2013 BONDS

SECTION 11.01. *Authorization of Series 2013 Bonds.* The Series 2013 Bonds have been authorized to be issued by the Agency pursuant to the 2013 Resolution and the approvals required under the Dissolution Act. The Series 2013 Bonds are being issued pursuant to the Refunding Law and in accordance with Section 34177.5 of the Dissolution Act, as Parity Debt in the aggregate principal amount of _____ Dollars (\$_____), under and subject to the terms of the Indenture, the 2013 Resolution and the Dissolution Act, for the purpose of refunding the 2003 Loan Agreements and the Series 2003 Bonds, thereby refinancing redevelopment activities with respect to the Redevelopment Project. The Series 2013 Bonds shall be designated the "Imperial Beach Redevelopment Agency Successor Agency Palm Avenue/Commercial Redevelopment Project Tax Allocation Refunding Bonds, Series 2013". The Indenture, which includes this First Supplement, constitutes a continuing agreement with the Owners of all of the Series 2013 Bonds issued hereunder and at any time Outstanding to secure the full and final payment of principal of and premium, if any, and interest on all Series 2013 Bonds which may from time to time be executed and delivered hereunder, subject to the covenants, agreements, provisions and conditions herein contained.

SECTION 11.02. *Terms of Series 2013 Bonds.* The Series 2013 Bonds shall be dated as of the Closing Date with respect to the Series 2013 Bonds. The Series 2013 Bonds shall be issued in fully registered form without coupons in denominations of \$5,000. The Series 2013 Bonds shall be issued in Book-Entry Form as provided in Section 2.04 of the Series 2010 Indenture.

The Series 2013 Bonds shall mature on June 1 in each of the years and in the respective principal amounts, and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates per annum, as set forth in the following table, with debt service as shown in Exhibit B hereto:

Series 2013 Maturity Schedule

<u>Maturity</u> (June 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
-----------------------------	-----------------------------------	--------------------------------

Each Series 2013 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) it is authenticated on or before _____ 15, 20___, in which event it shall bear interest from the Closing Date; provided, however, that if, as of the date of authentication of any Series 2013 Bond, interest thereon is in default, such Series 2013 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the Series 2013 Bonds (including the final interest payment upon maturity or redemption) is payable when due by check or draft of the Trustee mailed on the applicable Interest Payment Date to the Owner thereof at such Owner's address as it appears on the Registration Books at the close of business on the preceding Record Date; provided that at the written request of the Owner of at least \$1,000,000 aggregate principal amount of Series 2013 Bonds, which written request is on file with the Trustee as of any Record Date, interest on such Series 2013 Bonds shall be paid on the succeeding Interest Payment Date to such account in the United States as shall be specified in such written request. The principal of the Series 2013 Bonds and any premium upon redemption, are payable in lawful money of the United States of America upon presentation and surrender thereof at the Office of the Trustee.

SECTION 11.03. *Redemption.* The Series 2013 Bonds maturing on or after ____ 1, 20___ are subject to redemption, as a whole or in part in such maturities as are selected by the Successor Agency, prior to their respective maturity dates (or in the absence of such direction, *pro rata* by maturity and by lot within a maturity), at the option of the Successor Agency, on any date on or after ____ 1, 20___ at a redemption price equal to the principal amount of Series 2013 Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

SECTION 11.04. *Form and Execution of Series 2013 Bonds.* The Series 2013 Bonds, the form of Trustee's Certificate of Authentication, and the form of Assignment to appear thereon, shall be substantially in the respective forms set forth in Exhibit A attached to this First Supplement and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

The Series 2013 Bonds shall be executed as provided in Section 2.05 of the Indenture (provided that the person executing the Series 2013 Bonds shall be the Executive Director of the Successor Agency or other officially designated person for that function, and the person

attesting the Series 2013 Bonds shall be the Secretary of the Successor Agency or other officially designated person for that function), and shall be otherwise subject to said Section 2.05 and Sections 2.06 through 2.08 of the Indenture.

ARTICLE XII

APPLICATION OF PROCEEDS OF SERIES 2013 BONDS

SECTION 12.01. *Application of Proceeds of Sale of Series 2013 Bonds.* Upon the receipt of payment for the Series 2013 Bonds on the Closing Date, the net proceeds thereof, being \$_____ (consisting of the par amount of the Series 2013 Bonds, plus an original issue premium of \$_____), and less an underwriter's discount of \$_____ shall be paid to the Trustee and deposited in a temporary fund (if required by the Trustee to make the following transfers and deposits, which temporary fund shall be closed after such transfers and deposits have been made), all of the amounts on deposit in which shall be transferred on the Closing Date as follows:

(a) The Trustee shall deposit in the Series 2013 Reserve Account the amount of \$_____, to be applied as provided in Section 12.04.

(a) The Trustee shall deposit in the Series 2013 Costs of Issuance Fund the amount of \$_____, to be applied as provided in Section 12.02.

(c) The Trustee shall deposit the remainder of the proceeds of the Series 2013 Bonds, being \$_____, in the Series 2003 Bonds Escrow Subaccount to be applied as provided in Section 12.03.

SECTION 12.02. *Series 2013 Costs of Issuance Fund.* There is hereby established a separate fund to be known as the "Series 2013 Costs of Issuance Fund", which shall be held by the Trustee in trust. The moneys in the Series 2013 Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance with respect to the Series 2013 Bonds upon submission of a Written Request of the Agency stating (a) the person to whom payment is to be made, (b) the amount to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Series 2013 Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior Written Request of the Agency; in each case together with a statement or invoice for each amount requested thereunder. Each such Written Request of the Agency shall be sufficient evidence to the Trustee of the facts stated therein, and the Trustee shall have no duty to confirm the accuracy of such facts. On the earlier of _____, or the date of receipt by the Trustee of a Written Request of the Agency, all amounts (if any) remaining in the Series 2013 Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and be transferred to the Interest Account and used to pay interest on the Series 2013 Bonds.

SECTION 12.03. *Series 2003 Bonds Escrow Subaccount.* There is hereby established a subaccount within the Redemption Account to be known as the Series 2003 Bonds Escrow Subaccount, which is held by the Trustee in trust for the benefit of the owners of the Series 2003 Bonds. Amounts on deposit in the Series 2003 Bonds Escrow Subaccount shall be applied as provided in the Refunding Instructions. Once all amounts in the Series 2003 Bonds Escrow Subaccount have been expended or transferred as provided in the Series 2003 Refunding Instructions, the Series 2003 Bonds Escrow Subaccount shall be closed.

SECTION 12.04. *Series 2013 Reserve Account.* Pursuant to Section 4.03 of the Series 2010 Indenture, the Successor Agency elects that the existing Reserve Account become a parity reserve for the Bonds and any future Parity Debt of the Agency. The amount deposited in the Reserve Account pursuant to Section 3.02(b) of the Series 2010 Indenture Trustee shall

be held within a subaccount within the Reserve Account to be designated as the "Series 2010 Reserve Subaccount." The Trustee shall additionally establish a separate subaccount within the Reserve Account designated as the "Series 2013 Reserve Subaccount" for accounting purposes only, into which the Trustee shall transfer the amount set forth in Section 12.01(a).

**ARTICLE XIII
MISCELLANEOUS**

SECTION 13.01. *Security for Series 2013 Bonds.* The Series 2013 Bonds shall be Parity Debt within the meaning of such term in Section 1.01 and shall be secured in the manner and to the extent set forth in Article IV. As provided in Section 4.01 and Section 4.02 of the Indenture, the Series 2013 Bonds shall be secured on a parity with all other Bonds issued under this Indenture, including the Series 2010 Bonds, by a first pledge of and lien on all of the Tax Revenues in the Special Fund and all moneys in the Debt Service Fund and the accounts therein; provided however certain payments to taxing entities under Tax Sharing Statutes have been subordinated to the obligation to pay the Series 2010 Bonds but have not been subordinated with respect to the obligation to pay the Series 2013 Bonds.

The Successor Agency acknowledges that, due to the passage of Dissolution Act, it will need to take certain actions to ensure that it collects sufficient Tax Revenues to pay debt service on the Bonds, including the Series 2013 Bonds, on a timely basis. The Successor Agency covenants that it will take all such actions as required to make the timely payment of debt service on the Bonds. The Successor Agency further acknowledges that the provisions of the Dissolution Act require that it establish the Retirement Fund, into which all Tax Revenues, as and when received are required to be deposited. The Successor Agency has heretofore established the Retirement Fund as required by Section 34170.5(a) of the Dissolution Act, and covenants that it shall continue to hold and maintain the Retirement Fund so long as any of the Bonds are Outstanding. The Successor Agency hereby agrees that it will hold the Special Fund as an account within Retirement Fund and will continue to deposit all Tax Revenues, as and when received, into the Special Fund in order to ensure that all Tax Revenues are available for the payment of debt service on the Bonds on a timely basis.

The Successor Agency further covenants and agrees that it will duly and punctually pay or cause to be paid the principal of and interest on each of the Bonds, including the Series 2013 Bonds, on the date, at the place and in the manner provided in the Bonds, and that it will take all actions required under the Dissolution Act to include scheduled debt service on the Series 2013 Bonds, as well as any amount required under the Indenture to replenish the Reserve Account, on Recognized Obligation Payment Schedules for each six-month period so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Retirement Fund on each January 2 and June 1 amounts required for the Successor Agency to deposit into the Special Fund to pay principal of, and interest on, the Series 2013 Bonds, coming due in the respective six-month period, including, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and State Department of Finance, to the extent necessary, the amounts to be held by the Successor Agency as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to provide for the payment of principal and interest on the Series 2013 Bonds when the next property tax allocation from the Redevelopment Property Tax Trust Fund is projected to be insufficient to pay all obligations due under the Indenture and for the next payment due thereunder and hereunder in the following six-month period.

Pursuant to the Dissolution Act, at Section 34177.5(i) of the Health and Safety Code, within ten (10) days of the Closing Date for the Series 2013 Bonds, the Successor Agency will petition the Department of Finance to confirm that its determination that the Series 2013 Bonds approved on the Recognized Obligation Payment Schedules constitutes an enforceable

obligation is final and conclusive, and that it has finally and conclusively approved that the Series 2013 Bonds constitute an "enforceable obligation" under the Dissolution Act and reflects the department's approval of subsequent payments made pursuant to the enforceable obligation.

The Successor Agency also covenants to calculate the amount of Tax Revenues received during each six-month period, as described above, to ensure that Tax Revenues are properly credited to and deposited in the Special Fund.

The Successor Agency shall not enter into any agreement with any other governmental unit, or amend any such agreement, if such agreement or amendment would have the effect of causing the amount of Tax Revenues available to the Successor Agency for payment of the Bonds to be insufficient to meet debt service on the Series 2013 Bonds and the 2010 Bonds, unless in the written opinion of an Independent Redevelopment Consultant is filed with the Trustee to the effect that such reduction will not adversely affect the interests hereunder of or the security granted hereunder to the Bond Owners.

SECTION 13.02. *Continuing Disclosure.* The Agency hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Indenture, failure of the Agency to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Participating Underwriter or any owner or beneficial owner of the Series 2013 Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Agency to comply with its obligations under this Section 13.02.

SECTION 13.03. *Tax Covenants.* The Agency agrees to comply with the requirements of Sections 5.12 with respect to the Series 2013 Bonds in addition to the Series 2010 Bonds.

SECTION 13.04. *Benefits Limited to Parties.* Nothing in this First Supplement, expressed or implied, is intended to give to any person other than the Agency, the Trustee and the Owners of the Bonds, any right, remedy, claim under or by reason of this First Supplement. Any covenants, stipulations, promises or agreements in this First Supplement contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Trustee and the Owners of the Bonds.

SECTION 13.05. *Effect of this First Supplement.* Except as in this First Supplement expressly provided or except to the extent inconsistent with any provision of this First Supplement, the Series 2013 Bonds shall be deemed to be Bonds under and within the meaning thereof as set forth in Section 1.02 of the Indenture, as modified by this First Supplement, and every term and condition contained in the other provisions of this Indenture shall apply to the Series 2013 Bonds with full force and effect, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this First Supplement.

SECTION 13.06. *Further Assurances.* The Agency will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the Series 2013 Bonds and the rights and benefits provided in the Indenture.

SECTION 13.07. *Execution in Counterparts.* This First Supplement 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.

SECTION 13.08. *Governing Law.* This First Supplement shall be construed and governed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY has caused this First Supplement to be signed in its name by its Executive Director and attested by its Secretary, and WELLS FARGO BANK, National Association, in token of its acceptance of the trusts created hereunder, has caused this First Supplement to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

IMPERIAL BEACH REDEVELOPMENT
AGENCY SUCCESSOR AGENCY

By: _____
Executive Director

ATTEST:

By: _____
Secretary

WELLS FARGO BANK, National
Association, as Trustee

By: _____
Authorized Officer

APPENDIX A**(FORM OF SERIES 2013 BOND)**

No. _____

\$ _____

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SAN DIEGO****IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY
PALM AVENUE/COMMERCIAL REDEVELOPMENT PROJECT
TAX ALLOCATION REFUNDING BOND, SERIES 2013**

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP:
	June 1, _____	[Closing Date]	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: DOLLARS

The IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY, a public entity organized and existing under and by virtue of the laws of the State of California (the "Agency"), for value received hereby promises to pay to the Registered Owner stated above, or registered assigns (the "Registered Owner"), on the Maturity Date stated above (subject to any right of prior redemption hereinafter provided for), the Principal Sum stated above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond, unless (i) this Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before the first Record Date, in which event it shall bear interest from the Dated Date above; provided however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond, until payment of such Principal Sum in full, at the Interest Rate per annum stated above, payable semiannually on each June 1 and December 1, commencing _____ (each, an "Interest Payment Date"), calculated on the basis of a 360-day year comprised of twelve 30-day months. Principal hereof and premium, if any, upon early redemption hereof are payable upon surrender of this Bond at the corporate trust office of WELLS FARGO BANK, National Association, in San Francisco, California, as trustee (the "Trustee"), or at such other place designated by the Trustee (the "Principal Corporate Trust Office"). Interest hereon (including the final interest payment upon maturity or earlier redemption) is payable by check of the Trustee mailed by first class mail, postage prepaid, on the Interest Payment Date to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books maintained by the Trustee as of the Record Date for such Interest Payment Date; provided however, that payment of interest may be by wire transfer

to an account in the United States of America to any registered owner of Bonds in the aggregate principal amount of \$1,000,000 or more upon written instructions of any such registered owner filed with the Trustee for that purpose prior to the Record Date preceding the applicable Interest Payment Date.

This Bond is one of a duly authorized issue of bonds of the Agency designated as "Imperial Beach Redevelopment Agency Successor Agency Palm Avenue/Commercial Redevelopment Project Tax Allocation Refunding Bonds, Series 2013" (the "Bonds"), of an aggregate principal amount of _____ Dollars (\$_____), all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers, maturities, interest rates, or redemption and other provisions) and all issued pursuant to the provisions of the Refunding Law (as defined in the hereinafter mentioned Indenture) and in accordance with Section 34177.5 of the Dissolution Act (as defined in the Indenture), and pursuant to an Indenture of Trust, dated as of November 1, 2010, by and between the Imperial Beach Redevelopment Agency, as predecessor in interest to the Agency (the "Original Agency") and the Trustee (the "Series 2010 Indenture"), as supplemented and amended by a First Supplemental Indenture of Trust dated as of _____ 1, 2013 between the Agency and the Trustee (collectively, the "Indenture"), providing for the issuance of the Bonds. The Bonds are being issued in the form of registered Bonds without coupons, and are being issued on parity with certain other bonds previously issued by the Original Agency. Additional bonds or other obligations may be issued on parity with the Bonds, but only subject to the terms of the Indenture. Reference is hereby made to the Indenture (copies of which are on file at the office of the Agency) and all indentures supplemental thereto and to the Law and Dissolution Act (as defined in the Indenture) for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Tax Revenues (as that term is defined in the Indenture), and the rights thereunder of the registered owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Agency thereunder, to all of the provisions of which Indenture the Registered Owner of this Bond, by acceptance hereof, assents and agrees. Capitalized terms not otherwise defined herein shall have the meanings given them in the Indenture.

The Bonds have been issued by the Agency for the purpose of providing funds to refinance certain redevelopment activities with respect to its Palm Avenue/Commercial Redevelopment Project Area (the "Project Area") by prepaying the amount owed by the Agency under two Loan Agreements entered into in 2003 in connection with the issuance by the Imperial Beach Financing Authority of its \$22,765,000 original amount of Tax Allocation Revenue Bonds, 2003 Series A (Palm Avenue/Commercial Redevelopment Project), and to pay certain expenses of the Agency in issuing the Bonds.

The Bonds are special obligations of the Agency and this Bond and the interest hereon and on all other Bonds and the interest thereon (to the extent set forth in the Indenture), are payable from, and are secured by a pledge of, security interest in and lien on the Tax Revenues, as defined in the Indenture and modified by the Dissolution Act (as defined in the Indenture) derived by the Agency from the Project Area.

There has been created and will be maintained by the Agency, the Special Fund (as defined in the Indenture) into which Tax Revenues shall be deposited and from which the Agency shall transfer amounts to the Trustee for payment, when due, of the principal of and the interest and redemption premium, if any, on the Bonds, as defined in the Indenture. As and to the extent set forth in the Indenture, all such Tax Revenues and the moneys in the Special Fund (as such terms are defined in the Indenture) are exclusively and irrevocably pledged to and

constitute a trust fund, in accordance with the terms hereof and the provisions of the Indenture, the Dissolution Act and the Law, for the security and payment or redemption of, including any premium upon early redemption, if applicable, and for the security and payment of interest on, the Bonds. In addition, the Bonds shall be additionally secured at all times by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Reserve Account and the Redemption Account (as such terms are defined in the Indenture). Except for the Tax Revenues and such moneys, no funds or properties of the Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium, if any, on the Bonds.

The Bonds maturing on or after ____ 1, 20__ are subject to redemption, as a whole or in part in such maturities as are selected by the Successor Agency, prior to their respective maturity dates (or in the absence of such direction, *pro rata* by maturity and by lot within a maturity), at the option of the Successor Agency, on any date on or after ____ 1, 20__ at a redemption price equal to the principal amount of Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

The Bonds are issuable as fully registered Bonds without coupons in denominations of \$5,000 and any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Indenture, Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations and of the same maturity.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Principal Corporate Trust Office of the Trustee, but only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new fully registered Bond or Bonds, of any authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. The Trustee may refuse to transfer or exchange (a) any Bond during the fifteen (15) days prior to the date established for the selection of Bonds for redemption, or (b) any Bond selected for redemption.

The Agency and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Agency and the Trustee shall not be affected by any notice to the contrary.

The rights and obligations of the Agency and the registered owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Agency to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided herein of any Bond without the express written consent of the registered owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Agency or the Trustee for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the Registered Owner hereof, Cede & Co., has an interest herein.

This Bond is not a debt, liability or obligation of the City of Imperial Beach, the State of California, or any of its political subdivisions, and neither said City, said State, nor any of its political subdivisions is liable hereon, nor in any event shall this Bond be payable out of any funds or properties other than those pledged by the Agency. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time and manner as required by the Dissolution Act, the Law and the laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the Agency, does not exceed any limit prescribed by the Dissolution Act, the Law or any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the Trustee's Certificate of Authentication hereon shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the Imperial Beach Redevelopment Agency Successor Agency has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Executive Director and attested by the facsimile signature of its Secretary, all as of the Dated Date set forth above.

IMPERIAL BEACH REDEVELOPMENT
AGENCY SUCCESSOR AGENCY

By: _____
Executive Director

ATTEST:

Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Authentication Date: _____

WELLS FARGO BANK, National
Association, as Trustee

By: _____
Authorized Signatory

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or Tax Regulations:

- TEN COM -- as tenants in common
- TEN ENT -- as tenants by the entireties
- JT TEN -- as joint tenants with right of survivorship and not as tenants in common
- COMM PROP -- as community property
- UNIF GIFT MIN ACT _____Custodian _____
(Cust.) (Minor)
- under Uniform Gifts to Minors Act _____
(State)

ADDITIONAL ABBREVIATIONS MAY ALSO BE USED
THOUGH NOT IN THE LIST ABOVE

(FORM OF ASSIGNMENT)

For value received the undersigned hereby sells, assigns and transfers unto

(Name, Address and Tax Identification or Social Security Number of Assignee)
the within-registered Bond and hereby irrevocably constitute(s) and appoints(s)

_____ attorney,
to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signatures Guaranteed:

Note: _____
Signature(s) must be guaranteed by an eligible guarantor.

Note: _____
The signatures(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT B
DEBT SERVICE SCHEDULE

IRREVOCABLE REFUNDING INSTRUCTIONS

These IRREVOCABLE REFUNDING INSTRUCTIONS (these "Instructions"), dated _____, 2013, are given by the IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY, a public entity duly organized and existing under the laws of the State of California (the "Successor Agency"), as successor in interest of the IMPERIAL BEACH REDEVELOPMENT AGENCY (the "Original Agency") and the IMPERIAL BEACH PUBLIC FINANCING AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (the "Authority") to WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, acting as trustee for the hereinafter defined 2003 Authority Bonds and 2013 Bonds (the "Trustee");

WITNESSETH:

WHEREAS, the Original Agency is obligated to pay the original amount of \$22,765,000 under two Loan Agreements (the "2003 Loan Agreements") entered into in 2003 in connection with the issuance by the Authority of its \$22,765,000 original amount of Tax Allocation Revenue Bonds, 2003 Series A (Palm Avenue/Commercial Redevelopment Project) (the "2003 Authority Bonds") pursuant to an Indenture of Trust dated as of November 1, 2003 (the "2003 Indenture") by and between the Authority and the Trustee for the purpose of financing programs, projects and activities relating to the Original Agency's Palm Avenue/Commercial Redevelopment Project (the "Redevelopment Project"); payments due on the loan obligations are payable primarily from tax increment revenues derived from the Redevelopment Project; and

WHEREAS, by implementation of California Assembly Bill X1 26 approved by the Governor of the State of California on June 28, 2011 ("AB 26"), which amended provisions of the California Redevelopment Law, (found at Health and Safety Code Section 33000, et.seq.) and added Part 1.8 and Part 1.85 to Division 24 of the California Health and Safety Code, and due to the California Supreme Court's decision in *California Redevelopment Association v. Matosantos*, the Original Agency was dissolved on February 1, 2012 in accordance with AB 26, and on February 1, 2012, the Successor Agency, in accordance with and pursuant to AB 26, assumed the duties and obligations set forth in AB 26 for the Original Agency, including, without limitation, the obligations of the Original Agency under the 2003 Loan Agreements and related documents to which the Original Agency was a party; and

WHEREAS, the Successor Agency has determined that it is in the best financial interests of the Successor Agency to refund, at this time, the 2003 Loan Agreements, and the Successor Agency and the Authority have determined that the refunding of the 2003 Loan Agreements will result in the simultaneous redemption of the 2003 Authority Bonds prior to their scheduled maturity date; and

WHEREAS, in order to provide funds for such purpose, the Successor Agency is issuing its \$_____ aggregate principal amount of its Palm Avenue/Commercial Redevelopment Project Tax Allocation Refunding Bonds, Series 2013 (the "Series 2013 Bonds") pursuant to an Indenture of Trust, dated as of November 1, 2010, by and between the Original Agency and the Trustee, as supplemented by a First Supplemental Indenture of Trust dated approximately of even date herewith (together, the "Indenture") and applying a portion of the proceeds of the 2013 Bonds, together with certain other moneys, to prepay the obligations of the Successor

Agency under the 2003 Loan Agreements and redeem all of the outstanding 2003 Authority Bonds; and

WHEREAS, the Successor Agency and the Authority wish to give these Instructions to the Trustee for the purpose of providing the terms and conditions relating to the deposit and application of moneys to provide for the prepayment 2003 Loan Agreements and the simultaneous redemption prior to maturity of the 2003 Authority Bonds;

NOW, THEREFORE, the Successor Agency and the Authority hereby irrevocably instruct the Trustee as follows:

Section 1. Establishment of the 2003 Authority Bonds Escrow Subaccount. Pursuant to Section 2.2(a), Section 4.2(d) and Section 9.3 of the Indenture, the Trustee is directed to establish within the Redemption Account established pursuant to the 2003 Indenture a special subaccount known as the "2003 Authority Bonds Escrow Subaccount" (the "Escrow Subaccount"). All amounts on deposit in the Escrow Subaccount are hereby irrevocably pledged as a special trust fund for the redemption of all of the outstanding 2003 Authority Bonds on _____, 2013. Neither the Trustee nor any other person shall have a lien upon or right of set off against the amounts at any time on deposit in the 2003 Authority Bonds Escrow Subaccount, and such amounts shall be applied only as provided herein.

Section 2. Deposit into the 2003 Authority Bonds Escrow Subaccount; Investment of Amounts. Concurrently with delivery of the Series 2013 Bonds, the Successor Agency shall cause to be deposited in the Escrow Subaccount the amount of \$_____ in immediately available funds to be derived from a portion of the proceeds of sale of the Series 2013 Bonds. [Additionally, (a) the Successor Agency will also transfer to the Trustee for deposit in the Escrow Subaccount the amount of \$_____ (b) the Authority will also transfer to the Trustee for deposit in the Escrow Subaccount the amount of \$_____.] The Successor Agency hereby directs the Trustee to hold all amounts in the Escrow Subaccount [uninvested (in cash)].

The Successor Agency signifies that by making the deposit described herein, it is discharging the 2003 Authority Bonds pursuant to Sections 9.3 of the 2003 Indenture.

Section 3. Proceedings for Redemption of 2003 Authority Bonds. The Successor Agency and the Authority hereby irrevocably elect, and direct the Trustee, to redeem, on _____, 2013, from amounts on deposit in the Series 2003 Escrow Subaccount, the outstanding 2003 Authority Bonds pursuant to the provisions of Section 2.03(a) of the 2003 Indenture. The Trustee acknowledges, that by accepting these instructions, it has [heretofore] [will, on or before _____, 2013 have] published a notice of such redemption in accordance with Section 2.2(c) of the 2003 Indenture in order to allow for the redemption of the 2003 Authority Bonds on _____, 2013.

Section 4. Application of Funds to Redeem 2003 Authority Bonds. The Trustee shall apply the amounts on deposit in the Escrow Subaccount to redeem the outstanding 2003 Authority Bonds on _____, 2013 at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest, all in accordance with Section 2.2(a) of the 2003 Indenture.

Section 5. Transfer of Remaining Funds. On _____, 2013, following the payment and redemption described above and payment of any amounts then owed to the

Trustee, the Trustee shall withdraw any amounts remaining on deposit in the Escrow Subaccount and transfer such amounts to the Debt Service Fund established under the 2013 Indenture to be used for the purpose of paying interest on the Series 2013 Bonds.

Section 6. Amendment. These Instructions shall be irrevocable by the Successor Agency. These Instructions may be amended or supplemented by the Successor Agency, but only if the Successor Agency shall file with the Trustee (a) an opinion of nationally recognized bond counsel engaged by the Successor Agency stating that such amendment or supplement will not, of itself, adversely affect the exclusion from gross income of interest on the 2003 Authority Bonds or the Series 2013 Bonds under federal income tax law, and (b) a certification of an independent accountant or independent financial adviser engaged by the Successor Agency stating that such amendment or supplement will not affect the sufficiency of funds invested and held hereunder to make the payments required by Section 4.

Section 7. Application of Certain Terms of the 2003 Indenture. All of the terms of the 2003 Indenture relating to the payment of principal of and interest and repayment premium, if any, on the 2003 Authority Bonds and the redemption thereof, and the protections, immunities and limitations from liability afforded the Trustee, are incorporated in these Instructions as if set forth in full herein.

Section 8. Counterparts. These Instructions may be signed in several counterparts, each of which will constitute an original, but all of which will constitute one and the same instrument.

Section 9. Governing Law. These Instructions shall be construed in accordance with and governed by the laws of the State of California.

**IMPERIAL BEACH REDEVELOPMENT
AGENCY SUCCESSOR AGENCY**

By: _____
Executive Director

**IMPERIAL BEACH PUBLIC FINANCING
AUTHORITY**

By: _____
Executive Director

ACCEPTED:

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____
Authorized Officer