

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

PRELIMINARY OFFICIAL STATEMENT DATED ____, 2020

NEW ISSUE—BOOK-ENTRY ONLY

**Ratings: S&P: “__” (Insured)
S&P: “__” (Underlying)**

See the caption “CONCLUDING INFORMATION—Ratings”

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2020B Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2020 Bonds is exempt from State of California personal income tax. See the caption “TAX MATTERS” with respect to tax consequences concerning the 2020 Bonds.

**SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY
OF THE CITY OF LAKE ELSINORE**

\$ _____
**(RANCHO LAGUNA REDEVELOPMENT
PROJECT AREAS NO. II AND NO. III)
THIRD LIEN TAX ALLOCATION BONDS,
SERIES 2020B**

\$ _____
**(RANCHO LAGUNA REDEVELOPMENT
PROJECT AREAS NO. II AND NO. III)
THIRD LIEN TAX ALLOCATION BONDS,
SERIES 2020C (FEDERALLY TAXABLE)**

Dated: Closing Date

Due: March 1, as shown on the inside front cover page

The Successor Agency of the Redevelopment Agency of the City of Lake Elsinore (Rancho Laguna Redevelopment Project Areas No. II and No. III) Third Lien Tax Allocation Bonds, Series 2020B (the “2020B Bonds”) and the Successor Agency of the Redevelopment Agency of the City of Lake Elsinore (Rancho Laguna Redevelopment Project Areas No. II and No. III) Third Lien Tax Allocation Bonds, Series 2020C (Federally Taxable) (the “2020C Bonds”; and, together with the 2020B Bonds, the “2020 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 integral multiples of \$5,000 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 2020 Bonds. The principal of, premium if any, and interest (which interest is due March 1 and September 1 of each year, commencing March 1, 2021) on the 2020 Bonds will be payable by Wilmington Trust, National Association, as trustee (the “Trustee”), to DTC for subsequent disbursement to DTC Participants, so long as DTC or its nominee remains the registered owner of the 2020 Bonds. See the caption “THE 2020 BONDS—Book-Entry System.”

The 2020 Bonds are being issued pursuant to the Indenture of Trust, dated as of March 1, 2018, as supplemented by the First Supplemental Indenture, dated as of ____, 2020 (collectively, the “Indenture”), each by and between the Trustee and the Successor Agency of the Redevelopment Agency of the City of Lake Elsinore (the “Agency”); (i) to finance certain obligations of the Agency under the Summerly DDA (defined herein), as described under the caption “THE FINANCING PLAN”; (ii) to pay the premiums for a municipal bond insurance policy and a municipal bond debt service reserve insurance policy for the 2020 Bonds; and (iii) to pay certain costs of issuance of the 2020 Bonds.

The 2020 Bonds are subject to optional and mandatory redemption prior to maturity. See the caption “THE 2020 BONDS—Redemption.”

The 2020 Bonds are payable from and secured by the Pledged Tax Revenues deposited in the Redevelopment Property Tax Trust Fund on a subordinate basis to certain bonds currently outstanding in the aggregate principal amount of \$ _____ and certain other ongoing obligations of the Agency, as more fully described under the caption “SECURITY FOR THE 2020 BONDS—Senior Obligations.”

The 2020 Bonds are payable from and secured by the Pledged Tax Revenues deposited in the Redevelopment Property Tax Trust Fund on a parity with the Successor Agency of the Redevelopment Agency of the City of Lake Elsinore (Rancho Laguna Redevelopment Project Areas No. II and No. III) Third Lien Tax Allocation Bonds, Series 2018A and the Successor Agency of the Redevelopment Agency of the City of Lake Elsinore (Rancho Laguna Redevelopment Project Areas No. II and No. III) Third Lien Tax Allocation Bonds, Series 2018B (Federally Taxable) currently outstanding in the aggregate principal amount of \$9,375,000.

Taxes levied on the property within the Project Areas (consisting of Project Area II and Project Area III only, as defined herein) on that portion of the taxable valuation over and above the taxable valuation of the base year property tax roll, to the extent that such taxes constitute Pledged Tax Revenues, will be deposited in the Redevelopment Obligation Retirement Fund and administered by the Agency and the Trustee in accordance with the Indenture.

The scheduled payment of principal of and interest on the 2020 Bonds when due will be guaranteed under an insurance policy (the “Policy”) to be issued concurrently with the delivery of the 2020 Bonds by _____ (“____” or the “Insurer”). See “INTRODUCTORY STATEMENT—Bond Insurance,” “BOND INSURANCE” and Appendix I—“SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

[Insurer Logo]

This cover page of the Official Statement contains information for quick reference only. It is not a complete summary of the 2020 Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. Attention is hereby directed to certain risk factors more fully described herein.

The 2020 Bonds are not a debt of the City of Lake Elsinore, 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 the 2020 Bonds be payable out of any funds or properties other than those of the Agency. The 2020 Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory

** Preliminary, subject to change.*

debt limitation or restriction. The principal of and interest on the 2020 Bonds are payable solely from the Pledged Tax Revenues allocated to the Agency from the Project Areas (all as defined herein and in the Indenture) and other funds as set forth in the Indenture.

The 2020 Bonds are offered, when, as and if issued, subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Certain legal matters will be passed on for the Agency by the City Attorney of the City of Lake Elsinore, as counsel to the Agency, for the Underwriter by its counsel, Kutak Rock LLP, Irvine, California, for the Insurer by its counsel and for the Trustee by its counsel. It is anticipated that the 2020 Bonds will be available for delivery through the facilities of DTC on or about _____, 2020.

[STIFEL LOGO]

Dated: _____, 2020

MATURITY SCHEDULES

Base CUSIP[†] _____

\$ _____

**SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY
OF THE CITY OF LAKE ELSINORE
(RANCHO LAGUNA REDEVELOPMENT PROJECT AREAS NO. II AND NO. III)
THIRD LIEN TAX ALLOCATION BONDS,
SERIES 2020B**

<i>Maturity Date</i> <i>(March 1)</i>	<i>Principal</i> <i>Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP[†]</i> <i>Suffix</i>
------------------------------------------	-----------------------------------	----------------------	--------------	--------------	-------------------------------------------

\$ _____ % Term Bonds due March 1, 20__ – Yield – _____ % – Price – _____ – CUSIP[†] Suffix _____

\$ _____

**SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY
OF THE CITY OF LAKE ELSINORE
(RANCHO LAGUNA REDEVELOPMENT PROJECT AREAS NO. II AND NO. III)
THIRD LIEN TAX ALLOCATION BONDS,
SERIES 2020C (FEDERALLY TAXABLE)**

<i>Maturity Date</i> <i>(March 1)</i>	<i>Principal</i> <i>Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP[†]</i> <i>Suffix</i>
------------------------------------------	-----------------------------------	----------------------	--------------	--------------	-------------------------------------------

\$ _____ % Term Bonds due March 1, 20__ – Yield – _____ % – Price – _____ – CUSIP[†] Suffix _____

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**SUCCESSOR AGENCY OF THE
REDEVELOPMENT AGENCY OF THE CITY OF LAKE ELSINORE
Lake Elsinore, California**

BOARD OF DIRECTORS

Brian Tisdale, *Chair*
Robert 'Bob' Magee, *Vice Chair*
Natasha Johnson
Steve Manos
Timothy Sheridan

AGENCY/CITY STAFF

Grant Yates, *Executive Director/City Manager*
Jason Simpson, *Assistant Executive Director/Assistant City Manager*
Barbara Leibold, *Agency Counsel/City Attorney*
Candice Alvarez, *Secretary/City Clerk*

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

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

Trustee

Wilmington Trust, National Association
Costa Mesa, California

Municipal Advisor

Urban Futures, Inc.
Tustin, California

Fiscal Consultant

HdL Coren & Cone
Brea, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized by the Agency or the Underwriter to give any information or to make any representations with respect to the 2020 Bonds other than as contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been given or authorized by the Agency or the Underwriter.

Use of Official Statement. This Official Statement is submitted in connection with the sale of the 2020 Bonds described in this Official Statement 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 2020 Bond owner and the Agency or the Underwriter.

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

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

This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2020 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Agency or the other parties described in this Official Statement, since the date of this Official Statement.

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

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

No Registration with the SEC. The issuance and sale of the 2020 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 2020 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 such public offering prices from time to time.

Website. The City of Lake Elsinore maintains an Internet website. However, the information maintained on such website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2020 Bonds.

Bond Insurer. _____ (“_____”) makes no representation regarding the 2020 Bonds or the advisability of investing in the 2020 Bonds. In addition, _____ has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding _____ supplied by _____ and presented under the heading “BOND INSURANCE” and Appendix I—“Specimen Municipal Bond Insurance Policy.”

[INSERT PROJECT AREA MAP]

Note: Tax increment revenues generated from Project Area I are not pledged to or available to pay debt service on the 2020 Bonds. See the captions “—Security for the 2020 Bonds” and “SECURITY FOR THE 2020 BONDS.”

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**SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY
OF THE CITY OF LAKE ELSINORE**

\$ _____*
**(RANCHO LAGUNA REDEVELOPMENT
PROJECT AREAS NO. II AND NO. III)
THIRD LIEN TAX ALLOCATION BONDS,
SERIES 2020B**

\$ _____*
**(RANCHO LAGUNA REDEVELOPMENT
PROJECT AREAS NO. II AND NO. III)
THIRD LIEN TAX ALLOCATION BONDS,
SERIES 2020C (FEDERALLY TAXABLE)**

INTRODUCTORY STATEMENT

This Official Statement, including the cover page, is provided to furnish information in connection with the sale by the Successor Agency of the Redevelopment Agency of the City of Lake Elsinore (the “Agency”) of its \$ _____* Successor Agency of the Redevelopment Agency of the City of Lake Elsinore (Rancho Laguna Redevelopment Project Areas No. II and No. III) Third Lien Tax Allocation Bonds, Series 2020B (the “2020B Bonds”) and the \$ _____* Successor Agency of the Redevelopment Agency of the City of Lake Elsinore (Rancho Laguna Redevelopment Project Areas No. II and No. III) Third Lien Tax Allocation Bonds, Series 2020C (Federally Taxable) (the “2020C Bonds”; and, together with the 2020B Bonds, the “2020 Bonds”).

Authority and Purpose

The 2020 Bonds are being issued pursuant to the Constitution and laws of the State of California (the “State”), including Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the “Bond Law”) and an Indenture of Trust, dated as of March 1, 2018, as supplemented by a First Supplemental Indenture, dated as of _____ 1, 2020 (collectively, the “Indenture”), each by and between the Agency and Wilmington Trust, National Association, as trustee (the “Trustee”). See the caption “THE 2020 BONDS—Authority for Issuance.”

The 2020 Bonds are being issued: (i) to finance certain obligations of the former Redevelopment Agency of the City of Lake Elsinore (the “Former Agency”) under the Summerly DDA (defined herein), as described under the caption “THE FINANCING PLAN;” (ii) to pay the premiums for a municipal bond insurance policy (the “Policy”) and a municipal bond debt service reserve insurance policy (the “Reserve Policy”) to be issued by _____ (“_____” or the “Insurer”) for the 2020 Bonds; and (iii) to pay certain costs of issuance of the 2020 Bonds. See the caption “THE FINANCING PLAN—Sources and Uses of Funds.”

The 2020 Bonds are payable from and secured by the Pledged Tax Revenues deposited in the Redevelopment Property Tax Trust Fund (also referred to herein as the “RPTTF”) on a subordinate basis to certain bonds currently outstanding in the aggregate principal amount of \$ _____ and certain other ongoing obligations of the Agency (collectively, the “Senior Obligations”), as more fully described under the caption “SECURITY FOR THE 2020 BONDS—Senior Obligations.”

The 2020 Bonds are payable from and secured by the Pledged Tax Revenues on a parity with the Successor Agency of the Redevelopment Agency of the City of Lake Elsinore (Rancho Laguna Redevelopment Project Areas No. II and No. III) Third Lien Tax Allocation Bonds, Series 2018A (the “2018A Bonds”) and the Successor Agency of the Redevelopment Agency of the City of Lake Elsinore (Rancho Laguna Redevelopment Project Areas No. II and No. III) Third Lien Tax Allocation Bonds, Series 2018B (Federally Taxable) (the “2018B Bonds, and together with the 2018A Bonds, the “2018 Bonds”) currently outstanding in the aggregate principal amount of \$9,375,000. The 2018 Bonds, the 2020 Bonds and any additional Parity Debt issued by the Agency pursuant to the Indenture are sometimes referred to herein collectively as the “Bonds.”

** Preliminary, subject to change.*

The City and the Agency

The City of Lake Elsinore (the “City”) was founded in 1883 and incorporated as a general law city effective April 23, 1888 in San Diego County. In 1893, the Elsinore Valley, previously located in San Diego County, became part of the new County of Riverside (the “County”). The City encompasses approximately 43 square miles, with over 10 miles of lakeshore, and is located at the southwestern end of the County, 73 miles southeast of downtown Los Angeles and 74 miles north of downtown San Diego. As of January 1, 2020, the City of Lake Elsinore’s population was approximately 63,453.

The Former Agency was established pursuant to the Community Redevelopment Law (Part 1, Division 24, commencing with Section 33000 of the Health & Safety Code of the State) (the “Redevelopment Law”) and was activated by Ordinance No. 605-B adopted by the City Council on July 15, 1980, at which time the City Council declared itself to be the governing board of the Former Agency. The Former Agency was charged with the authority and responsibility of redeveloping and upgrading blighted areas of the City.

On June 28, 2011, Assembly Bill No. 26 (“AB X1 26”) was enacted as Chapter 5, Statutes of 2011, together with a companion bill, Assembly Bill No. 27 (“AB X1 27”). A lawsuit entitled *California Redevelopment Association, et al. v. Matosantos, et al.*, was brought in the State Supreme Court challenging the constitutionality of AB X1 26 and AB X1 27. In a published decision (53 Cal. 4th 231 (Dec. 29, 2011)), the State 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 State Supreme Court, as of February 1, 2012, all redevelopment agencies in the State, including the Former Agency, were dissolved, 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 of AB X1 26 relating to the dissolution and winding 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 & 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 and as further amended on September 22, 2015 by Senate Bill 107 (“SB 107”), enacted as Chapter 325, Statutes of 2015 (collectively, as further amended from time to time, the “Dissolution Act”).

On January 10, 2012, pursuant to Resolution No. 2012-001 and Section 34173 of the Dissolution Act, the City Council of the City elected to serve as the successor agency to the Former Agency. Subdivision (g) of Section 34173 of the Dissolution Act, which was added by AB 1484, expressly affirms that the Agency is a separate public entity from the City, that the two entities shall not merge and that the liabilities of the Former Agency will not be transferred to the City, nor will the assets of the Former Agency become assets of the City.

The Redevelopment Plans

Redevelopment plans were adopted by the City Council for the following three redevelopment project areas, which constitute all of the Former Agency’s active redevelopment project areas.

1. Rancho Laguna Redevelopment Project Area No. I (“Project Area I”);
2. Rancho Laguna Redevelopment Project Area No. II (“Project Area II”); and
3. Rancho Laguna Redevelopment Project Area No. III (“Project Area III”).

The Pledged Tax Revenues securing the 2020 Bonds are limited to tax increment revenues generated within Project Area II and Project Area III (referred to collectively herein as the “Project Areas”). Tax increment revenues generated from Project Area I are not pledged or available to pay debt service on the 2020 Bonds. See the captions “—Security for the 2020 Bonds” and “SECURITY FOR THE 2020 BONDS.” The Redevelopment

Plans and Project Areas II and III are discussed in detail under the captions “THE REDEVELOPMENT PLANS” and “THE PROJECT AREAS.”

Tax increment revenues generated from Project Area I are not pledged to payment of debt service on the 2020 Bonds; however, property tax revenues generated from Project Area I are available to pay a portion of the debt service on the Existing Bonds (as defined under the caption “SECURITY FOR THE 2020 BONDS—Senior Obligations”) and the Agency covenants in the Indenture to use tax increment revenues generated from Project Area I to pay debt service and other obligations with respect to the Existing Bonds (and any bonds issued to refund the Existing Bonds) that are secured by and payable from tax increment revenues generated from Project Area I prior to using Pledged Tax Revenues to pay such obligations. See the Fiscal Consultant’s Report attached hereto as Appendix A for information regarding Project Area I. Table A-A to the Fiscal Consultant’s Report attached as Appendix A provides a projection of Project Area I tax increment revenues available to pay the portion of the debt service on Existing Bonds attributable to the 2020 Project Area I Loan, the 2015 Bonds, the 2019A Bonds and the 2019B Bonds (as defined under the caption “SECURITY FOR THE 2020 BONDS—Senior Obligations—*Existing Bonds*”).

Pursuant to the Indenture, the Agency will deposit moneys constituting Pledged Tax Revenues promptly upon receipt from all Project Areas into the Redevelopment Obligation Retirement Fund established within the Redevelopment Property Tax Trust Fund pursuant to Section 34170.5(b) of the Dissolution Act. Moneys held in the Redevelopment Obligation Retirement Fund will be transferred to the Trustee at the times specified in the Indenture to make payments of principal of and interest on the 2020 Bonds, all as described under the caption “SECURITY FOR THE 2020 BONDS.”

Security for the 2020 Bonds

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 that the taxable valuation never drops below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations.

The Dissolution Act requires the Auditor-Controller of the County of Riverside (the “County Auditor-Controller”) to determine the amount of property taxes that would have been allocated to the Former Agency had the Former 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 such amount in the Redevelopment Property Tax Trust Fund pursuant to the Dissolution Act. Section 34177.5(g) of the Dissolution Act provides that any bonds authorized to be issued by the Agency will be considered indebtedness incurred by the dissolved Former Agency, with the same legal effect as if such bonds had been issued prior to the effective date of AB X1 26, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date, and will be included in the Agency’s Recognized Obligation Payment Schedule. See Appendix B and the caption “SECURITY FOR THE 2020 BONDS—Recognized Obligation Payment Schedule.”

Under the Indenture, the 2020 Bonds are payable from and secured by Pledged Tax Revenues, which include all taxes that were eligible for allocation to the Former Agency with respect to Project Area II and Project Area III and are allocated to the 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 deposited or available for deposit in the Redevelopment Property Tax Trust Fund, excluding the portion of such taxes required to pay (i) debt service on the Existing Bonds, but only to the extent that such taxes were pledged to the payment of debt service on the Existing Bonds, (ii) Pledged Housing Funds (defined

in in the Summerly DDA and under the caption “SECURITY FOR THE 2020 BONDS—Tax Increment Financing—*Pledged Housing Funds*”) to the Master Developer, as required by the Summerly DDA, and (iii) amounts required pursuant to the Pass-Through Agreements. Tax increment revenues generated from Project Area I do not constitute Pledged Tax Revenues; however, property tax revenues generated from Project Area I are available to pay a portion of the debt service on the Existing Bonds and the Agency covenants in the Indenture to use tax increment revenues generated from Project Area I to pay debt service and other obligations with respect to the Existing Bonds (and any bonds issued to refund the Existing Bonds) that are secured by and payable from tax increment revenues generated from Project Area I prior to using Pledged Tax Revenues to pay such obligations.

The Dissolution Act authorizes the issuance of bonds, including the 2020 Bonds, to be secured by a pledge of moneys deposited from time to time in a Redevelopment Property Tax Trust Fund held by a county auditor-controller with respect to a successor agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of all of the Agency’s redevelopment projects. The Pledged Tax Revenues pledged to payment of the 2020 Bonds is limited to tax increment revenues generated from Project Area II and Project Area III, as required by Health and Safety Code Section 34177.5(a)(4); therefore, tax increment revenues generated from Project Area I are not pledged or available to pay debt service on the 2020 Bonds. See the caption “THE FINANCING PLAN.”

The 2020 Bonds are payable from and secured by the Pledged Tax Revenues, moneys in the Special Fund established and held by the Agency pursuant to the Indenture and all of the moneys in the Debt Service Fund (including the Interest Account, the Principal Account, the Redemption Account and the Reserve Account) established and held by the Trustee under the Indenture, subject to the prior lien of the Senior Obligations and on a parity with the 2018 Bonds and any additional Parity Debt issued by the Agency pursuant to the Indenture. Taxes levied on the property within the Project Areas on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various territories within the Project Areas, to the extent that such taxes constitute Pledged Tax Revenues as described in this Official Statement, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Agency’s Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year to the extent required for payments listed in the Agency’s Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act. See the caption “SECURITY FOR THE 2020 BONDS—Recognized Obligation Payment Schedule.” Moneys constituting Pledged Tax Revenues that are deposited by the County Auditor-Controller into the Agency’s Redevelopment Obligation Retirement Fund will be transferred by the Agency to the Trustee for deposit in the Debt Service Fund established under the Indenture and administered by the Trustee in accordance with the Indenture.

The Agency has no power to levy property taxes and must look specifically to the allocation of taxes as described above. See the caption “RISK FACTORS.”

Senior Obligations

The use of tax increment revenues from the Project Areas to pay debt service on the 2020 Bonds is subject to the prior pledge or priority of payment of certain tax increment revenues under the Senior Obligations. See the caption “SECURITY FOR THE 2020 BONDS—Senior Obligations” for a description of each of the Senior Obligations.

Parity Debt

The Indenture permits the issuance of Parity Debt for the purpose of refunding the 2018 Bonds or the 2020 Bonds and for the purpose of financing all or a portion of the DDA Payment Obligation remaining after the issuance of the 2020 Bonds, subject to satisfaction of the conditions set forth in the Indenture. The Developer and Master Developer have indicated that they may ask the Agency to issue Parity Debt to finance a portion of

the remaining DDA Payment Obligation. See the captions “THE FINANCING PLAN—Summerly DDA Payment Obligation,” “SECURITY FOR THE 2020 BONDS—Limitations on Additional Indebtedness” and “RISK FACTORS—Parity Debt Issued Without Reserve.”

Bond Insurance

The Agency has elected to purchase the Policy in connection with the issuance of the 2020 Bonds. See the captions “—Authority and Purpose” and “BOND INSURANCE.” The scheduled payment of principal of and interest on the 2020 Bonds when due will be guaranteed under the Policy.

Reserve Account

A Reserve Account for the 2020 Bonds is established pursuant to the Indenture in an amount equal to the Reserve Requirement of \$_____. The Reserve Requirement is initially being satisfied by the deposit of the Reserve Policy into the Reserve Account. See “SECURITY FOR THE 2020 BONDS—Deposit of Amounts by Trustee.”

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2020B Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2020 Bonds is exempt from State of California personal income tax. See “TAX MATTERS” with respect to tax consequences concerning the 2020 Bonds.

Further Information

Brief descriptions of the 2020 Bonds, the Indenture, the Agency, the Former Agency and the City are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture, the Bond Law, the Redevelopment Law, the Dissolution Act, the Constitution and the laws of the State as well as the proceedings of the Former Agency, the Agency and the City are qualified in their entirety by reference to such documents. References herein to the 2020 Bonds are qualified in their entirety by the form thereof included in the Indenture and the information with respect thereto included herein, copies of which are all available for inspection at the offices of the Agency. Copies of the forms of all documents are available from the City Clerk’s office, City of Lake Elsinore, 130 South Main Street, Lake Elsinore, California 92530.

Capitalized terms used herein and not defined have the meanings set forth in Appendix B.

THE FINANCING PLAN

Summerly DDA Payment Obligation

The Former Agency previously entered into that certain Amended and Restated Disposition and Development Agreement by and among the Former Agency, McMillin Summerly, LLC (the “Developer”), and Civic Partners-Elsinore LLC (the “Master Developer”) dated as of March 8, 2011 (the “Amended and Restated DDA”). The Amended and Restated DDA requires the Agency (as successor to the Former Agency) to make certain payments to the Developer and the Master Developer (the “DDA Payment Obligation”). The Amended and Restated DDA further requires the Agency, at the request of the Developer and Master Developer and subject to various conditions, to issue tax allocation bonds secured by tax increment revenues generated from Project

Area II and Project Area III, to finance all or a portion of the DDA Payment Obligation. The Developer and Master Developer have formally requested that the Agency issue the 2020 Bonds to finance a portion of the DDA Payment Obligation. Following the issuance of the 2020 Bonds, the Developer and/or Master Developer may request that the Agency issue additional bonds to finance all or a portion of the remaining DDA Payment Obligation, and such additional bonds could be issued on a parity with the 2018 Bonds and the 2020 Bonds, subject to satisfaction of the conditions set forth in the Indenture. See the caption “SECURITY FOR THE 2020 BONDS—Limitation on Additional Indebtedness.”

At the request of the Agency, pursuant to Health and Safety Code Section 34177.5(i), the Department of Finance issued a Final and Conclusive Determination dated November 19, 2015 with respect to the DDA Payment Obligation. The Agency, Developer and Master Developer subsequently entered into that certain Second Implementation Agreement dated as of January 24, 2017 (the “Implementation Agreement”; and, together with the Amended and Restated DDA, the “Summerly DDA”), which confirms the Agency’s obligation to issue bonds to finance the DDA Payment Obligation. The Implementation Agreement was approved by the Agency’s Oversight Board on January 23, 2017 and the California Department of Finance on March 17, 2017.

Section 34177.5(a)(4) of the Dissolution Act authorizes the Agency to issue bonds to make payments under enforceable obligations, such as the Summerly DDA, when the enforceable obligations being financed include the irrevocable pledge of property tax increment and the obligation to issue bonds secured by that pledge. Further, Section 34177.5(a)(4) of the Dissolution Act provides that the Agency may pledge to the bonds issued to finance an enforceable obligation the property tax revenues and other funds described in the enforceable obligation, and that pledge, when made in connection with the issuance of the bonds, shall be valid, binding, and enforceable in accordance with its terms.

Pursuant to the Summerly DDA and Section 34177.5(a)(4), the Agency expects to issue the 2020 Bonds, secured by Pledged Tax Revenues generated from Project Area II and Project Area III on a basis subordinate to the Senior Obligations, and to apply a portion of the proceeds of the 2020 Bonds, together with other funds on hand, to pay a portion of the DDA Payment Obligation to the Developer and the Master Developer. See the caption “—Sources and Uses of Funds.”

Sources and Uses of Funds

The estimated sources and uses of the 2020 Bonds and other funds are summarized as follows:

	<i>2020B Bonds</i>	<i>2020C Bonds</i>	<i>Total</i>
Sources: ⁽¹⁾			
Principal Amount of 2020 Bonds			
[Plus/Less] [Net] Original Issue			
[Premium/Discount]			
Total Sources:			
Uses: ⁽¹⁾			
Transfer to Developer			
Transfer to Master Developer			
Costs of Issuance Fund ⁽²⁾			
Underwriter’s Discount			
Total Uses:			

⁽¹⁾ Amounts are rounded to nearest dollar. Sums may not add due to rounding.

⁽²⁾ Includes fees and expenses of Bond and Disclosure Counsel, Municipal Advisor, Fiscal Consultant, Trustee and City Attorney, printing expenses, rating agency fees, premiums for the Policy and Reserve Policy, and other miscellaneous costs.

THE 2020 BONDS

Authority for Issuance

The 2020 Bonds were authorized for issuance pursuant to the Indenture, the Bond Law, and the Dissolution Act. Direction to undertake the issuance of the 2020 Bonds and the execution of the related documents was authorized by the Agency pursuant to a resolution adopted on July 14, 2020 (the “Resolution”), and by the Countywide Oversight Board for the County of Riverside (the “Oversight Board”) pursuant to a resolution adopted on July 16, 2020 (the “Oversight Board Action”).

Written notice of the Oversight Board Action was provided to the State Department of Finance (the “DOF”) and the DOF requested a review within five business days of such written notice. On September 25, 2020, which is within the time period allotted under the Dissolution Act for the DOF to review the Oversight Board’s approving resolution, the DOF provided a letter to the Agency stating that based on the DOF’s review and application of the law, the Oversight Board Action approving the 2020 Bonds is approved by the DOF. A copy of the DOF’s letter is set forth in Appendix F.

Description of the 2020 Bonds

The 2020 Bonds will be issued in fully-registered form in integral multiples of \$5,000 for each maturity, initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), as registered owner of all 2020 Bonds. See the caption “—Book-Entry System.” The 2020 Bonds will be dated the Closing Date and mature on March 1 in the years and in the amounts shown on the inside front cover page of this Official Statement. Interest on the 2020 Bonds will be calculated at the rates shown on the inside cover page of this Official Statement, payable semiannually on March 1 and September 1 in each year, commencing on March 1, 2021 (each, an “Interest Payment Date”).

Each 2020 Bond will 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 will bear interest from such Interest Payment Date; or (b) it is authenticated on or before the first Record Date, in which event it will bear interest from the Closing Date; provided, however, that if, as of the date of authentication of any 2020 Bond, interest thereon is in default, such 2020 Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the 2020 Bonds (including the final interest payment upon maturity or redemption) is payable when due by check or draft of the Trustee mailed on the 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 the 2020B Bonds or the 2020C Bonds, which written request is on file with the Trustee as of any Record Date, interest on such 2020B Bonds or the 2020C Bonds will 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 2020 Bonds and any premium upon redemption, are payable in lawful money of the United States of America upon presentation and surrender thereof at the Principal Corporate Trust Office of the Trustee.

Book-Entry System

DTC will act as securities depository for the 2020 Bonds. The 2020 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2020 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See Appendix D for further information with respect to DTC and its book-entry system.

Redemption

Optional Redemption. The 2020B Bonds maturing on or before March 1, 20__ are not subject to optional redemption. The 2020B Bonds maturing on or after March 1, 20__, are subject to optional redemption prior to their respective maturity dates as a whole, or in part by lot, on any date on or after March 1, 20__, by such maturity or maturities as the Agency may direct (or in absence of such direction, pro rata by maturity and by lot within a maturity), from any source of available funds. Such optional redemption will be at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued but unpaid interest to the date fixed for redemption, without premium.

The 2020C Bonds maturing on or before March 1, 20__ are not subject to optional redemption. The 2020C Bonds maturing on or after March 1, 20__, are subject to optional redemption prior to their respective maturity dates as a whole, or in part by lot, on any date on or after March 1, 20__, by such maturity or maturities as the Agency may direct (or in absence of such direction, pro rata by maturity and by lot within a maturity), from any source of available funds. Such optional redemption will be at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued but unpaid interest to the date fixed for redemption, without premium.

The Agency is required to give the Trustee written notice of its intention to redeem 2020 Bonds, with a designation of the principal amount and maturities to be redeemed, at least 45 days prior to the date fixed for such redemption (or such later date as may be acceptable to the Trustee in the sole determination of the Trustee), and will transfer to the Trustee for deposit in the Debt Service Fund all amounts required for such redemption not later than the date fixed for such redemption.

Mandatory Sinking Fund Redemption. The 2020B Bonds maturing March 1, 20__ will also be subject to mandatory redemption in whole, or in part by lot, on March 1 in each year, commencing March 1, 20__, as set forth below, from sinking fund payments made by the Agency to the Principal Account pursuant to the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on March 1 in the respective years as set forth below; provided however, that (y) in lieu of redemption thereof such Series 2020B Term Bonds may be purchased by the Agency pursuant to the Indenture, and (z) if some but not all of such Series 2020B Term Bonds have been redeemed, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of such Series 2020B Term Bonds so redeemed, to be allocated among such sinking fund payments in integral multiples of \$5,000 as determined by the Agency (notice of which determination will be given by the Agency to the Trustee).

Series 2020B Term Bonds of 20__

<i>March 1</i>	<i>Principal Amount</i>
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† Final Maturity.

The 2020C Bonds maturing March 1, 20__ will also be subject to mandatory redemption in whole, or in part by lot, on March 1 in each year, commencing March 1, 20__, as set forth below, from sinking fund payments made by the Agency to the Principal Account pursuant to the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on March 1 in the respective years as set forth below; provided however, that (y) in lieu of redemption thereof such Series 2020C Term Bonds may be purchased by the Agency pursuant to the Indenture, and (z) if some but not all of such Series 2020C Term Bonds have been redeemed, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of such Series 2020C Term Bonds so

redeemed, to be allocated among such sinking fund payments in integral multiples of \$5,000 as determined by the Agency (notice of which determination will be given by the Agency to the Trustee).

Series 2020C Term Bonds of 20__

March 1

Principal Amount

[†] *Final Maturity.*

Notice of Redemption; Rescission. The Trustee on behalf and at the expense of the Agency will mail (by first class mail, postage prepaid) notice of any redemption at least 20 (or such longer period, up to 30 days, as may be required by the Depository) but not more than 60 days prior to the redemption date, (i) to any Insurer and to the Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) to the Securities Depositories and one or more Information Services designated in a Written Request of the Agency filed with the Trustee; but such mailing will not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice will state the redemption date and the redemption price, will state, in the case of a redemption pursuant to (a) above, that such redemption is conditioned upon the timely delivery of the redemption price by the Agency to the Trustee for deposit in the Redemption Account, will designate the CUSIP number of the Bonds to be redeemed, will state the individual number of each Bond to be redeemed or will state that all Bonds between two stated numbers (both inclusive) or all of the Bonds Outstanding are to be redeemed, and will require that such Bonds be then surrendered at the Principal Corporate Trust Office of the Trustee 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 Agency has the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of optional redemption will 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 will not constitute an Event of Default under the Indenture. The Agency and the Trustee will have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee will mail notice of such rescission of redemption in the same manner and to the same recipients as the original notice of redemption was sent; provided, however, the notice of rescission will not be required to be mailed within the time period required for the notice of redemption.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose will, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

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

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

Manner of Redemption. Whenever any Bonds or portions thereof are to be selected for redemption by lot, the Trustee will make such selection, in such manner as the Trustee deems appropriate (subject to the approval of the Insurer as to the 2020 Bonds, so long as the Policy is in full force and effect and the Insurer has not defaulted on its obligations thereunder), and will notify the Agency thereof to the extent Bonds are no longer held in book-entry form. In the event of redemption by lot of Bonds, the Trustee will assign to each Bond then Outstanding a distinctive number for each \$5,000 of the principal amount of each such Bond. The Bonds to be redeemed will be the Bonds to which were assigned numbers so selected, but only so much of the principal amount of each such Bond of a denomination of more than \$5,000 will be redeemed as will equal \$5,000 for each number assigned to it and so selected. All Bonds redeemed or purchased pursuant to the Indenture will be cancelled and destroyed.

Purchase in Lieu of Redemption. In lieu of redemption of the Term Bonds pursuant to the Indenture or pursuant to a Supplemental Indenture, amounts on deposit in the Special Fund or in the Principal Account may also be used and withdrawn by the Agency and the Trustee, respectively (with the prior written approval of the Insurer as to the 2020 Bonds so long as the Policy is in full force and effect and the Insurer has not defaulted on its obligations thereunder), at any time, upon the Written Request of the Agency, for the purchase of the Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Agency may in its discretion determine. The par amount of any Term Bonds so purchased by the Agency in any twelve-month period ending on January 1 in any year will be credited towards and will reduce the par amount of the Term Bonds required to be redeemed pursuant to the Indenture on March 1 in each year; provided that evidence satisfactory to the Trustee of such purchase has been delivered to the Trustee by said January 1.

Annual Debt Service

The table below sets forth annual debt service on the 2018 Bonds and the 2020 Bonds.

<i>Amount Payable as of March 1</i>	<i>2020B Bonds</i>			<i>2020C Bonds</i>			<i>2018 Bonds Debt Service</i>	<i>Total Debt Service</i>
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>		

Total

Source: Stifel, Nicolaus & Company, Incorporated.

SECURITY FOR THE 2020 BONDS

General

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Former Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the Former 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 such amount in the Redevelopment Property Tax Trust Fund for the Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act. Section 34177.5(g) of the Dissolution Act provides that any bonds authorized thereunder to be issued by the Agency will be considered indebtedness incurred by the dissolved Former Agency, with the same legal effect as if the bonds had been issued prior to effective date of AB X1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, will be included in the Agency's Recognized Obligation Payment Schedule and will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to the Dissolution Act. Property tax revenues pledged to any bonds authorized to be issued by the Agency under the Dissolution Act, including the 2020 Bonds, are taxes allocated to the Agency pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution. See Appendix B and the caption "—Recognized Obligation Payment Schedule."

Pursuant to Section 33670(b) of the Redevelopment Law and Section 16 of Article XVI of the State Constitution, and as provided in the redevelopment plans for the Project Areas, taxes levied upon taxable property in the Project Areas each year by or for the benefit of the State, any city, county, district, or other public corporation (herein sometimes collectively called "taxing agencies") after the effective date of the ordinance approving the applicable redevelopment plan, or the respective effective dates of ordinances approving amendments to the redevelopment plan that added territory to the applicable Project Area, as applicable, are to be divided as follows:

(a) To Taxing Agencies: That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the applicable 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 applicable redevelopment plan, or the respective effective dates of ordinances approving amendments thereto that added territory to the applicable 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 Former Agency/Agency: Except for that portion of the taxes in excess of the amount identified in (a) above which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989 for the acquisition or improvement of real property, which portion shall be allocated to, and when collected shall be paid into, the fund of that taxing agency (as discussed under the caption "PROPERTY TAXATION IN CALIFORNIA—Article XIII A of the State Constitution"), that portion of the levied taxes each year in excess of such amount, annually allocated within the redevelopment plan limit, when collected will be paid into a special fund of the Former Agency. Section 34172(a) of the Dissolution Act provides that, for purposes of Section 16 of Article XVI of the State Constitution, the Redevelopment Property Tax Trust Fund will be deemed to be a special fund of the Agency to pay the debt service on indebtedness incurred by the Former Agency or the Agency to finance or refinance the redevelopment projects of the Former Agency.

That portion of the levied taxes described in paragraph (b) above, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the County Auditor-Controller (as discussed under the caption "PROPERTY TAX COLLECTION IN CALIFORNIA—Property Tax Collection

Procedures—*Property Tax Administrative Costs*”), constitutes the amount required under the Dissolution Act to be deposited by the County Auditor-Controller into the Redevelopment Property Tax Trust Fund. In addition, Section 34183 of the Dissolution Act effectively eliminates the January 1, 1989 date referred to in paragraph (b) above.

Subject to the prior application and lien in favor of the Senior Obligations (as described under the caption “—Senior Obligations”), the 2020 Bonds are payable from and secured by deposits into the Redevelopment Property Tax Trust Fund to be derived from Project Area II and Project Area III on a parity with the 2018 Bonds and any other Parity Debt issued by the Agency. See the caption “—Security of Bonds; Equal Security.”

The Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Pledged Tax Revenues available to pay the principal of and interest on the 2020 Bonds. See the captions “—Tax Increment Financing,” “—Recognized Obligation Payment Schedule,” “PROPERTY TAXATION IN CALIFORNIA” and “RISK FACTORS.”

The 2020 Bonds are not a debt of the City, the State, or any of its political subdivisions, and neither said City, said State, nor any of its political subdivisions is liable thereon, nor in any event will the 2020 Bonds be payable out of any funds or properties other than those of the Agency. The 2020 Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Security of Bonds; Equal Security

Pursuant to Section 34177.5(g) of the Dissolution Act, except as provided in the Indenture, the Bonds will be equally secured by a pledge of, security interest in and lien on all of the Pledged Tax Revenues and the moneys in the Special Fund, and the Bonds will also be secured 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 Redemption Account and the Reserve Account (including any subaccounts therein) without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Pledged Tax Revenues, which constitute the amounts deposited in the Redevelopment Property Tax Trust Fund generated from the Project Areas that are not pledged to other obligations of the Former Agency or the Agency, and such moneys, no funds or properties of the Agency will be pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Bonds.

As defined in the Indenture, “Pledged Tax Revenues” means all taxes that were eligible for allocation to the Former Agency with respect to the Project Areas and are allocated to the 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 deposited or available for deposit in the Redevelopment Property Tax Trust Fund, excluding the portion of such taxes required to pay (i) debt service on the Existing Bonds, but only to the extent that such taxes were pledged to the payment of debt service on the Existing Bonds, (ii) Pledged Housing Funds (defined in in the Summerly DDA and under the caption “SECURITY FOR THE 2020 BONDS—Tax Increment Financing—*Pledged Housing Funds*”) to the Master Developer, as required by the Summerly DDA, and (iii) amounts required pursuant to the Pass-Through Agreements. Tax increment revenues generated from Project Area I do not constitute Pledged Tax Revenues; however, property tax revenues generated from Project Area I are available to pay a portion of the debt service on the Existing Bonds and the Agency covenants in the Indenture to use tax increment revenues generated from Project Area I to pay debt service and other obligations with respect to the Existing Bonds (and any bonds issued to refund the Existing Bonds) that are secured by and payable from tax increment revenues generated from Project Area I prior to using Pledged Tax Revenues to pay such obligations. See Appendix B.

Taxes levied on the property within the Project Areas on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various territories within the Project Areas, to the extent that they constitute Pledged Tax Revenues as described below, will be

deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Agency's Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year to the extent required for payments listed in the Agency's approved Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act. See the caption "—Recognized Obligation Payment Schedule." Moneys deposited by the County Auditor-Controller into the Agency's Redevelopment Obligation Retirement Fund will be transferred by the Agency to the Trustee for deposit in the Debt Service Fund established under the Indenture and administered by the Trustee in accordance with the Indenture.

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

As described in more detail under the caption "—Senior Obligations," certain of the Senior Obligations are secured only by revenues derived from Project Area I and, under the Summerly DDA and the Indenture, the Agency is obligated to use tax increment revenues generated from Project Area I to pay debt service and other obligations with respect to the Existing Bonds (and any bonds issued to refund the Existing Bonds) that are secured by and payable from tax increment revenues generated from Project Area I prior to using Pledged Tax Revenues to pay such obligations. Certain of the Existing Bonds are secured by and payable from revenues derived from Project Area II or Project Area III specifically. Under the Dissolution Act, Pledged Tax Revenues derived from the Project Areas and deposited in the Redevelopment Property Tax Trust Fund are available to pay debt service on the 2020 Project Area I Loan, which is secured by Project Area I revenues (but not revenues generated from Project Areas II or III), after payments have been made on the 2020 Bonds and other bonds secured by the Project Areas. Further, the 2015 Bonds, the 2019A Bonds and the 2019B Bonds are secured by a pledge of tax increment revenues generated in Project Areas II and III as well as Project Area I revenues. If revenues generated from Project Area I are insufficient to pay all debt service on the Project Area I Debt (defined under the caption "—Senior Obligations—*Existing Bonds*"), the Agency will use tax increment revenues generated from Project Areas II and III to pay the remainder of the debt service on the 2015 Bonds, the 2019A Bonds and the 2019B Bonds prior to paying debt service on the 2020 Bonds.

Redevelopment Obligation Retirement Fund; Special Fund; Deposit of Pledged Tax Revenues

The Agency has established the Redevelopment Obligation Retirement Fund pursuant to Section 34170.5(a) of the Dissolution Act. There is established under the Indenture a special fund to be known as the "Third Lien Bonds Special Fund" which is to be held by the Agency within the Redevelopment Obligation Retirement Fund and which will also be known as the "Special Fund." The Third Lien Bonds Special Fund will be held by the Agency separate and apart from other funds of the Agency.

The Agency will deposit all of the Pledged Tax Revenues received with respect to any ROPS Period into the Special Fund promptly upon receipt thereof by the Agency. All Pledged Tax Revenues received by the Agency in excess of the amount required to make the deposits required by the Indenture in order to pay debt service on the Bonds and to make any other payments due under the Indenture, and except as may be provided to the contrary in the Indenture or in any Supplemental Indenture or Parity Debt Instrument, will be released from the pledge and lien of the Indenture and will be applied in accordance with the Law, including but not limited to the payment of debt service on any Subordinate Debt. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the Bonds and the payment in full of all other amounts payable under the Indenture and under any Supplemental Indentures or other Parity Debt Instrument, the Agency will not have any beneficial right or interest in the moneys on deposit in the Special Fund, except as may be provided in the Indenture and in any Supplemental Indenture or other Parity Debt Instrument.

After the Agency has made provision for all payments due with respect to Senior Obligations for the applicable Bond Year, the Agency shall deposit all of the Pledged Tax Revenues received by the Agency into the Special Fund promptly upon receipt thereof by the Agency. After the Agency has (a) delivered all amounts to the Trustee required to make all principal and interest payments and any required deposits into the Reserve Account as required by the Indenture for the applicable Bond Year, and (b) paid all amounts due to the Insurer and to any Insurer of Parity Debt, then all additional Pledged Tax Revenues received by the Agency in such Bond Year will be released from the pledge and lien of the Indenture and will be applied in accordance with the Law, including but not limited to the payment of debt service on any Subordinate Debt or to make payments to the Developer or Master Developer to the extent required pursuant to the Summerly DDA. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the 2020 Bonds and the payment in full of all other amounts payable under the Indenture and under any Supplemental Indentures or other Parity Debt Instrument, the Agency shall not have any beneficial right or interest in the moneys on deposit in the Special Fund, except as may be provided in the Indenture and in any Supplemental Indenture or other Parity Debt Instrument.

Deposit of Amounts by Trustee

There has been established under the Indenture a trust fund to be known as the Debt Service Fund, which will be held by the Trustee in trust. Moneys in the Special Fund will be transferred by the Agency to the Trustee promptly upon receipt thereof by the Agency in the following amounts, at the following times, and deposited by the Trustee in the following respective special accounts, which are established by the Indenture in the Debt Service Fund, and in the following order of priority (provided further that, if on the 5th Business Day prior to the date the Agency is required to transfer amounts on deposit in the Special Fund to the Trustee there are not amounts on deposit therein sufficient to make the following deposits, taking into account amounts required to be transferred with respect to Parity Debt other than Bonds, the Agency will immediately notify the Trustee of the amount of any such insufficiency):

Interest Account. Promptly upon receipt thereof by the Agency and not later than the 5th Business Day preceding each Interest Payment Date, commencing with the Interest Payment Date of March 1, 2021 (with respect to the 2020 Bonds), the Agency will withdraw from the Special Fund and transfer to the Trustee, for deposit in the Interest Account an amount which when added to the amount contained in the Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. No such transfer and deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds. All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it will become due and payable (including accrued interest on any Bonds redeemed prior to maturity pursuant to the Indenture).

Principal Account. Promptly upon receipt thereof by the Agency and not later than the 5th Business Day preceding March 1 in each year beginning [March 1, 2021] (with respect to the 2020 Bonds), the Agency will withdraw from the Special Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then contained in the Principal Account, will be equal to the principal becoming due and payable on the Outstanding Serial Bonds and Outstanding Term Bonds, including pursuant to mandatory sinking account redemption, on the next March 1. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal to become due on the next March 1 on all of the Outstanding Serial Bonds and Term Bonds. All moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Serial Bonds and the Term Bonds, including by mandatory sinking account redemption, as the same will become due and payable.

Reserve Account. The Indenture establishes a separate fund and account known as the “Reserve Account” in the Debt Service Fund, solely as security for payments on the Bonds payable by the Agency pursuant to the Indenture and pursuant to any Supplemental Indenture or other Parity Debt Instrument, which will be held by the Trustee in trust for the benefit of the Owners of the Bonds and any Parity Debt. The Reserve Requirement

for the 2020 Bonds is \$_____. The term “Reserve Requirement” means, as of the date of issuance of the 2020 Bonds and with respect to the 2020 Bonds and each series of Parity Debt issued in the form of Bonds, the lesser of:

- (i) 125% of the average Annual Debt Service with respect to that series of the Bonds,
- (ii) Maximum Annual Debt Service with respect to that series of the Bonds, or
- (iii) with respect to an individual series of Bonds, 10% of the original principal amount of a series of Bonds (or, if such series of Bonds has more than a de minimis amount of original issue discount or premium, 10% of the issue price of such series of Bonds);

provided, that the Agency will not in any event, in connection with the issuance of Parity Debt in the form of Bonds pursuant to a Supplemental Indenture, be obligated to deposit an amount in the Reserve Account which is in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit and, in the event the amount of any such deposit into the Reserve Account is so limited, the Reserve Requirement will, in connection with the issuance of such Parity Debt issued in the form of Bonds, be increased only by the amount of such deposit as permitted by the Code; and, provided further that the Agency may meet all or a portion of the Reserve Requirement by depositing a Qualified Reserve Account Credit Instrument meeting the requirements of the Indenture. If the Reserve Requirement with respect to a particular series of Bonds is secured by a Qualified Reserve Account Credit Instrument that relates only to such series of Bonds, the calculation of Reserve Requirement for such series of Bonds will be calculated on a stand-alone basis.

The Reserve Requirement for the 2020 Bonds (but not other Bonds) will initially be satisfied by deposit of the Reserve Policy into the Reserve Account. Accordingly, other moneys deposited into the Reserve Account from time to time in connection with the issuance of Parity Debt will not secure the 2020 Bonds.

See Appendix B under the caption “SECURITY OF BONDS; FLOW OF FUNDS—Deposit of Amounts by Trustee—Reserve Account” for further information with respect to the Reserve Account and the Reserve Policy.

Tax Increment Financing

General. 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 that the taxable valuation never dropped below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations.

The Dissolution Act authorizes the issuance of bonds, including the 2020 Bonds, to be secured by a pledge of moneys deposited from time to time in a Redevelopment Property Tax Trust Fund held by a county auditor-controller with respect to a successor agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the county auditor-controller. However, Section 34177.5(a)(4) of the Dissolution Act expressly provides that the paragraph authorizing the issuance of bonds to make payments on enforceable obligations shall not be deemed to authorize a successor agency to increase the amount of property tax revenues pledged under an enforceable obligation or

to pledge any property tax revenue not already pledged pursuant to an enforceable obligation. Consistent with this provision, the Indenture defines Pledged Tax Revenues to include tax increment revenues generated from Project Area II and Project Area III, less payments on Existing Bonds, Pledged Housing Funds pledged to the Master Developer under the Summerly DDA and amounts due under Pass-Through Agreements. See the captions “—*Tax Sharing*” and “—Senior Obligations.” Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described above. See the caption “RISK FACTORS.”

Prior to the dissolution of redevelopment agencies, tax increment revenues from one project area could not be used to repay indebtedness incurred for another project area. However, the Dissolution Act requires only that county auditor-controllers establish a single Redevelopment Property Tax Trust Fund with respect to each former redevelopment agency within the respective county. Additionally, the Dissolution Act now requires that all revenues equivalent to the amount that would have been allocated as tax increment to the former redevelopment agency will be allocated to the Redevelopment Property Tax Trust Fund of the applicable successor agency, and this requirement does not require funds derived from separate project areas of a former redevelopment agency to be separated. In effect, in situations where a former redevelopment agency had established more than one redevelopment project area (as did the Former Agency), the Dissolution Act combines the property tax revenues derived from all project areas into a *single trust fund*, the Redevelopment Property Tax Trust Fund, to repay indebtedness of the former redevelopment agency or the successor agency. To the extent that the documents governing outstanding bonds of a redevelopment agency have pledged revenues derived from a specific project area, the Dissolution Act states that “It is the intent ... that pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored. It is intended that the cessation of any redevelopment agency will not affect either the pledge, the legal existence of that pledge, or the stream of revenues available to meet the requirements of the pledge.” The Agency believes that, subject to the prior claim or lien of the Senior Obligations, all of the Pledged Tax Revenues from Project Area II and Project Area III will secure all of the Bonds; however, because Project Area I tax increment revenues were not pledged to the DDA Payment Obligations under the DDA, such tax increment revenues have not been pledged to the repayment of the 2020 Bonds. See the captions “—Security of Bond; Equal Security” and “—Senior Obligations.”

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 Former Agency entered into several agreements for this purpose (the “Pass-Through Agreements”). Additionally, Sections 33607.5 and 33607.7 of the Redevelopment Law required mandatory tax sharing applicable to redevelopment projects adopted after January 1, 1994, or amended thereafter in certain manners specified in such statutes (the “Statutory Pass-Through Amounts”); however, the Agency is not required to pay Statutory Pass-Through Amounts with respect to the Project Areas. The Dissolution Act requires county auditor-controllers to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed under the Pass-Through Agreements and for Statutory Pass-Through Amounts to the taxing entities for each six-month period before amounts are distributed by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund to the Agency’s Redevelopment Obligation Retirement Fund each January 2 and June 1, unless: (i) pass-through payment obligations have previously been made subordinate to debt service payments for the bonded indebtedness of the Former Agency, as succeeded to by the Agency; (ii) the Agency has reported, no later than the December 1 and May 1 preceding the January 2 or June 1 distribution date, that the total amount available to the Agency from the Redevelopment Property Tax Trust Fund allocation to the Agency’s Redevelopment Obligation Retirement Fund, from other funds transferred from the Former Agency and from funds that have or will become available through asset sales and all redevelopment operations is insufficient to fund the Agency’s enforceable obligations, pass-through payments and the Agency’s administrative cost allowance for the applicable six-month period; and (iii) the State Controller has concurred with the Agency that there are insufficient funds for such purposes for the applicable six-month period.

If the requirements set forth in clauses (i) through (iii) of the foregoing paragraph have been met, the Dissolution Act provides for certain modifications in the distributions otherwise calculated to be distributed for such six-month period. To provide for calculated shortages to be paid to the Agency for enforceable obligations, the amount of the deficiency will first be deducted from the residual amount otherwise calculated to be

distributed to the taxing entities under the Dissolution Act after payment of the Agency's enforceable obligations, pass-through payments and the Agency's administrative cost allowance. If such residual amount is exhausted, the amount of the remaining deficiency will be deducted from amounts available for distribution to the Agency for administrative costs for the applicable six-month period in order to fund the enforceable obligations. Finally, funds required for servicing bond debt may be deducted from the amounts to be distributed under Pass-Through Agreements and for Statutory Pass-Through Amounts, in order to be paid to the Agency for enforceable obligations, but only after the amounts described in the previous two sentences have been exhausted. The Pass-Through Agreements have not been expressly subordinated to the 2020 Bonds and therefore constitute Senior Obligations. Although the Agency pays Statutory Pass-Through Amounts with respect to Project Area I, the Agency is not required to pay Statutory Pass-Through Amounts with respect to the Project Areas. See the captions "—Senior Obligations" and "—Recognized Obligation Payment Schedule." See also the captions "PLEDGED TAX REVENUES" and "THE PROJECT AREAS" for additional information regarding the Pass-Through Agreements applicable to the Agency and the revenues derived from the Project Areas.

Elimination of Housing Set-Aside. Before the dissolution of the Former Agency, the Redevelopment Law required the Former Agency to set aside not less than 20% of the gross tax increment with respect to the Project Areas, referred to as the "Housing Set-Aside," in the Low- and Moderate-Income Housing Fund (the "Housing Fund") to be expended for low and moderate income housing purposes. In contrast, under the Redevelopment Law, the Former Agency was authorized to use the portion of tax increment that was not part of the Housing Set-Aside (the "80 Percent Portion") to pay debt service on all bonds and other indebtedness of the Former Agency incurred to finance or refinance redevelopment projects for the Project Areas, subject to limitations set forth in the indentures or other governing documents.

The Dissolution Act has eliminated the Housing Fund and the requirement to deposit the Housing Set-Aside into such fund. None of the property tax revenues deposited in the Redevelopment Property Tax Trust Fund are designated as the Housing Set-Aside. The Redevelopment Property Tax Trust Fund flow of funds under the Dissolution Act makes no distinction between bonds that were, in whole or in part, secured by and payable from the Housing Set-Aside and bonds that were solely secured by and payable from the 80 Percent Portion. In effect, after the Former Agency's dissolution, all of the Agency's outstanding bonds are paid from Redevelopment Property Tax Trust Fund disbursements without distinction between obligations related to housing and non-housing projects. As described below under the caption "—Senior Obligations—*Existing Bonds*," the proceeds of the 2019B Bonds were used by the Agency to refund certain obligations of the Former Agency which were originally payable from a pledge of Housing Set-Aside moneys. The Former Agency made certain other pledges of the Housing Set-Aside which are subordinate to the debt service on the Bonds.

It is unclear whether, if challenged, a court will find that the elimination of the distinction among bonds that were secured by the Housing Set-Aside and bonds that were secured by the 80 Percent Portion is contrary to the declared intent of the Dissolution Act. Payment of debt service under the 2019B Bonds, which are secured by a pledge and lien on moneys in the Housing Fund, are payable from the Housing Set-Aside portion of tax increment revenues from the Project Areas on a senior basis to the debt service on the Bonds through the maturity of the 2019B Bonds on September 1, 2025. The Summerly DDA required the Agency to use Project Area I Housing Fund revenues to pay the obligations refunded with the proceeds of the 2019B Bonds, to the extent such revenues are available, prior to using revenues derived from the Project Areas for such purpose. See the caption "—Senior Obligations—*Existing Bonds*."

Pursuant to that certain Housing Fund Loan Agreement dated as of December 1, 1995, by and between the Former Agency and the Lake Elsinore Public Financing Authority, the Former Agency made a loan from the Housing Fund to the Project Areas to repay a portion of certain prior obligations and fund other redevelopment activities in the Project Areas (the "Interfund Loans"). The Interfund Loans remain outstanding and are reflected on the Agency's Recognized Obligation Payment Schedule. In a lawsuit filed by the Agency and the City against the California Department of Finance and others, Case Number 34-2017-80002762, the California Superior Court for the County of Sacramento confirmed the enforceability of the Interfund Loans as enforceable obligations of the Agency to be recognized by the California Department of Finance, the Riverside Auditor-

Controller and the Oversight Board on the Agency's Recognized Obligation Payment Schedule. In accordance with the Judgment and pursuant to the Housing Fund Loan Agreement, the Agency will be required to make payments under the Interfund Loans to the City (the City serves as the successor to the Former Agency's housing functions and assets) from available Real Property Tax Trust Funds; however, such payments on the Interfund Loans are expressly subordinate to the 2020 Bonds. Therefore, the payment of the Interfund Loans will not negatively affect the Agency's ability to pay debt service on the 2020 Bonds.

Pledged Housing Funds. The Summerly DDA pledges 20% of the site-specific tax increment generated from certain properties within the Project Areas described in the Summerly DDA as the Developer Property and the Master Developer Property (the "Pledged Housing Funds") for payment to the Master Developer. The Master Developer has not subordinated its right to receive payment of such Pledged Housing Funds to the payment of the 2020 Bonds. Therefore, Pledged Housing Funds are deducted from the projections of Pledged Tax Revenues set forth in this Official Statement and in the Fiscal Consultant's Report set forth in Appendix A. See Table 7 under the caption "PLEDGED TAX REVENUES—Projected Pledged Tax Revenues."

Recognized Obligation Payment Schedule

The Dissolution Act requires successor agencies, on or before February 1 of each year, to prepare and approve, and submit to the successor agency's oversight board and the DOF for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as such term is defined in the Dissolution Act) of the successor agency for the following Fiscal Year are listed, together with the source of funds to be used to pay for each enforceable obligation. As defined in the Dissolution Act, "enforceable obligation" includes bonds, including the required debt service, reserve set-asides and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and amounts borrowed from the Housing Fund. A reserve may be included on the Recognized Obligation Payment Schedule and held by the successor agency when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bonds for the next payment due in the following half of the calendar year.

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 Housing Fund; (ii) bond proceeds; (iii) reserve balances; (iv) administrative cost allowance; (v) the Redevelopment Property Tax Trust Fund (but only to the extent that no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or otherwise required under the Dissolution Act); or (vi) other revenue sources (including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the former redevelopment agency, as approved by its oversight board).

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

The Recognized Obligation Payment Schedule must be submitted by the Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the DOF and the State Controller by February 1 in each year with respect to the Agency's payment obligations during the next Fiscal Year. If the Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by such deadline, the City will be subject to a civil penalty equal to \$10,000 per day for every day that the schedule is not submitted. Additionally, the Agency's administrative cost allowance is reduced by 25% if the Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule within 10 days of the February 1 deadline. For additional information regarding procedures under the Dissolution Act relating

to late Recognized Obligation Payment Schedules and implications thereof on the Bonds, see the caption “RISK FACTORS—Recognized Obligation Payment Schedule.”

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

See the caption “—Last and Final Recognized Obligation Payment Schedule” for a description of the Last and Final Recognized Obligation Payment Schedule authorized by the Dissolution Act pursuant to SB 107.

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

The Dissolution Act provides that any bonds authorized to be issued by the Agency will be considered indebtedness incurred by the dissolved Former Agency, with the same legal effect as if such bonds had been issued prior to the effective date of AB X1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to such date, will be included in the Agency’s Recognized Obligation Payment Schedule and will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to the Dissolution Act. Additionally, if an enforceable obligation provides for an irrevocable commitment of property tax revenue and where allocation of revenues is expected to occur over time, the Dissolution Act provides that a successor agency may petition the DOF to provide written confirmation that its determination of such enforceable obligation as approved in a Recognized Obligation Payment Schedule is final and conclusive, and reflects the DOF’s approval of subsequent payments made pursuant to the enforceable obligation. If the confirmation is granted by the DOF, then the DOF’s review of such payments in each future Recognized Obligation Payment Schedule will be limited to confirming that the payments are required by the prior enforceable obligation.

The Agency has covenanted to take all actions required under the Dissolution Act to include: (i) scheduled debt service on the Existing Bonds and any amounts required to replenish any of the reserve accounts established with respect to Existing Bonds, (ii) scheduled debt service on the Bonds and any amount required under the Indenture or any Parity Debt Instrument to replenish the Reserve Account established

thereunder or the reserve account established under any Parity Debt Instrument, and (iii) amounts due to any Insurer under an insurance or surety bond agreement, in Recognized Obligation Payment Schedules for each ROPS Period (July 1 to June 30) so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Agency to pay principal of, and interest on, the Bonds and to pay amounts owed to any Insurer, as well as the other amounts set forth above, all as described in more detail below. The Agency has also covenanted in the Indenture: (i) to include all amounts payable to the Insurer on each Recognized Obligation Payment Schedule submission; (ii) that if any amounts payable to the Insurer are not included on any current Recognized Obligation Payment Schedule and the Agency is then legally permitted to amend such Recognized Obligation Payment Schedule, the Agency will amend its current Recognized Obligation Payment Schedule to include such amounts payable to the Insurer; and (iii) that the Agency will not submit a Last and Final ROPS without the prior consent of the Insurer, so long as the Policy is in full force and effect and the Insurer is not in default on its obligations thereunder.

Further, in order to ensure that amounts are available for the Trustee to pay debt service on all Outstanding Bonds and Existing Bonds and all amounts due and owing to the Insurer or any other insurer of the Existing Bonds or any Parity Debt on a timely basis, on or before each February 1 following the Closing Date (or at such other time as may be required by the Dissolution Act), for so long as any Bonds are outstanding, the Agency shall submit an Oversight Board-approved Recognized Obligation Payment Schedule to the State Department of Finance and to the County Auditor-Controller that shall include (after making provision for payments required with respect to all Existing Bonds), (a) from the Pledged Tax Revenues to be distributed to the Agency on each January 2, (i) an amount sufficient to pay one-half of the scheduled principal and interest payments coming due on all Outstanding Bonds during the following Bond Year (after taking into account amounts previously transferred to the Trustee for deposit into the Debt Service Fund), (ii) all amounts due and owing to the Insurer under the Indenture or to any other Insurer, and (iii) any amount required to cure any deficiency in the Reserve Account pursuant to the Indenture (including any amounts required due to a draw on the Qualified Reserve Account Credit Instrument); and (b) from the Pledged Tax Revenues to be distributed to the Agency on each June 1, (x) any amounts described in subdivision (a)(i)-(iii) above not distributed to the Agency on such January 2 and (y) the remaining amount needed to pay the scheduled principal and interest payments coming due on all Outstanding Bonds during the Bond Year commencing in such Fiscal Year (i.e., the scheduled debt service due on the September 1 and March 1 immediately following such June 1 RPTTF Distribution Date). In illustration of the foregoing covenant: (A) the scheduled debt service coming due on the Bonds on March 1, 2021 will be paid using RPTTF moneys received by the Agency on or about January 2 and June 1, 2020 to make the DDA Payment Obligation payments that would be due to the Developer and Master Developer on February 1, 2021 if the 2020 Bonds were not issued; and (B) the scheduled debt service coming due on the Bonds on September 1, 2021 and March 1, 2022 will be paid using RPTTF moneys received by the Agency on or about January 2, 2021 (50%) and June 1, 2021 (50%) (but taking into account amounts previously transferred to the Trustee for deposit into the Debt Service Fund).

In the event the provisions set forth in the Dissolution Act as of the Closing Date of the 2020 Bonds that relate to the filing of Recognized Obligation Payment Schedules are amended or modified in any manner, the Agency covenants in the Indenture to take all such actions as are necessary to comply with such amended or modified provisions so as to ensure the timely payment of debt service on the Bonds and, if the timing of distributions of the Redevelopment Property Tax Trust Fund is changed, the Agency shall request Redevelopment Property Tax Trust Fund moneys in a manner to ensure that the Agency receives sufficient Pledged Tax Revenues in each Fiscal Year to pay the full amount of scheduled debt service coming due with respect to all Outstanding Bonds during the Bond Year that commences during such Fiscal Year. See Appendix B.

The Fiscal Consultant's Report attached hereto as Appendix A contains information regarding past RPTTF distributions to the Agency from the Project Areas.

Last and Final Recognized Obligation Payment Schedule

SB 107 amended the Dissolution Act to permit a successor agency to submit a Last and Final Recognized Obligation Payment Schedule (a “Last and Final ROPS”) for approval by the oversight board and DOF if: (i) the successor agency’s only remaining debt is administrative costs and payments pursuant to enforceable obligations with defined payment schedules, (ii) all remaining obligations have been previously listed on a Recognized Obligation Payment Schedule and approved by DOF, and (iii) the successor agency is not a party to outstanding or unresolved litigation. The Last and Final ROPS must list the remaining enforceable obligations of the successor agency in the following order: (A) enforceable obligations to be funded from the Redevelopment Property Tax Trust Fund, (B) enforceable obligations to be funded from bond proceeds or other legally or contractually dedicated or restricted funding sources, and (C) loans or deferrals authorized for repayment to the city that created the redevelopment agency or the successor to the former redevelopment agency’s housing functions and assets. The Last and Final ROPS must also include the total outstanding obligation and a schedule of remaining payments for each enforceable obligation described in (A) and (B) above, and the total outstanding obligation and an interest rate of 4%, for any loans or deferrals listed pursuant to (C) above. The Last and Final ROPS shall also establish the maximum amount of Redevelopment Property Tax Trust Funds to be distributed to the successor agency for each remaining fiscal year until all obligations have been fully paid. DOF approval is required for any Last and Final ROPS to become effective. The county auditor-controller shall also review the Last and Final ROPS and provide any objection to the inclusion of any items or amounts to DOF. Successor agencies may only amend an approved Last and Final ROPS twice. Commencing on the effective date of the approved Last and Final ROPS, the successor agency will not prepare or transmit annual Recognized Obligation Payment Schedules. See the caption “RISK FACTORS—Last and Final Recognized Obligation Payment Schedule.”

After the Last and Final ROPS is approved by DOF, the county auditor-controller shall continue to allocate moneys in the successor agency’s Redevelopment Property Tax Trust Fund pursuant to Section 34183 of the Dissolution Act; however, the county auditor-controller shall allocate such moneys in each fiscal period, after deducting the county auditor-controller’s administrative costs, in the following order of priority: (A) pass through payments pursuant to Section 34183(a)(1) of the Dissolution Act, (B) scheduled debt service payments on tax allocation bonds listed and approved in the Last and Final ROPS, (C) scheduled payments on revenue bonds listed and approved in the Last and Final ROPS, but only to the extent the revenues pledged for them are insufficient to make the payments and only if the successor agency’s tax increment revenues were also pledged for the repayment of bonds, (D) scheduled payments for debts and obligations listed and approved in the Last and Final ROPS to be paid from the Redevelopment Property Tax Trust Fund, (E) payments listed and approved on the Last and Final ROPS that were authorized but unfunded in prior periods, (F) repayment of loans and deferrals to the city that created the redevelopment agency or the successor to the former redevelopment agency’s housing functions and assets that are listed and approved on the Last and Final ROPS, and (G) any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers described in (A) to (F), above, shall be distributed to taxing entities in accordance with Section 34183(a)(4) of the Dissolution Act.

If the successor agency reports to the county auditor-controller that the total available amounts in the Redevelopment Property Tax Trust Fund will be insufficient to fund the successor agency’s current or future fiscal year obligations, and if the county auditor-controller concurs that there are insufficient funds to pay the required obligations, the county auditor-controller may distribute funds pursuant to Section 34183(b) of the Dissolution Act. See the caption “—Tax Increment Financing.”

The Agency is not currently eligible to submit a Last and Final ROPS and has no current plans to seek approval of a Last and Final ROPS.

Senior Obligations

The Agency’s pledge of moneys deposited in the Redevelopment Property Tax Trust Fund to payment on the Bonds is subordinate to its prior pledge of or claim on certain tax revenues to pay debt service, make

pass-through payments or make certain other payments pursuant to the Existing Bonds, the Pledged Housing Funds and the Pass-Through Agreements (referred to collectively in this Official Statement as the “Senior Obligations”), as described below:

Existing Bonds. The following bond issuances (the “Existing Bonds”) are payable from moneys deposited in the Redevelopment Property Tax Trust Fund on a senior basis to the Bonds, as described below:

2020 Project Area I Loan. A Project Area No. I Loan Agreement, dated as of June 1, 2020 (the “2020 Project Area I Loan”) between the Agency and the Lake Elsinore Facilities Financing Authority (the “Facilities Financing Authority”), currently outstanding in the aggregate principal amount of \$7,090,000, with a scheduled final maturity dated of September 1, 2030. The repayment of the 2020 Project Area I Loan is secured by tax increment revenues derived from Project Area I.

2020 Project Area II Loan. A Project Area No. II Loan Agreement, dated as of June 1, 2020 (the “2020 Project Area II Loan”) between the Agency and the Facilities Financing Authority, currently outstanding in the aggregate principal amount of \$5,785,000, with a scheduled final maturity dated of September 1, 2030. The repayment of the 2020 Project Area II Loan is secured by tax increment revenues derived from Project Area II.

2015 Bonds. Successor Agency of the Redevelopment Agency of the City of Lake Elsinore Subordinated Tax Allocation Refunding Bonds, Series 2015, currently outstanding in the aggregate principal amount of \$4,315,000, with a scheduled final maturity date of September 1, 2038 (the “2015 Bonds”). The 2015 Bonds are secured by a pledge of moneys in the Agency’s Redevelopment Property Tax Trust Fund from Project Areas I, II and III.

2019A Bonds. Successor Agency of the Redevelopment Agency of the City of Lake Elsinore Subordinated Tax Allocation Refunding Bonds, Series 2019A, currently outstanding in the aggregate principal amount of \$9,090,000, with a scheduled final maturity date of September 1, 2033 (the “2019A Bonds”). The 2019A Bonds are secured by a pledge of moneys in the Agency’s Redevelopment Property Tax Trust Fund from Project Areas I, II and III.

2019B Bonds. Successor Agency of the Redevelopment Agency of the City of Lake Elsinore Tax Allocation Refunding Bonds, Series 2019B (Housing Set-Aside), currently outstanding in the aggregate principal amount \$3,400,000, with a scheduled final maturity date of September 1, 2025 (the “2019B Bonds”). The Agency used the proceed of the 2019B Bonds to prepay certain obligations of the Former Agency, the repayment of which was secured by tax increment revenues derived from the Housing Fund maintained with respect to each of Project Area I, Project Area II and Project Area III. Debt service on the 2019B Bonds is secured by tax increment revenues derived from the Housing Fund maintained with respect to each of Project Area I, Project Area II and Project Area III.

Project Area I revenues are pledged to and are projected to be available to pay debt service attributable to the 2020 Project Area I Loan, the 2015 Bonds, the 2019A Bonds and the 2019B Bonds (collectively referred to herein as the “Project Area I Debt”). Debt service on the 2020 Project Area II Loan will be paid using Project Area II revenues, on a senior basis to the 2020 Bonds. Table A-A to the Fiscal Consultant’s Report attached as Appendix A provides a projection of Project Area I tax increment revenues available to pay debt service on the Project Area I Debt. Because the 2015 Bonds, the 2019A Bonds and the 2019B Bonds are secured by a pledge of tax increment revenues generated in Project Areas II and III as well as Project Area I revenues, the Agency will use tax increment revenues generated from Project Areas II and III to pay the remainder of the debt service on the 2015 Bonds, the 2019A Bonds and the 2019B Bonds not paid using Project Area I revenues prior to paying debt service on the 2020 Bonds.

The Agency covenants in the Indenture that it will, to the greatest extent possible, use tax increment revenues generated from Project Area I to pay debt service and other obligations with respect to the Existing Bonds (and any bonds issued to refund the Existing Bonds) that are secured by and payable from tax increment

revenues generated from Project Area I prior to using Pledged Tax Revenues to pay such obligations. See Table 7 under the caption “PLEDGED TAX REVENUES—Projected Pledged Tax Revenues.” Also see Table 8 under the caption “PLEDGED TAX REVENUES—Debt Service Coverage” for the all-in debt service coverage calculation taking into account payment of debt service on the Existing Obligations and the 2020 Bonds.

Pledged Housing Funds. The Summerly DDA pledges 20% of the site-specific tax increment generated from certain properties within the Project Areas described in the Summerly DDA as the Developer Property and the Master Developer Property for payment to the Master Developer. The Master Developer has not subordinated its right to receive payment of such Pledged Housing Funds to the payment of the 2020 Bonds. Therefore, Pledged Housing Funds are deducted from the projections of Pledged Tax Revenues set forth in this Official Statement and in the Fiscal Consultant’s Report set forth in Appendix A. See Table 7 under the caption “PLEDGED TAX REVENUES—Projected Pledged Tax Revenues.”

Pass-Through Agreements. The Agency’s obligations pursuant to the following Pass-Through Agreements are payable from moneys deposited in the Redevelopment Property Tax Trust Fund and have not been expressly subordinated to the Bonds; therefore the payments under these Pass-Through Agreements are excluded from the definition of “Pledged Tax Revenues” in the Indenture and are deducted from the projections of Pledged Tax Revenues set forth in this Official Statement and the Fiscal Consultant’s Report attached as Appendix A.

Project Area II

Riverside County. Riverside County will be allocated approximately 29.486% of the 1% General Levy generated in Project Area II (the “County PAII Share”) in Fiscal Year 2020-21. Pursuant to the tax sharing agreement with the County, the County receives 100% of the portion of the County PAII Share.

Riverside County Flood Control and Water Conservation District. The Flood Control District will be allocated approximately 3.586% of the 1% General Levy generated in Project Area II (the “Flood Control District PAII Share”) in Fiscal Year 2020-21. Pursuant to the tax sharing agreement, the Flood Control District will receive 80% of the Flood Control District PAII Share and the Agency will receive 20% of the Flood Control District PAII Share.

Elsinore Valley Municipal Water District. EVMWD will be allocated approximately 8.519% of the 1% General Levy generated in Project Area II (the “EVMWD PAII Share”) in Fiscal Year 2020-21. Pursuant to the tax sharing agreement, the EVMWD will receive 100% of the EVMWD PAII Share, to be used to pay debt service on indebtedness incurred to finance or refinance construction of improvements of benefit to the Project Area. When all such indebtedness has been repaid, the EVMWD PAII Share will thereafter be distributed to the Agency. In addition, EVMWD will also receive any Tax Increment Revenues generated by any tax override levied to service any EVMWD debt established after formation of Project Area II. Elsinore Water District was merged into EVMWD and payments previously made by the Former Agency to Elsinore Water District under its pass-through agreement are now included in EVMWD PAII Share described above.

Elsinore Valley Cemetery District. Elsinore Valley Cemetery District (the “Cemetery District”) will be allocated approximately 1.055% of the 1% General Levy generated in Project Area II (the “Cemetery District Share”) in Fiscal Year 2020-21. Pursuant to the tax sharing agreement, the Cemetery District will receive 100% of the Cemetery District Share.

Project Area III

Riverside County Flood Control and Water Conservation District. On June 27, 1989, the Former Agency entered into a Cooperation Agreement with the Flood Control District and the City under which the following agreement was made: The Flood Control District now receives the full “Flood Control District Share,”

which equates to approximately 3.390% of the General Levy generated in Project Area III, and is required to use such moneys for specified capital facilities benefiting Project Area III.

Lake Elsinore Unified School District. On June 14, 1988, the Former Agency and the City entered into Cooperation Agreements with the Lake Elsinore School District (the “School District”) and Elsinore Union High School District (the “Union High District”). Pursuant to the Cooperation Agreements, the School District and the Union High District will receive 50% of the LEUSD Share (defined below). In addition, the School District and the Union High District will also receive any tax increment revenues generated by any tax override levied to service any School District and Union High District debt established after formation of the Project Area III.

The School District and Union High District merged into the Lake Elsinore Unified School District (the “LEUSD”) effective July 1, 1990. The Cooperation Agreements remain effective. The “LEUSD Share” is 32.356% of the 1% General Levy generated in Project Area III. For Fiscal Year 2020-21.

Mt. San Jacinto Community College District. On June 14, 1988, the Former Agency entered into a Cooperation Agreement with the Mt. San Jacinto Community College District (the “Community College District”) and the City. Pursuant to the Cooperation Agreement, the Community College District receives fifty percent (50%) of the Community College District share and the Agency will receive fifty percent (50%) of the Community College District share. The Community College District Share is 3.183% of the 1% General Levy generated in Project Area III in Fiscal Year 2017-18. In addition, Community College District will also receive any tax increment revenues generated by any tax override levied to service any Community College District debt established after formation of the Project Area III.

Riverside County Office of Education. On June 14, 1988, the Former Agency entered into a Cooperation Agreement with the Riverside County Office of Education (the “RCOE”) and the City. Under this agreement the RCOE will receive its share (3.286%) of the general levy tax increment in Fiscal Year 2020-21. In addition, RCOE will also receive any tax increment revenues generated by any tax override levied to service any RCOE debt established after formation of the Project Area III.

Elsinore Valley Municipal Water District. On June 14, 1988, the Former Agency entered into a Cooperation Agreement with the EVMWD and the City under which the taxes attributable to that area within the territorial limits of EVMWD which would have otherwise been levied upon taxable property in Project Area III shall be paid by the Agency into a fund of the EVMWD designated “Rancho Laguna Redevelopment Project Water Facilities Fund” to be used to finance or refinance water facilities which benefit Project Area III.” EVMWD was allocated approximately 11.654% of the 1% General Levy generated in the Project Area III (the “EVMWD Area III Share”) in Fiscal Year 2020-21. Pursuant to the tax sharing agreement when all such indebtedness has been repaid, the EVMWD Area III Share will thereafter be distributed to the Agency. In addition, EVMWD will also receive any Tax Increment Revenues generated by any tax override levied to service any EVMWD debt established after formation of Project Area III. Elsinore Water District was merged into EVMWD and payments previously made by the Former Agency to Elsinore Water District under its pass-through agreement are now included in EVMWD District Share for Project Area II described above.

County Agreement. The Former Agency and the City attempted to enter into a cooperation agreement with the County with respect to Project Area III. On January 23, 1990, the Former Agency and the City adopted a form of agreement and delivered it to the County. The County did not take action on the agreement until 1993 and sought to enforce such agreement. The City and Former Agency contended that the County’s action was not timely and that no agreement existed. In an agreement, dated June 23, 1990, the City, Former Agency and County negotiated a settlement which the County signed on July 27, 1993. The agreement was subsequently modified by an amendment, dated February 8, 1994. The agreement provides that, until such time as the annual amount of tax increment revenues exceeds \$500,000, the Agency will receive 100% of the County Share. When annual tax increment revenues are received for each year in which the tax revenues are (a) at least \$500,000 but less than \$1,500,000 for such year, the County will receive twenty-five percent (25%) of the tax revenues which the County would have been entitled to receive in the absence of the adoption of the Redevelopment Plan for

Project Area III, (b) at least \$1,500,000 but less than \$2,500,000 for such year, the County will receive thirty-seven and one-half percent (37½%) of the tax revenues which the County would have been entitled to receive in the absence of the adoption of the Redevelopment Plan for Project Area III, (c) at least \$2,500,000 but less than \$4,000,000 for such year, the County will receive fifty percent (50%) of the tax revenues which the County would have been entitled to receive in the absence of the adoption of the Redevelopment Plan for Project Area III, (d) at least \$4,000,000 but less than \$6,000,000 for such year, sixty-two and one-half percent (62½%) of the tax revenues which the County would have been entitled to receive in the absence of the adoption of the Redevelopment Plan for Project Area III, (e) at least \$6,000,000 but less than \$8,000,000 for such year, the County will receive seventy-five percent (75%) of the tax revenues which the County would have been entitled to receive in the absence of the adoption of the Redevelopment Plan for Project Area III, and (f) over \$8,000,000 for such year, the County will receive one hundred percent (100%) of the tax revenues which the County would have been entitled to receive in the absence of the adoption of the Redevelopment Plan for Project Area III, provided that in the fiscal year in which the total exceeds \$8,000,000 for such year, the Agency and the County agree to review the conditions then current to determine the possible payback to the County of its increment paid to the Former Agency. Furthermore, the County agrees to defer receipt of tax revenues it should receive under the above formula through January, 1997, and that in January 1999, all moneys so deferred by the County will be paid back by the Agency from the then current tax revenues, without interest, in equal payments over five (5) years. The amounts deferred by the County were repaid by the Former Agency during Fiscal Years 1999-00 through 2002-03

See the Fiscal Consultant's Report attached hereto as Appendix A and Table 8 under the caption "PLEDGED TAX REVENUES—Projected Pledged Tax Revenues" for further information with respect to the Pass-Through Agreements.

Statutory Pass-Through Amounts. The Agency is not required to pay Statutory Pass-Through Amounts from Project Area II or Project Area III tax increment revenues. See the caption "SECURITY FOR THE 2020 BONDS—Tax Increment Financing—*Tax Sharing*."

Subordinate Obligations

The Agency has various significant enforceable obligations that are, or will be, listed on the Agency's Recognized Obligation Payment Schedules and paid from moneys deposited in the Agency's Redevelopment Property Tax Trust Fund from time to time. . The Summerly DDA requires the Agency to reasonably consider issuing additional tax allocation bonds, from time to time and as requested by the Developer and/or Master Developer, to satisfy its payment obligations under the Summerly DDA. The 2020 Bonds are being issued pursuant to this requirement of the Summerly DDA and the Agency may issue future bonds on a parity with the 2018 Bonds and the 2020 Bonds for the same purpose. Although the Oversight Board and DOF have approved the issuance of the 2020 Bonds to finance a portion of the Agency's obligations under the Summerly DDA, there is no assurance that the Oversight Board or DOF would approve the issuance of future bonds to satisfy Agency obligations under the Summerly DDA as described above, nor does the Agency provide assurance regarding the timing of issuance of any such bonds. However, if such bonds were issued they could be secured by a pledge and lien on Pledged Tax Revenues on a parity with the 2020 Bonds, in accordance with the Indenture (see "—Limitation on Additional Indebtedness—*Parity Debt*" below).

The Agency has determined that its other outstanding obligations (other than the Senior Obligations) are either subordinate to the 2020 Bonds or not secured by a pledge of Pledged Tax Revenues.

Limitation on Additional Indebtedness

Additional Senior Obligations. Under the Indenture, the Agency may issue bonds secured by Pledged Tax Revenues or any part thereof, on a senior basis to the Bonds, to refund all or any portion of the Existing Bonds or other obligations payable on a senior basis to the Bonds, so long as the Agency satisfies the requirements of Section 34177.5(a)(1) of the Dissolution Act in connection with such refunding.

Parity Debt. The Agency may issue or incur additional bonds (including pursuant to a Supplemental Indenture) or incur other loans, advances or indebtedness payable from Pledged Tax Revenues on a parity with the 2020 Bonds (collectively, “Parity Debt”), including for the purpose of refunding outstanding 2018 Bonds or 2020 Bonds and to finance all or a portion of the DDA Payment Obligation remaining under the Summerly DDA following the issuance of the 2020 Bonds, subject to the requirements of the Indenture, as follows:

(a) The Agency may issue and deliver any such Parity Debt to refund outstanding Bonds or Parity Debt in such principal amount as shall be determined by the Agency subject to the following specific conditions all of which conditions precedent to the issuance and delivery of such Parity Debt under the Indenture:

(i) No default, Event of Default (or, unless otherwise permitted by the Insurer so long as the Policy is in full force and effect and the Insurer is not in default on its obligations thereunder, event which, once all notice or grace periods have passed, would constitute an Event of Default) under the Indenture or under any Parity Debt Instrument has occurred and is continuing unless such event of default will be cured by the issuance of such Parity Debt;

(ii) The Reserve Account is fully funded at the Reserve Requirement (including the proposed issue) upon the issuance of such Parity Debt, unless otherwise permitted by the Insurer so long as the Policy is in full force and effect and the Insurer is not in default on its obligations thereunder;

(iii) The issuance of the Parity Debt must comply with the requirements of Section 34177.5(a)(1) of the Dissolution Act;

(iv) In the event the Agency issues additional Bonds pursuant to a Supplemental Indenture:

(A) interest on such Parity Debt must be payable on September 1 and March 1 in each year of the term of such Parity Debt except the first twelve-month period, during which interest may be payable on any September 1 or March 1,

(B) principal of such Parity Debt must be payable on March 1 in any year in which principal is payable, and

(C) the Agency must cause the amount on deposit in the Reserve Account to equal the Reserve Requirement; and

(v) The Agency must deliver to the Trustee a Written Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth above have been satisfied.

(b) The Agency may also issue and deliver Parity Debt for the purpose of financing additional DDA Payment Obligations under the Summerly DDA, subject to the following specific conditions all of which are conditions precedent to the issuance and delivery of such Parity Debt under the Indenture:

(i) No event of default under the Indenture or under any Parity Debt Instrument will have occurred and be continuing unless such event of default will be cured by the issuance of such Parity Debt;

(ii) The issuance of the Parity Debt pursuant to Section 34177.5(a)(4) of the Dissolution Act shall have been approved by the Department of Finance;

(iii) In the event the Agency issues additional Bonds pursuant to a Supplemental Indenture:

(A) interest on such Parity Debt must be payable on September 1 and March 1 in each year of the term of such Parity Debt except the first twelve-month period, during which interest may be payable on any September 1 or March 1,

(B) principal of such Parity Debt must be payable on March 1 in any year in which principal is payable, and

(C) the Agency must cause the amount on deposit in the Reserve Account to equal the Reserve Requirement; and

(iv) The Pledged Tax Revenues for the then current Fiscal Year plus, at the option of the Agency, the Additional Allowance as set forth in a Written Certificate of the Agency filed with the Trustee, must be equal to 150% of Maximum Annual Debt Service on all Bonds and all Parity Debt which will be Outstanding following the issuance of such Parity Debt. For purposes of the foregoing sentence, Pledged Tax Revenues will be calculated by first allocating tax revenues generated from Project Area I during the current Fiscal Year to the payment of debt service on all Existing Bonds that are payable from and secured by Project Area I tax revenues, such that only Existing Bonds to which Pledged Tax Revenues are pledged and that cannot be paid using Project Area I tax revenues shall be included in the coverage calculation set forth in this paragraph. The Indenture defines "Additional Advance" to mean, as the date of calculation, the amount of Pledged Tax Revenues which, as shown in the Report of an Independent Redevelopment Consultant, are estimated to be receivable by the Agency as a result of increases in the assessed valuation of taxable property in the Project Areas due to construction which has been completed but not yet reflected on the tax rolls. For purposes of this definition, the term "increases in the assessed valuation" means the amount by which the assessed valuation of taxable property in the Project Areas in any Fiscal Year is estimated to exceed the assessed valuation of taxable property in the Project Areas (as reported by the County Auditor-Controller) in the Fiscal Year in which such calculation is made.

(v) The Agency will promptly notify Insurer of any request to the Oversight Board or Department of Finance for approval of the issuance of Parity Debt for the purpose of satisfying its obligations under the Summerly DDA accompanied by evidence that the issuance will comply with the conditions set forth in the Indenture.

(vi) The Agency will deliver to the Trustee a Written Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth above have been satisfied.

Subordinate Obligations. The Indenture permits the Agency to issue or incur Subordinate Debt in such principal amount as may be determined by the Agency. Such Subordinate Debt may be payable from any assets or property of the Agency, including Pledged Tax Revenues, on a subordinate basis to the payment of debt service on the 2020 Bonds. Any principal and interest payments on such Subordinate Debt will be payable on the same dates as the 2020 Bonds and will be subordinate and junior to the replenishment of the Reserve Account and reimbursement of all amounts due to the Insurer relating to the Policy or the Reserve Policy.

BOND INSURANCE

[TO COME]

PROPERTY TAXATION IN CALIFORNIA

Property Tax Collection Procedures

Classification. In the State, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." Secured and unsecured property is entered on separate parts of the assessment roll maintained by county assessors. The secured classification includes property on which any property tax levied by a county

becomes a lien on that property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens on the secured property arising pursuant to State law, regardless of the time of the creation of other liens. See the caption “RISK FACTORS—Bankruptcy and Foreclosure” for certain limitations on the priority of secured tax liens under federal law, however.

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

Collections. The method of collecting delinquent taxes is substantially different for secured and unsecured property. Counties have four ways of collecting unsecured personal property taxes: (i) initiating a civil action against the taxpayer; (ii) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (iii) filing a certificate of delinquency for record in the county recorder’s office to obtain a lien on certain property of the taxpayer; and (iv) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes which are delinquent.

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

In response to the COVID-19 outbreak described under the caption “RISK FACTORS—COVID-19 (Coronavirus) Pandemic,” counties across the State (including the County) have stated that they will waive penalties for failure to timely pay property taxes for Fiscal Year 2019-20 on or before April 10, 2020 for individuals suffering a hardship relating to the COVID-19 pandemic. Moreover, on May 6, 2020, Governor Newsom issued Executive Order N-61-20 (the “Executive Order”), waiving penalties and interest on taxes on property on the secured or unsecured roll through May 6, 2021 under certain conditions, including: (i) the property is a residential property occupied by the taxpayer or the property is used for a small business, (ii) the taxes owed were not delinquent as of March 4, 2020, (iii) the taxpayer files for relief in a form prescribed by the tax collector, and (iv) the taxpayer demonstrates economic hardship to the satisfaction of the tax collector. The County deposits property taxes in the Redevelopment Property Tax Trust Fund without regard to delinquencies in a manner similar to the Teeter Plan, as described below under the subcaption “—*Delinquencies*”; however, the County could end this practice in the future, affecting subsequent deposits into the Redevelopment Property Tax Trust Fund.

The Successor Agency can provide no assurance that additional actions will not be taken by the County, the State, or individual property taxpayers that may have a material adverse impact on property tax revenues and the timing or amount of deposits into the Redevelopment Property Tax Trust Fund and the Successor Agency’s ability to pay debt service on the 2020 Bonds when due. Further, the economic impacts of the COVID-19 pandemic are not yet known and could result in a significant decline in assessed values of property in the Project Areas and a corresponding decline in Pledged Tax Revenues available to pay debt service on the 2020 Bonds when due.

Delinquencies. The valuation of property is determined as of the January 1 lien date as equalized in August of each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due January 1 and become delinquent

August 31. The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (known as the Teeter Plan), as provided for in Section 4701 *et seq.* of the Revenue and Taxation Code of the State. Accordingly, the County Auditor-Controller distributes 100% of tax increment revenues allocated to each redevelopment successor agency in the County without regard to delinquencies in the payment of property taxes. As a result of this allocation method, the Agency receives no adjustments for redemption payments on delinquent collections. The Agency does receive supplemental taxes and refunds, if any, are deducted from amounts available for deposit to the Redevelopment Property Tax Trust Fund. There can be no assurance that the County Auditor-Controller will not change its policies with respect to delinquencies in property tax payments in the future.

The County does not publish delinquency data for redevelopment project areas, redevelopment agencies or cities. The property tax collection rate within the County as a whole was 98.58% for Fiscal Year 2014-15, 98.65% for Fiscal Year 2015-16, 98.70% for Fiscal Year 2016-17, 98.90% for Fiscal Year 2017-18 and 98.24% for Fiscal Year 2018-19. See Appendix A for additional information regarding the County's property tax collection history.

Supplemental Assessments. California Revenue and Taxation Code Section 75.70 provides for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Prior to the enactment of this law, the assessment of such changes was permitted only as of the next tax lien date following the change, which delayed the realization of increased property taxes from the new assessments for up to 14 months. Revenue and Taxation Code Section 75.70 provides increased revenue to the Redevelopment Property Tax Trust Fund to the extent that supplemental assessments of new construction or changes of ownership occur within the boundaries of the Project Areas subsequent to the January 1 lien date. To the extent that such supplemental assessments occur within the Project Areas, Pledged Tax Revenues may increase. However, because supplemental assessments cannot be accurately projected, no provision has been made by the Fiscal Consultant to reflect the impact of supplemental assessments on Pledged Tax Revenues. See Appendix A for additional information regarding historical supplemental property tax revenues in the Project Areas.

Property Tax Administrative Costs. In 1990, the State Legislature enacted Senate Bill ("SB") 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions in proportion to the tax-derived revenues allocated to each. SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions which are subject to such charges. In addition, Sections 34182(e) and 34183(a) of the Dissolution Act allow administrative costs of the County Auditor-Controller for the cost of administering the provisions of the Dissolution Act, as well as the foregoing SB 2557 amounts, to be deducted from property tax revenues before moneys are deposited into the Redevelopment Property Tax Trust Fund. For Fiscal Year 2019-20, the County's administrative charge to the Agency for the Project Areas was 0.821% of gross tax increment revenues received by the Agency in such Fiscal Year.

Negotiated Pass-Through Agreements. Prior to 1994, under the Redevelopment Law, a redevelopment agency could enter into an agreement to pay tax increment revenues to any taxing agency that has territory located within a redevelopment project in an amount which in the redevelopment agency's determination was appropriate to alleviate any financial burden or detriment caused by the redevelopment project. Such agreements normally provide for payment or pass-through of tax increment revenue directed to the affected taxing agency, and, therefore, are commonly referred to as pass-through agreements or tax sharing agreements. The Agency's agreements with affected taxing agencies are referred to herein as "Pass-Through Agreements." See the caption "THE PROJECT AREAS" for a discussion of Pass-Through Agreements for each of the Project Areas. See also the caption "SECURITY FOR THE 2020 BONDS—Tax Increment Financing" for additional discussion of the treatment of Pass-Through Agreements under the Dissolution Act.

Statutory Pass-Throughs. The payment of Statutory Pass-Through Amounts results from: (i) redevelopment plan amendments which add territory in existing project areas on or after January 1, 1994; and

(ii) redevelopment plan amendments which eliminate one or more limitations within a redevelopment plan (such as the removal of the time limit on the establishment of loans, advances and indebtedness). The calculation of the amount due to affected taxing entities is described in Sections 33607.5 and 33607.7 of the Redevelopment Law. The Agency is not required to pay Statutory Pass-Through Amounts from Project Area II or Project Area III tax increment revenues. See the caption “SECURITY FOR THE 2020 BONDS—Tax Increment Financing—Tax Sharing.”

Recognized Obligation Payment Schedule. The Dissolution Act provides that, commencing on the date that the first Recognized Obligation Payment Schedule is valid, only those payments listed in the Recognized Obligation Payment Schedule may be made by the Agency from the funds specified in the Recognized Obligation Payment Schedule. On or before each February 1, the Dissolution Act requires successor agencies to prepare and approve, and submit to the successor agency’s oversight board and the DOF for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed for the following July 1 through June 30 (Fiscal Year) period, together with the source of funds to be used to pay for each enforceable obligation. Pledged Tax Revenues will not be distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Agency’s Redevelopment Obligation Retirement Fund without a duly approved and effective Recognized Obligation Payment Schedule obtained in sufficient time prior to the January 2 or June 1 distribution dates, as applicable. See the caption “SECURITY FOR THE 2020 BONDS—Recognized Obligation Payment Schedule” and “RISK FACTORS—Recognized Obligation Payment Schedule.” See also “SECURITY FOR THE BONDS—Last and Final Recognized Obligation Payment Schedule” for a description of the Last and Final ROPS authorized by the Dissolution Act pursuant to SB 107.

Unitary Property

Assembly Bill (“AB”) 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with State Fiscal Year 1988-89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies) is to be allocated county-wide as follows: (i) each tax rate area will receive the same amount from each assessed utility received in the previous fiscal year unless the applicable county-wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro rata basis; and (ii) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro rata share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State-assessed property was changed from March 1 to January 1.

AB 454 (Statutes of 1987, Chapter 921) further modified Chapter 1457 regarding the distribution of tax revenues derived from property assessed by the State Board of Equalization. AB 454 provides for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. AB 454 further provides for a new method of establishing tax rates on State-assessed property and distribution of property tax revenue derived from State-assessed property to taxing jurisdictions within each county in accordance with a new formula. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is located. The intent of AB 2890 and AB 454 is to provide redevelopment agencies with their appropriate share of revenue generated from property assessed by the State Board of Equalization.

The County Auditor-Controller allocated an aggregate total of \$165,577 of unitary tax revenue to Project Area II and \$37,687 of unitary tax revenue to Project Area III. Pledged Tax Revenues from unitary property are assumed to remain at Fiscal Year 2019-20 levels for purposes of gross tax increment projections in the Fiscal Consultant’s Report. See Appendix A for information regarding the unitary tax revenue generated in Project Area I. Project Area I revenues are not pledged to the 2020 Bonds.

Article XIII A of the State Constitution

On June 6, 1978, State voters approved an amendment (commonly known as Proposition 13 or the Jarvis-Gann Initiative) which added Article XIII A to the State Constitution. Article XIII A limits the amount of *ad valorem* taxes on real property to 1% of “full cash value” of such property, as determined by the county assessor. Article XIII A defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the State 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.” Furthermore, the “full cash value” of all real property may be increased to reflect the rate of inflation, as shown by the consumer price index, not to exceed 2% per year, or may be reduced.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by substantial damage, destruction or other factors, and to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in other special circumstances.

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

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

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

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

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

See the caption “RISK FACTORS—Split Roll Initiative” for a discussion of certain initiative measures placed on the November 2020 statewide ballot to amend Article XIII A.

Appropriations Limitation – Article XIII B

On November 6, 1979, State voters approved Proposition 4 (also known as the Gann Initiative), which added Article XIII B to the State Constitution. Article XIII B limits the annual appropriations of the State and its political subdivisions to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity. The “base year” for establishing such

appropriations limit is State Fiscal Year 1978-79, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

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

Articles XIII C and XIII D of the State Constitution

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

Proposition 87

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

Redevelopment Time Limits

In 1993, the State legislature passed AB 1290, Chapter 942, Statutes 1993, which, among other things, required redevelopment agencies to adopt time limits in each redevelopment plan specifying: (i) the last date to incur debt for a redevelopment project; (ii) the last date to undertake redevelopment activity within a project area; and (iii) the last date to collect tax increment revenue from a project area to repay debt. Pursuant to AB 1290, which took effect January 1, 1994, the City Council adopted ordinances amending the redevelopment plans in certain Project Areas to impose limits on plan activity therein, as well as a date past which tax increment revenue could not be collected.

In 2001, the State Legislature enacted SB 211, Chapter 741, Statutes 2001, effective January 1, 2002 (“SB 211”), which authorized, among other things, the deletion of the AB 1290 limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994. However, such elimination triggers statutory tax sharing with those taxing entities that do not have Pass-Through Agreements. The City adopted Ordinance No. 1249, pursuant to the authorization contained in SB 211, deleting the limit on the Agency’s authority to incur loans, advances and indebtedness with respect to Project Area I.

Legislation passed in 2003 (SB 1045) and 2004 (SB 1096) required redevelopment agencies to remit moneys to the applicable county Educational Revenue Augmentation Fund (“ERAF”) and also permitted redevelopment agencies to extend their ability to collect tax increment by one year for each payment required by such legislation to be made in Fiscal Years 2003-04, 2004-05 and 2005-06. The extensions for Fiscal Years 2004-05 and 2005-06 apply only to redevelopment plans with existing limits on the effectiveness of the plan that are less than 20 years from the last day of the Fiscal Year in which the ERAF payment is made. The City adopted ordinances, pursuant to the authorization granted in SB 1045, extending the time limits on the effectiveness of each redevelopment plan and the receipt of the tax increment from each Project Area by one year each.

SB 107, which became effective September 22, 2015, amended the Dissolution Act to provide that the time limits for receiving property tax revenues and the limitation on the amount of property tax revenues that may be received by the Former Agency and the Agency set forth in the Redevelopment Plan are not effective for purposes of paying the Agency's enforceable obligations. Accordingly, the projections set forth in this Official Statement and in the Fiscal Consultant's Report attached to this Official Statement as Appendix A do not take into account the time and financial limitations set forth in the Redevelopment Plans for the Project Areas. See the caption "THE PROJECT AREAS."

Appeals of Assessed Values

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

In the County, a property owner desiring to reduce the assessed value of such owner's property in any one year must submit an application to the County Assessment Appeals Board (the "Appeals Board"). Applications for any tax year must be submitted by November 30 of such tax year. Following a review of each application by the staff of the County Assessor's Office, the staff makes a recommendation to the Appeals Board on each application which has not been rejected for incompleteness or untimeliness or withdrawn. The Appeals Board holds a hearing and either reduces or confirms the assessment. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as "ongoing hardship"), the Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well. Appeals for reduction in the "base year" value of an assessment, which generally must be made within three years of the date of change in ownership or completion of new construction that determined the base year, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. Moreover, in the case of any reduction in any one year of assessed value granted for "ongoing hardship" in the then current year, and also in any cases involving stipulated appeals for prior years relating to base year and personal property assessments, the property tax revenues from which Pledged Tax Revenues are derived attributable to such properties will be reduced in the then current year. In practice, such a reduced assessment may remain in effect beyond the year in which it is granted. See Table M in the Fiscal Consultant's Report attached hereto as Appendix A for information regarding the appeals pending with respect to the assessed valuations of the top ten property owners within each Project Area.

Proposition 8

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

After a roll reduction is granted pursuant to Proposition 8, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

The County Assessor has the ability to use Proposition 8 criteria to apply blanket reductions in valuation to classes of property affected by particular negative economic conditions. The Agency is aware that the County Assessor made such reductions to assessed values of residential property in the Project Areas and the City generally in recent fiscal years, a portion of which reductions have now been restored. The Fiscal Consultant's Report does not assume any future reductions in assessed valuations as a result of Proposition 8, but there can be no assurance that such reductions will not be made in the future. See the caption "THE PROJECT AREAS" for further information with respect to reductions in assessed value within the Project Areas in the last nine fiscal years.

For a summary of the recent history of Proposition 8 reductions in the Project Areas, see "THE PROJECT AREAS—Assessment Appeals."

Propositions 218 and 26

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

Future Initiatives

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

THE SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF LAKE ELSINORE

The Former Agency was established pursuant to the Redevelopment Law and was activated by Ordinance No. 605-B adopted by the City Council on July 15, 1980, at which time the City Council declared itself to be the governing board of the Agency. The Former Agency was charged with the authority and responsibility of redeveloping and upgrading blighted areas of the City.

On June 28, 2011, AB X1 26 was enacted as Chapter 5, Statutes of 2011, together with a companion bill, AB X1 27. A lawsuit entitled *California Redevelopment Association, et al. v. Matosantos, et al.*, was brought in the State Supreme Court challenging the constitutionality of AB X1 26 and AB X1 27. In a published decision (53 Cal. 4th 231 (Dec. 29, 2011)), the State 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 State Supreme Court, as of February 1, 2012, all redevelopment agencies in the State, including the Former Agency, were dissolved, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

On January 10, 2012, pursuant to Resolution No. 2012-001 and Section 34173 of the Dissolution Act, the City Council of the City elected to serve as the Successor Agency of the Redevelopment Agency of the City of Lake Elsinore. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms

that the Agency is a separate public entity from the City, that the two entities shall not merge and that the liabilities of the Former Agency will not be transferred to the City nor will the assets of the Former Agency become assets of the City.

The Agency is governed by a five-member Board of Directors (the “Board”) which consists of the Mayor and members of the City Council of the City of Lake Elsinore. The Mayor acts as the Chair of the Board, the City Manager as its chief administrative officer, the City Clerk as its secretary and the Assistant City Manager of the City as its chief financial officer.

Agency Powers

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

Previously, Section 33675 of the Redevelopment Law required the Former Agency to file not later than the first day of October of each year with the County Auditor of a statement of indebtedness certified by the chief fiscal officer of the Former 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 Former 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 Former Agency could not exceed the amounts shown on the Former Agency’s statement of indebtedness. The Dissolution Act eliminates this requirement and provides that, commencing on the date that 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 that, commencing on such date, the statement of indebtedness will no longer be prepared nor have any effect under the Redevelopment Law. See the caption “SECURITY FOR THE 2020 BONDS—Recognized Obligation Payment Schedule.”

THE REDEVELOPMENT PLANS

The Project Areas include Project Area II and Project Area III. **Tax increment revenues generated from Project Area I are not pledged to payment of the 2020 Bonds**; however, property tax revenues generated from Project Area I are available to pay a portion of the debt service on the Existing Bonds. See the Fiscal Consultant’s Report attached hereto as Appendix A for information regarding Project Area I, including a projection of Project Area I tax increment revenues available to pay a portion of the debt service on the Existing Bonds.

Under the Redevelopment Law, a city or county that activated a redevelopment agency was required to adopt, by ordinance, a redevelopment plan for each redevelopment project to be undertaken by the redevelopment agency. A redevelopment agency could only undertake those activities within a redevelopment project specifically authorized in the adopted redevelopment plan. A redevelopment plan is a legal document, the content of which is largely prescribed in the Redevelopment Law, rather than a “plan” in the customary sense of the word. Except as provided by SB 107 (see “—Redevelopment Plan Limits”), the separate time and financial limitations set forth in the redevelopment plan for each Project Area remain in effect with respect to each such Project Area. A description of each of the amendments to the Redevelopment Plans for the Project

Areas and the financial and time limitations set forth in such redevelopment plans is set forth below. See “THE PROJECT AREAS” for additional information regarding the Project Areas, including information on land use, assessed valuation and property ownership, assessed valuation and Pledged Tax Revenues generated within the Project Areas. See also “SECURITY FOR THE 2020 BONDS—Tax Increment Financing.”

Project Area II

The Redevelopment Plan for Project Area II (the “Project Area II Plan”) was adopted on July 18, 1983 by Ordinance No. 671. The Project Area II Plan was subsequently amended as follows:

- By Ordinance No. 987 on November 22, 1994 to add certain financial and time limits as required by AB 1290.
- By Ordinance No. 1249 on February 26, 2008, to correct certain financial and time limits as amended by Ordinance No. 987 and to extend the time limits on effectiveness, receipt of tax increment and repayment of debt by one year pursuant to SB 1045.
- By Ordinance No. 1261 on April 28, 2009, to adopt an Amended and Restated Redevelopment Plan for Project Area II.

Project Area III

The Redevelopment Plan for Project Area III (the “Project Area III Plan”) was adopted on September 8, 1987 by Ordinance No. 815. The Project Area III Plan was subsequently amended as follows:

- By Ordinance No. 987 on November 22, 1994, to add certain financial and time limits as required by AB 1290.
- By Ordinance No. 1249 on February 26, 2008, to correct certain financial and time limits as amended by Ordinance No. 987 and to extend the time limits on effectiveness, receipt of tax increment and repayment of debt by one year pursuant to SB 1045.
- By Ordinance No. 1262 on April 28, 2009, to adopt an Amended and Restated Redevelopment Plan for Project Area III.

Redevelopment Plan Limits

The following table sets forth the current financial and time limits described in the Redevelopment Plans for each of the Project Areas.

Table 1
SUCCESSOR AGENCY OF THE
REDEVELOPMENT AGENCY OF THE CITY OF LAKE ELSINORE
PROJECT AREAS II AND III
Redevelopment Plan Limits

<i>Project Area</i>	<i>Termination of Project Activities</i>	<i>Last Date to Repay Debt with Tax Revenue</i>	<i>Tax Increment Limit⁽¹⁾</i>	<i>Limit on Outstanding Bond Debt</i>
Project Area II	July 18, 2024	July 18, 2034	\$15 million net per year	\$120 million
Project Area III	September 8, 2028	September 8, 2038	\$20 million net per year	\$150 million

⁽¹⁾ The maximum amount of tax increment to be allocated to the Agency pursuant to each of the redevelopment plans shall not exceed the amount specified in Table 1 during any one fiscal tax year; provided, however, that any shortfall within the allowable annual allocation of tax increment shall be carried forward to the following year or years and shall be available to the Agency until the period for receipt of tax increment/repayment of debt has terminated. The Agency cannot receive tax increment in any fiscal year that exceeds the sum of the annual limit plus any unallocated revenues that have rolled over from previous years. Nor can the total amount of tax increment revenues received by the Agency pursuant to the Redevelopment Plan exceed the aggregate of the annual limit over the period to receive tax increment/repayment of debt as provided in the Redevelopment Plan. The limits on the allocation of tax increment applies to tax increment received and deposited by the Agency and is net of payments made pursuant to Pass-Through Agreements, Pledged Housing Funds, County administrative charges and ERAF payments.

The Fiscal Consultant projects that the Agency will not reach the annual tax revenue limits for Project Area II and Project Area III prior to the final maturity of the 2020 Bonds.

Elimination of Redevelopment Plan Limits. SB 107, which became effective September 22, 2015, amended the Dissolution Act to provide that the time limits for receiving property tax revenues and the limitation on the amount of property tax revenues that may be received by the Former Agency and the Agency set forth in the Redevelopment Plans are not effective for purposes of paying the Agency's enforceable obligations. Accordingly, the projections set forth in this Official Statement and in the Fiscal Consultant's Report attached to this Official Statement as Appendix A do not take into account the time and financial limitations set forth in the Redevelopment Plans for the Project Areas. See Table 8 below.

THE PROJECT AREAS

As discussed under the caption "SECURITY FOR THE 2020 BONDS—Tax Increment Financing," the Bonds are secured by Pledged Tax Revenues from Project Area II and Project Area III. Each of the Project Areas is briefly described below. More detailed information regarding the characteristics of each Project Area is set forth under the captions "—Project Area Characteristics" and "—Assessment Appeals." See the Fiscal Consultant's Report attached hereto as Appendix A for information regarding Project Area I. Property tax revenues generated from Project Area I are available to pay a portion of the debt service on the Existing Bonds, but are not pledged to or available to pay debt service on the 2020 Bonds. The Agency covenants in the Indenture that it will, to the greatest extent possible, use tax increment revenues generated from Project Area I to pay debt service and other obligations with respect to the Existing Bonds (and any bonds issued to refund the Existing Bonds) that are secured by and payable from tax increment revenues generated from Project Area I prior to using Pledged Tax Revenues to pay such obligations.

Rancho Laguna Redevelopment Project Area No. II. Project Area II consists of approximately 4,859 acres in three non-contiguous areas. The first area runs parallel on both sides of Interstate 15, extending

in each direction from Railroad Canyon Road, a major arterial highway. This area includes the City Shopping Center, anchored by a 126,000 square foot Wal-Mart and a 53,000 square foot Von's Grocery Store. This also includes two major residential subdivisions, Summerhill and Tuscany Hills. Summerhill includes 428 completed single family homes. Tuscany Hills is a planned community ultimately anticipated to include 2,000 homes. 1,150 homes have been constructed and are occupied. The second area includes the Lake Elsinore Diamond Stadium and the Summerly planned community, a portion of which is located in Project Area II with the remaining portion located in Project Area III. Approximately 1,677 homes are planned in the Summerly community; 1,490 building permits have been issued and 1,331 single family homes have been constructed and are occupied. The third area is located at the west end of Lake Elsinore and is developed with commercial and single family homes. Project Area II is made up of a total of 5,518 secured parcels. For Fiscal Year 2020-21, the taxable value within Project Area II is \$1,671,439,839 and the incremental value is \$1,584,968,015.

Rancho Laguna Redevelopment Project Area No. III. Project Area III consists of four noncontiguous areas:

Area 1 is in the East Lake Specific Plan area including a portion of the Summerly planned community adjacent to the southeasterly shore line of Lake Elsinore (the "Lake") and some of the commercial operations adjacent to and associated with a private airplane runway facility. Area 1 contains approximately 1,886 acres.

Area 2 consists of approximately 84.5 acres is adjacent to the private airplane runway facility and is used for agricultural purposes. Area 2 also contains a five acre commercial site.

Area 3 is generally referred to as "the Avenues." This area is characterized by older single-family residential units, many of which have been converted to multiple family units, on partially developed roadways. Area 3 contains approximately 466 acres.

Area 4, known as "the Heights," is also a residential area. The roads are generally unpaved. This area is dominated by steep slopes. Area 4 contains approximately 1,104 acres and encompasses much of the waterfront and industrial land within the City.

For fiscal year 2020-21, the taxable value within the Project Area III is \$721,804,148 and the incremental value is \$655,791,309.

Project Area Characteristics

Taxable values for Project Area II and Project Area III for the current and past nine fiscal years are set forth in the below table. Additional information is set forth in Appendix A.

Table 2
SUCCESSOR AGENCY OF THE
REDEVELOPMENT AGENCY OF THE CITY OF LAKE ELSINORE

**PROJECT AREAS II AND III
Historic Taxable Values**

<i>Fiscal Year Ending June 30</i>	<i>Project Area II</i>	<i>Project Area III</i>	<i>Total Assessed Value</i>	<i>Percent Change in Assessed Value</i>	<i>Total Incremental Value⁽¹⁾</i>
2012	\$1,021,292,543	\$328,975,007	\$1,350,267,550	N/A	\$1,197,782,887
2013	1,011,114,687	408,685,060	1,419,799,747	5.15%	1,267,315,084
2014	1,047,683,831	358,113,021	1,405,796,852	-0.99	1,253,312,189
2015	1,114,813,946	376,282,221	1,491,096,167	6.07	1,338,611,504
2016	1,181,319,306	418,161,239	1,599,480,545	7.27	1,446,995,882
2017	1,275,573,628	472,795,135	1,748,368,763	9.31	1,595,884,100
2018	1,348,429,304	530,202,047	1,878,631,351	7.45	1,726,146,688
2019	1,469,590,003	598,418,776	2,068,008,779	10.08	1,915,524,116
2020	1,569,792,760	667,537,243	2,237,330,003	8.19	2,084,845,340
2021	1,671,439,839	721,804,148	2,393,243,987	6.97	2,240,759,324

⁽¹⁾ Taxable value over base year assessed values of \$86,471,824 for Project Area II and \$66,012,839 for Project Area III. \$152,484,663.

Source: HdL Coren & Cone; County of Riverside.

The top ten taxpayers for all Project Areas in the current fiscal year are set forth in the below table.

**Table 3
SUCCESSOR AGENCY OF THE
REDEVELOPMENT AGENCY OF THE CITY OF LAKE ELSINORE
PROJECT AREAS II AND III
Top Ten Taxpayers (Fiscal Year 2020-21)**

<i>Property Owner</i>	<i>Total Assessed Value</i>	<i>% of Total Assessed Value</i>	<i>% of Total Incremental Value</i>	<i>Primary Land Use</i>	<i>Project Area</i>
1 Rivers Edge Apartments LLC	\$ 26,989,294	1.13%	1.20%	Residential - Rivers Edge Apartments	II
2 HCP Blue Canary LLC ⁽²⁾	18,831,744	0.79	0.84	Commercial - Lake Elsinore Town Center	II
3 Wal Mart Stores Inc. ⁽³⁾	18,742,190	0.78	0.84	Commercial - Walmart Store	II
4 ABS California/Vons ⁽⁴⁾	18,170,395	0.76	0.81		
5 Parker Equity Fund	15,841,109	0.66	0.71	Residential - North Lake Apartments	II
6 Grand Oaks Apartments	15,449,918	0.65	0.69	Residential - Harbor Grand Apartment Homes	II
7 LEVC Group ⁽¹⁾	13,801,623	0.58	0.62	Commercial - Neighborhood Retail Center	II
8 Robert C. Gregory Trust	11,862,428	0.50	0.53	Commercial - Lake Chevrolet and Lake Buick Pontiac GMC	II and III
9 JIC CP Diamond Development	11,323,819	0.47	0.51	Vacant Land/Commercial - Lake Elsinore Diamond Stadium and Parking Lot	II and III
10 31500 Auto Center Dr LLC	10,432,136	0.44	0.47	Commercial - Lake Elsinore Ford	II
Top 10 Total:	\$ 161,444,656				
Project Areas Total:	\$ 2,393,243,987	6.75%			
Project Areas Incremental Value Total	\$ 2,240,759,324		7.20%		

⁽¹⁾ Currently has assessment appeals on file. See “—Assessment Appeals” herein.

⁽²⁾ Includes unsecured value of \$236,500.

⁽³⁾ Includes unsecured value of \$1,727,504.

⁽⁴⁾ Includes unsecured value of \$1,616,502.

Source: HdL Coren & Cone.

The assessed valuation in the Project Areas for the current fiscal year by land use category is set forth in the below table.

Table 4
SUCCESSOR AGENCY OF THE
REDEVELOPMENT AGENCY OF THE CITY OF LAKE ELSINORE
PROJECT AREAS II AND III
Assessed Valuations by Land Uses (Fiscal Year 2020-21)

<i>Category of Value</i>	<i>Number of Properties Levied⁽²⁾</i>	<i>Total Value</i>	<i>Percentage of Total Value⁽³⁾</i>
Residential	6,172	\$ 1,793,245,549	74.93%
Commercial	319	279,013,886	11.66
Industrial	65	58,400,446	2.44
Institutional	7	5,619,013	0.23
Miscellaneous	9	414,649	0.02
Recreational	6	4,581,713	0.19
Vacant	7,202	192,389,048	8.04
Exempt	<u>931</u>	<u>0</u>	0.00
Subtotal	14,711	\$ 2,333,664,304	97.51%
Cross Reference		\$ 14,161,417	0.59%
Unsecured		<u>45,418,266</u>	<u>1.90</u>
Subtotal		\$ 59,579,683	2.49%
Total		\$ 2,393,243,987	100.00%

⁽¹⁾ Non-unitary property assessed by the State Board of Equalization.

⁽²⁾ Excludes the totals for the following value categories which represent duplicate parcel counts: SBE (state assessed property), Possessory Interest and Unsecured.

⁽³⁾ May not total 100.00% due to rounding.

Source: HdL Coren & Cone; County Assessment Records.

Assessment Appeals

Property taxable values determined by the County Assessor may be subject to an appeal by the property owner. There are two basic types of assessment appeals provided for under California law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the Assessor immediately subsequent to a change in ownership or completion of new construction. If the base year value assigned by the Assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction activity occurs. The second type of appeal, commonly referred to as a Proposition 8 appeal, can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value.

Assessment appeals are annually filed with the County Assessment Appeals Board for a hearing and resolution. The resolution of an appeal may result in a reduction to the Assessor's original taxable value and a tax refund to the property owner. A property owner can file for a regular assessment appeal with the County between July 2 and November 30. Revenue and Taxation Code Section 1604 allows up to two years for an assessment appeal to be decided. One of the top ten taxpayers within the Project Areas have filed assessment appeals that are currently pending. See the Fiscal Consultant's Report attached as Appendix A for more information regarding these property taxpayers. Additional appeals to assessed values in the Project Areas may be filed from time to time in the future. The Agency cannot predict the extent of these appeals or their likelihood of success.

The Fiscal Consultant researched the status of assessment appeals filed by property owners in the Project Areas based upon the latest information available as of July 16, 2020. The Fiscal Consultant's estimates are based upon the historical averages of successful appeals and amounts of value reductions. Actual appeals, reductions and refunds may vary from historical averages. The Fiscal Consultant's estimated reductions in values are reflected in its projections.

The following table summarizes the potential losses that are incorporated into the Fiscal Consultant's projections:

Table 5
SUCCESSOR AGENCY OF THE
REDEVELOPMENT AGENCY OF THE CITY OF LAKE ELSINORE
PROJECT AREAS II AND III
Assessed Valuation Appeals

<i>Project Area</i>	<i>Total No. of Appeals</i>	<i>No. of Resolved Appeals</i>	<i>No. of Successful Appeals</i>	<i>Average Reduction</i>	<i>No. of Appeals Pending</i>	<i>Est. No. of Pending Appeals Allowed</i>
Project Area II	84	25	10	35.74%	48	19
Project Area III	<u>76</u>	<u>61</u>	<u>0</u>	<u>0.00</u>	<u>15</u>	<u>0</u>
Total: ⁽¹⁾	160	86	10	35.74%	63	19

<i>Project Sub Areas</i>	<i>Combined Value Under Pending Appeals⁽²⁾</i>	<i>Fiscal Consultant Estimated Reduction on Pending Appeals Allowed⁽³⁾</i>
Project Area II	\$ 56,251,243	\$ 8,041,479
Project Area III	<u>212,720</u>	<u>0</u>
Total: ⁽¹⁾	\$ 56,463,963	\$ 8,041,479

⁽¹⁾ Totals may not add due to rounding.

⁽²⁾ Reflects the total assessed value of the property subject to appeal and does not reflect the applicant's opinion of value.

⁽³⁾ Projected value adjustment for Fiscal Year 2020-21. See Table 8 below.

Source: HdL Coren & Cone; County.

Tax refunds payable from resolved appeals (to the extent applicants are not delinquent in their property tax payments) are deducted by the County Auditor-Controller from current year gross property taxes before the County's allocation to the RPTTF.

Actual resolution of appeals are determined by a number of factors including vacancy and rental rates, circumstances of hardship and other real estate comparables, all of which are unique to the individual assessment. Therefore, actual reductions, if any, may be higher or lower than the reductions incorporated in the Fiscal Consultant's projections. An appeal may be withdrawn by the applicant, the Appeals Board may deny or modify the appeal at hearing or by stipulation, or the final value may be adjusted to an amount other than the stated opinion of value. See Table 2 in this Official Statement for a summary of historical assessed property valuations in the Project Areas. For more information about appeals and the Fiscal Consultant's assumptions, see the Fiscal Consultant's Report attached to this Official Statement as Appendix A.

There are currently 349 residential parcels in the Project Areas that have been reduced in value under Proposition 8. See "PROPERTY TAXATION IN CALIFORNIA—Proposition 8." These properties are currently enrolled at values that are, on average, 27.49% lower than the property's inflation adjusted base value. This represents a total of \$40.1 million in value that is eligible to be recovered under Proposition 8 as assessed values recover. These parcels that remain reduced under Proposition 8 represent approximately 6% of all residential parcels located in the Project Areas. For Fiscal Year 2020-21, there was a total of \$3.9 million in value recovered from values reduced under Proposition 8 in prior years. This was 2.51% of all value growth for

Fiscal Year 2020-21. See the Fiscal Consultant's Report attached to this Official Statement as Appendix A for additional information regarding Proposition 8 value reductions in the Project Areas.

Transfers of Ownership and New Development

Changes in assessed valuations due to transfers of ownership occurring after the lien date for Fiscal Year 2020-21 will affect taxable values for Fiscal Year 2021-22. The projections of Pledged Tax Revenues set forth in the Fiscal Consultant's Report attached as Appendix A and Tables 7 and 8 herein assume that transfers of ownership occurring January 1, 2020 through August 3, 2020 but which were not reflected on the Fiscal Year 2020-21 secured tax roll will be included in the Fiscal Year 2021-22 secured tax roll in the amounts projected by the Fiscal Consultant. Any such changes in assessed value due to transfers of ownership occurring in Project Areas II and III after August 3, 2020 are not included in the projections of Pledged Tax Revenues that are set forth in the Fiscal Consultant Report and this Official Statement.

According to the Agency, several new developments are in progress, or are anticipated to begin in the near future, within Project Areas II and III. Such new developments are expected to increase assessed valuations within Project Areas II and III. However, the Agency can provide no assurance regarding the completion of such new developments or the impact on assessed valuation within the Project Areas. Further, the projections of Pledged Tax Revenues in the Fiscal Consultant Report and this Official Statement do not reflect any increases in assessed valuations relating to development within Project Areas II and III that is in progress or anticipated to begin in the near future.

Historical and Estimated Redevelopment Property Tax Trust Fund Distributions

The following tables show the historical assessed value and Redevelopment Property Tax Trust Fund deposits. The information below relates solely to property tax revenues and expenses attributed to Project Area II and Project Area III. The Addendum to the Fiscal Consultant's Report attached hereto as Appendix A provides information regarding the historical assessed value and Redevelopment Property Tax Trust Fund deposits derived from Project Area I.

Table 6
SUCCESSOR AGENCY OF THE
REDEVELOPMENT AGENCY OF THE CITY OF LAKE ELSINORE
PROJECT AREAS II AND III
Historical Assessed Value and Available Tax Revenues

	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>	<i>2018-19</i>	<i>2019-20</i>
Total Assessed Value ⁽¹⁾	\$ 1,599,480,545	\$ 1,748,368,763	\$ 1,878,631,351	\$ 2,068,008,779	\$ 2,237,330,003
Incremental Value	1,446,995,882	1,595,884,100	1,726,146,688	1,915,524,116	2,084,845,340
Total Annual Increment ⁽²⁾	14,469,959	15,958,841	17,261,467	19,155,241	20,848,453
Gross RPTTF Deposits ⁽³⁾	15,212,434	16,841,831	18,405,497	19,898,366	21,811,176
Less: County Admin. Fees	(165,474)	(203,604)	195,329	(184,923)	(199,123)
Less: Pass-Through Payments ⁽⁴⁾	<u>(6,690,103)</u>	<u>(7,593,816)</u>	<u>(8,320,969)</u>	<u>(8,989,233)</u>	<u>(9,962,885)</u>
Revenue Available for Enforceable Obligations	\$ 8,356,857	\$ 9,044,412	\$ 9,889,199	\$ 10,724,209	\$ 11,649,167

⁽¹⁾ Project Areas II and III only.

⁽²⁾ Includes regular secured and unsecured taxes computed based on the Incremental Value multiplied by the 1% general levy tax rate.

⁽³⁾ Includes regular secured, unsecured, unitary, supplemental and other taxes collected for the given fiscal year as allocated per RPTTF.

⁽⁴⁾ The County deducts all pass-through obligations from the RPTTF before remitting the balance to the Successor Agency to pay debt service.
Source: HdL Coren & Cone.

PLEDGED TAX REVENUES

Pledged Tax Revenues are to be deposited in the Redevelopment Obligation Retirement Fund, and thereafter and after transfers have been made by the Agency to the Debt Service Fund, administered by the Trustee and applied to the payment of the principal of and interest on the Bonds.

Projected Pledged Tax Revenues

General. The Agency has retained HdL Coren & Cone to provide projections of taxable valuation and Pledged Tax Revenues from Project Area II and Project Area III. The projections set forth in Table 8 assume no growth in assessed value.

See the Fiscal Consultant's Report attached hereto as Appendix A for information regarding Project Area I. Property tax revenues generated from Project Area I are available to pay a portion of the debt service on the Existing Bonds, but are not pledged to or available to pay debt service on the 2020 Bonds. The Agency covenants in the Indenture that it will, to the greatest extent possible, use tax increment revenues generated from Project Area I to pay debt service and other obligations with respect to the Existing Bonds (and any bonds issued to refund the Existing Bonds) that are secured by and payable from tax increment revenues generated from Project Area I prior to using Pledged Tax Revenues to pay such obligations.

SB 107, which became effective September 22, 2015, amended the Dissolution Act to provide that the time limits for receiving property tax revenues and the limitation on the amount of property tax revenues that may be received by the Former Agency and the Agency set forth in the Redevelopment Plans are not effective for purposes of paying the Agency's enforceable obligations. Accordingly, the projections set forth below in this Official Statement and in the Fiscal Consultant's Report attached to this Official Statement as Appendix A do not take into account the time and financial limitations set forth in the Redevelopment Plans for the Project Areas. See the caption "THE REDEVELOPMENT PLANS—Redevelopment Plan Limits."

The Agency believes that the assumptions (set forth in the footnotes below and in Appendix A) upon which the projections are based are reasonable; however, some assumptions may not materialize and unanticipated events and circumstances may occur. See the caption "RISK FACTORS." Therefore, the actual Pledged Tax Revenues received during the forecast period may vary from the projections and the variations may be material.

Potential Impacts of COVID-19 (Coronavirus) Pandemic. In response to the COVID-19 outbreak described under the caption "RISK FACTORS—COVID-19 (Coronavirus) Pandemic," counties across the State (including the County) have stated that they will waive penalties for failure to timely pay property taxes for Fiscal Year 2019-20 on or before April 10, 2020 for individuals suffering a hardship relating to the COVID-19 pandemic. Moreover, on May 6, 2020, Governor Newsom issued Executive Order N-61-20 (the "Executive Order"), waiving penalties and interest on taxes on property on the secured or unsecured roll through May 6, 2021 under certain conditions, including: (i) the property is a residential property occupied by the taxpayer or the property is used for a small business, (ii) the taxes owed were not delinquent as of March 4, 2020, (iii) the taxpayer files for relief in a form prescribed by the tax collector, and (iv) the taxpayer demonstrates economic hardship to the satisfaction of the tax collector. The County deposits property taxes in the Redevelopment Property Tax Trust Fund without regard to delinquencies in a manner similar to the Teeter Plan, as described under the caption "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—*Delinquencies*;" however, the County could end this practice in the future, affecting subsequent deposits into the Redevelopment Property Tax Trust Fund. Furthermore, the economic impacts of the COVID-19 pandemic are not yet known and could result in a significant decline in assessed values of property in the Project Areas and a corresponding decline in Pledged Tax Revenues available to pay debt service on the 2020 Bonds.

Table 7
SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF LAKE ELSINORE
PROJECT AREAS II AND III
Projected Pledged Tax Revenues
Assumes No Value Growth
(000s Omitted)

<i>Fiscal Year Ending June 30</i>	<i>Assessed Valuation⁽¹⁾</i>	<i>Incremental Valuation</i>	<i>Gross Tax Increment Revenue⁽²⁾</i>	<i>County Administrative Charge⁽³⁾</i>	<i>Pass-Through Agreements⁽⁴⁾</i>	<i>Pledged Housing Funds⁽⁵⁾</i>	<i>Tax Increment Revenues Available for Debt Service on Existing Bonds, 2018 Bonds and 2020 Bonds⁽⁶⁾</i>	<i>Debt Service on Existing Bonds Not Payable from Project Area I Revenues⁽⁷⁾</i>	<i>Pledged Tax Revenues⁽⁸⁾</i>
2021	\$2,393,244	\$2,240,759	\$22,611	\$(186)	\$(10,512)	\$(1,078)	\$10,835	\$(274)	\$10,561
2022	2,418,221	2,265,736	22,861	(188)	(10,652)	(1,123)	10,899	(231)	10,668
2023	2,418,221	2,265,736	22,861	(188)	(10,652)	(1,123)	10,899	(231)	10,668
2024	2,418,221	2,265,736	22,861	(188)	(10,652)	(1,123)	10,899	(811)	10,088
2025	2,418,221	2,265,736	22,861	(188)	(10,652)	(1,123)	10,899	(993)	9,906
2026	2,418,221	2,265,736	22,861	(188)	(10,652)	(1,123)	10,899	(992)	9,907
2027	2,418,221	2,265,736	22,861	(188)	(10,652)	(1,123)	10,899	(994)	9,905
2028	2,418,221	2,265,736	22,861	(188)	(10,652)	(1,123)	10,899	(990)	9,909
2029	2,418,221	2,265,736	22,861	(188)	(10,652)	(1,123)	10,899	(995)	9,904
2030	2,418,221	2,265,736	22,861	(188)	(10,652)	(1,123)	10,899	(993)	9,906
2031	2,418,221	2,265,736	22,861	(188)	(10,652)	(1,123)	10,899	--	10,899
2032	2,418,221	2,265,736	22,861	(188)	(10,652)	(1,123)	10,899	--	10,899
2033	2,418,221	2,265,736	22,861	(188)	(10,652)	(1,123)	10,899	--	10,899
2034	2,418,221	2,265,736	22,861	(188)	(10,652)	(1,123)	10,899	--	10,899
2035	2,418,221	2,265,736	22,861	(188)	(10,652)	(1,123)	10,899	--	10,899
2036	2,418,221	2,265,736	22,861	(188)	(10,652)	(560) ⁽⁹⁾	11,462	--	11,462
2037	2,418,221	2,265,736	22,861	(188)	(10,652)	(560)	11,462	--	11,462

- (1) Taxable values as reported by Riverside County. Real property consists of land and improvements. Secured and personal property assessed values are not increased for inflation. Values for Fiscal Year 2020-21 are increased by \$33,046,221 due to 542 transfers of ownership from January 1, 2020 through August 3, 2020 and decreased by \$8,041,479 for projected value loss due to pending assessment appeals.
- (2) Projected Adjusted Gross Tax Increment Revenue is based upon incremental taxable values factored against an assumed Project Area tax rate and adjusted for indebtedness approved by voters after 1988. The assumed future tax rate remains constant at \$1.00 per \$100 of taxable value.
- (3) See the caption "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—*Property Tax Administrative Costs*." The projections in this Official Statement assume the annual County Administrative Fee will be 0.821% of Gross Revenues, consistent with the actual fee charged in Fiscal Year 2019-20. See Appendix A.
- (4) See the caption "SECURITY FOR THE 2020 BONDS—Senior Obligations—*Pass-Through Agreements*."
- (5) See the caption "SECURITY FOR THE 2020 BONDS—Senior Obligations—*Pledged Housing Funds*."
- (6) Gross Tax Revenue, less County Administrative Charge, Pass-Through Agreements and Pledged Housing Funds.
- (7) See the caption "SECURITY FOR THE 2020 BONDS—Senior Obligations—*Existing Bonds*" and the Addendum to Appendix A. Project Area I revenues are pledged to and are projected to be available to pay debt service attributable to the Project Area I Debt. All debt service on the 2020 Project Area II Loan will be paid using Project Area II revenues, on a senior basis to the 2020 Bonds. Table A-A to the Fiscal Consultant's Report attached as Appendix A provides a projection of Project Area I tax increment revenues available to pay debt service on the Project Area I Debt. Because the 2015 Bonds, the 2019A Bonds and the 2019B Bonds are secured by a pledge of tax increment revenues generated in Project Areas II and III as well as Project Area I revenues, if revenues generated from Project Area I are insufficient to pay all debt service on the Project Area I Debt, the Agency will use tax increment revenues generated from Project Areas II and III to pay the remainder of the debt service on the 2015 Bonds, the 2019A Bonds and the 2019B Bonds prior to paying debt service on the 2020 Bonds.
- (8) Tax Increment Revenues Available for Debt Service on Existing Bonds and Bonds, less debt service on Existing Bonds.
- (9) Redevelopment Plan limitations continue in effect for purposes of calculating payments to the Developer and Master Developer under the Summerly DDA. As a result, no tax increment revenues generated from Project Area II will be available to make payments under the Summerly DDA after Fiscal Year 2033-34 and will therefore become available to pay debt service on the Bonds beginning in Fiscal Year 2035-36.

Source: HdL Coren & Cone; Stifel, Nicolaus & Company, Incorporated.

Debt Service Coverage

Set forth below is the estimated debt service coverage for the 2020 Bonds using actual Fiscal Year 2020-21 Pledged Tax Revenues (Project Areas II and III only) assuming no growth in tax increment revenues in Fiscal Year 2021-22 and thereafter, through maturity of the 2020 Bonds. See the Addendum to the Fiscal Consultant's Report attached hereto as Appendix A for information regarding Project Area I. Property tax revenues generated from Project Area I are available to pay a portion of the debt service on the Existing Bonds, but are not pledged to or available to pay debt service on the 2020 Bonds. The Agency covenants in the Indenture that it will, to the greatest extent possible, use tax increment revenues generated from Project Area I to pay debt service and other obligations with respect to the Existing Bonds (and any bonds issued to refund the Existing Bonds) that are secured by and payable from tax increment revenues generated from Project Area I prior to using Pledged Tax Revenues to pay such obligations.

Table 8
SUCCESSOR AGENCY OF THE
REDEVELOPMENT AGENCY OF THE CITY OF LAKE ELSINORE
PROJECT AREAS II AND III
Estimated All-In Debt Service Coverage (Existing Bonds, 2018 Bonds and 2020 Bonds)
Assumes No Value Growth
(000s Omitted)

<i>Fiscal Year Ending June 30</i>	<i>Tax Increment Revenues Available for Debt Service on Existing Bonds, 2018 Bonds and 2020 Bonds⁽¹⁾</i>	<i>Debt Service on Existing Bonds Not Payable from Project Area I Revenues⁽²⁾</i>	<i>Pledged Tax Revenues⁽³⁾</i>	<i>Debt Service on 2018 Bonds⁽⁴⁾</i>	<i>Debt Service on 2020 Bonds^{(4)*}</i>	<i>Total Payments For All-In Debt Service Coverage Calculation^{(5)*}</i>	<i>All-In Debt Service Coverage^{(6)*}</i>
2021	\$10,835	\$(274)	\$10,561	\$(839)	\$(585)	\$(1,698)	6.38x
2022	10,899	(231)	10,668	(750)	(771)	(1,752)	6.22x
2023	10,899	(231)	10,668	(752)	(634)	(1,618)	6.74x
2024	10,899	(811)	10,088	(743)	(633)	(2,187)	4.98x
2025	10,899	(993)	9,906	(748)	(631)	(2,373)	4.59x
2026	10,899	(992)	9,907	(747)	(632)	(2,372)	4.60x
2027	10,899	(994)	9,905	(740)	(638)	(2,372)	4.59x
2028	10,899	(990)	9,909	(747)	(632)	(2,369)	4.60x
2029	10,899	(995)	9,904	(747)	(635)	(2,377)	4.58x
2030	10,899	(993)	9,906	(747)	(637)	(2,377)	4.59x
2031	10,899	--	10,899	(750)	(637)	(1,387)	7.86x
2032	10,899	--	10,899	(747)	(636)	(1,384)	7.88x
2033	10,899	--	10,899	(748)	(640)	(1,388)	7.85x
2034	10,899	--	10,899	(993)	(636)	(1,629)	6.69x
2035	10,899	--	10,899	(319)	(237)	(556)	19.61x
2036	11,462	--	11,462	(318)	(240)	(558)	20.55x
2037	11,462	--	11,462	(317)	(238)	(554)	20.68x

* Preliminary, subject to change.

(1) See Table 7.

(2) See the caption "SECURITY FOR THE 2020 BONDS—Senior Obligations—Existing Bonds" and the Addendum to Appendix A. Project Area I revenues are pledged to and are projected to be available to pay debt service attributable to the Project Area I Debt. All debt service on the 2020 Project Area II Loan will be paid using Project Area II revenues, on a senior basis to the 2020 Bonds. Table A-A to the Fiscal Consultant's Report attached as Appendix A provides a projection of Project Area I tax increment revenues available to pay debt service on the Project Area I Debt. Because the 2015 Bonds, the 2019A Bonds and the 2019B Bonds are secured by a pledge of tax increment revenues generated in Project Areas II and III as well as Project Area I revenues, if revenues generated from Project Area I are insufficient to pay all debt service on the Project Area I Debt, the Agency will use tax increment revenues generated from Project Areas II and III to pay the remainder of the debt service on the 2015 Bonds, the 2019A Bonds and the 2019B Bonds prior to paying debt service on the 2020 Bonds.

(3) See Table 7.

(4) Reflects payments on the 2018 Bonds and projected payments on the 2020 Bonds due in the calendar year following the Fiscal Year in which Pledged Tax Revenues are distributed to the Agency. Pledged Tax Revenues distributed to the Agency in January and June 2020 will be applied to pay debt service on the 2018 and 2020 Bonds coming due on March 1, 2021. Pledged Tax Revenues to be distributed to the Agency in January and June 2021 will be applied to pay debt service on the 2018 and 2020 Bonds coming due on September 1, 2021 and March 1, 2022.

(5) Reflects sum of debt service on Existing Bonds and debt service on 2020 Bonds.

(6) Tax Increment Revenues Available for Debt Service on Existing Bonds and 2020 Bonds divided by Total Payments For All-In Debt Service Coverage Calculation.

Source: HdL Coren & Cone; Stifel, Nicolaus & Company, Incorporated.

RISK FACTORS

The following information should be considered by prospective investors in evaluating the 2020 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 2020 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

The various legal opinions to be delivered concurrently with the issuance of the 2020 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors' rights, and the application of equitable principles.

COVID-19 (Coronavirus) Pandemic

The spread of the novel strain of coronavirus called COVID-19 is having significant negative impacts throughout the world, including in the City. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the City, the County, the State and the United States. The purpose behind these declarations is to coordinate and formalize emergency actions across federal, state and local governmental agencies, and to proactively prepare for a wider spread of the virus.

To date there have been numerous confirmed cases of, and deaths resulting from, COVID-19 in the County, including within the City, and health officials are expecting the number of confirmed cases and deaths to grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools (including schools in the City). The United States is restricting certain non-US citizens and permanent residents from entering the country. In addition, stock markets in the U.S. and globally have been volatile, with significant declines attributed to coronavirus concerns. On March 19, 2020, in an effort to slow the spread of COVID-19, Governor Newsom issued Executive Order N-33-20 ordering individuals living in the State to stay home or at their place of residence except for specified exceptions. In May 2020, the Governor outlined a phased approach to re-opening businesses in California. On August 28, 2020, the State released further guidance regarding re-opening certain types of businesses based on a county-by-county approach where each county is assigned a tier based on COVID-19 case rates within each County. As of September 29, 2020, the County is in the "Substantial" tier as. For counties in the "Substantial" tier, certain non-essential indoor businesses are required to remain closed and certain businesses may open with modifications, such as limitations on capacity.

Potential impacts to the Successor Agency associated with the COVID-19 outbreak include, but are not limited to, disruption of the regional and local economy with corresponding decreases in assessed values and delays in payment or collection of property tax. As described under the caption "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—*Penalty*" the County has waived penalties for failure to timely pay property taxes for Fiscal Year 2019-20 on or before April 10, 2020 for individuals suffering a hardship relating to the COVID-19 pandemic. The Successor Agency cannot predict whether the County will take similar actions with respect to future property tax payment penalties. The County deposits property taxes in the Redevelopment Property Tax Trust Fund in accordance with the Teeter Plan described under the caption "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—*Delinquencies*"; however, the County could terminate the Teeter Plan in the future, affecting subsequent deposits into the Redevelopment Property Tax Trust Fund. The Successor Agency can provide no assurance that additional actions will not be taken by the County, the State, or individual property taxpayers that may have a material adverse impact on property tax revenues and the timing or amount of deposits into the Redevelopment Property Tax Trust Fund and the Successor Agency's ability to pay scheduled debt service on the 2020 Bonds when due. Further the economic impacts of the COVID-19 pandemic are not yet known and could result in a significant decline in assessed values of property in the Project Areas and a corresponding decline in Pledged Tax Revenues available to pay debt service on the 2020 Bonds.

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, and the economic and other of actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of COVID-19 on the Pledged Tax Revenues available to pay debt service on the 2020 Bonds is unknown. As of the date of this Official Statement, the Successor Agency does not believe that the impacts of the spread of COVID-19 will have a material adverse effect on its ability to pay scheduled debt service on the 2020 Bonds when due.

Plan Limits

The Redevelopment Plans for the Project Areas impose time period limits on the receipt of tax increment revenues. The last date to receive tax increment revenues from Project Area II occurs before the final maturity of the 2020 Bonds. However, pursuant to SB 107, the time limit for receiving property tax revenues which is set forth in the Redevelopment Plan is not effective for purposes of paying the Agency's enforceable obligations. Accordingly, the projections that are set forth in this Official Statement and in the Fiscal Consultant Report that is attached to this Official Statement as Appendix A do not take into account the time limitations that are set forth in the Redevelopment Plan.

Additionally, each Redevelopment Plan for the Project Areas includes a limitation on the amount of tax increment revenues that can be allocated to the Agency in each fiscal year from the applicable project area. The Fiscal Consultant projects that the Agency will not reach the annual tax revenue limits for Project Area II and Project Area III prior to the final maturity of the 2020 Bonds. Furthermore, pursuant to SB 107, the limitations on the amount of property tax revenues that may be received by the Former Agency and the Agency set forth in the Redevelopment Plan are not effective for purposes of paying the Agency's enforceable obligations. Accordingly, the projections that are set forth in this Official Statement and in the Fiscal Consultant Report that is attached to this Official Statement as Appendix A do not take into account the financial limitations that are set forth in the Redevelopment Plan.

The Agency currently estimates that it will have sufficient tax increment revenues to pay the principal of and interest on the 2020 Bonds. However, there can be no assurance that the actual amount of tax increment revenues received will be as set forth in the Agency's projections. See the caption "PLEDGED TAX REVENUES" and Appendix A.

Reduction in Taxable Value

Pledged Tax Revenues allocated to the Redevelopment Property Tax Trust Fund are determined by the amount of incremental taxable value in the Project Areas and the current rate or rates at which property in the Project Areas is taxed. The reduction of taxable values of property in the Project Areas caused by economic factors beyond the Agency's control, such as relocation out of the Project Areas by one or more major tenants, sale of property to a government entity or non-profit corporation exempt from property taxation or the complete or partial destruction of such property caused by, among other eventualities, earthquake or other natural disaster, could cause a reduction in the Pledged Tax Revenues that provide for the repayment of and secure the 2020 Bonds. Such reduction in Pledged Tax Revenues could have an adverse effect on the Agency's ability to make timely payments of principal of and interest on the 2020 Bonds.

As described in greater detail under the caption "PROPERTY TAXATION IN CALIFORNIA—Article XIII A of the State Constitution," Article XIII A provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflation rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described above). Such measure is computed on a calendar year basis. Any resulting reduction in the full cash value base over the term of the 2020 Bonds could reduce Pledged Tax Revenues securing the 2020 Bonds.

In addition to the other limitations on and required application under the Dissolution Act of Pledged Tax Revenues on deposit in the Redevelopment Property Tax Trust Fund, as described in this Official Statement, the State electorate or Legislature could adopt a constitutional or legislative property tax reduction with the effect of reducing Pledged Tax Revenues allocated to the Redevelopment Property Tax Trust Fund and available to the Agency. Although the federal and State Constitutions include clauses generally prohibiting the Legislature's impairment of contracts, there are also recognized exceptions to these prohibitions. There is no assurance that the State electorate or Legislature will not at some future time approve additional limitations that could reduce the Pledged Tax Revenues and adversely affect the source of repayment and security of the 2020 Bonds.

Risks to Real Estate Market

The Agency's ability to make payments on the 2020 Bonds is dependent upon the economic strength of the Project Areas. The general economy of the Project Areas is subject to all of the risks generally associated with urban real estate markets. Real estate prices and development may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs, the supply of or demand for competitive properties in such area, the market value of property in the event of sale or foreclosure and other similar factors. Furthermore, real estate development within the Project Areas could be adversely affected by limitations of infrastructure or future governmental policies, including governmental policies to restrict or control development, changes in real estate tax rates and other operating expenses, zoning laws and laws relating to threatened and endangered species and hazardous materials and fiscal policies, as well as natural disasters (including, without limitation, earthquakes, wildfires and floods), which may result in uninsured losses. In addition, if there is a decline in the general economy of the Project Areas, the owners of property within the Project Areas may be less able or less willing to make timely payments of property taxes or may petition for reduced assessed valuation causing a delay or interruption in the receipt of Pledged Tax Revenues by the Agency from the Project Areas.

Because assessed values do not necessarily indicate fair market values, the declines in fair market values in recent years may have been even greater than the declines in assessed valuations, although it is also possible that market values could be greater than assessed valuations at any given time. No assurance can be given that the individual parcel owners will pay property taxes in the future or that they will be able to pay such taxes on a timely basis. See the caption "—Bankruptcy and Foreclosure" for a discussion of certain limitations on the City's ability to pursue judicial proceedings with respect to delinquent parcels.

Reduction in Inflation Rate

As described in greater detail above, Article XIII A of the State Constitution provides that the full cash value of real property used in determining taxable value may be adjusted from year to year to reflect the rate of inflation, 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%. The State Board of Equalization directed county assessors to use 2.0% as the inflation factor for purposes of preparing the 2018-19 tax roll. See Table E in Appendix A.

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

Development Risks

There remain undeveloped areas within the Project Areas. See Table 4 under the caption "THE PROJECT AREAS—Project Area Characteristics."

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

The projected Pledged Tax Revenues set forth in the Fiscal Consultant's Report and under the caption "PLEDGED TAX REVENUES" do not assume future development within the Project Areas.

Concentration of Ownership

The ten largest property taxpayers in the Project Areas, based upon the fiscal year 2020-21 locally assessed tax roll reported by the County Assessor, owned approximately 6.75% of the total Project Areas value and approximately 7.20% of the total incremental assessed value within the Project Areas. See the Fiscal Consultant's Report attached to this Official Statement as Appendix A. Concentration of ownership presents a risk in that if one or more of the largest property owners were to default on their taxes, or were to successfully appeal the tax assessments on property within the Project Areas, a substantial decline in Pledged Tax Revenues could result. See Table 3 under the caption "THE PROJECT AREAS—Project Areas Characteristics" for more information about these ten largest property taxpayers and see "THE PROJECT AREAS—Assessment Appeals" for information as to pending appeals of tax assessments.

Levy and Collection of Taxes

The Agency has no independent power to levy or collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Pledged Tax Revenues, and accordingly, could have an adverse impact on the security for and the ability of the Agency to repay the 2020 Bonds.

Likewise, delinquencies in the payment of property taxes by the owners of land in the Project Areas, and the impact of bankruptcy proceedings on the ability of taxing agencies to collect property taxes, could have an adverse effect on the Agency's ability to make timely payments on the 2020 Bonds. As discussed under the caption "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—*Delinquencies*," under its current policies, the County Auditor-Controller distributes 100% of tax increment revenues allocated to each redevelopment successor agency in the County without regard to delinquencies in the payment of property taxes, in a manner similar to a Teeter Plan. However, there can be no assurance that such policies will not be changed in the future. Any reduction in Pledged Tax Revenues, whether for any of these reasons or any other reasons, could have an adverse effect on the Agency's ability to pay the principal of and interest on the 2020 Bonds. See the Fiscal Consultant's Report attached as Appendix A for more information regarding property tax collections in the County.

State Budget Issues

AB X1 26 and AB 1484 were enacted by the State Legislature and Governor as trailer bills necessary to implement provisions of the State's budget acts for its fiscal years 2011-12 and 2012-13, respectively, and constituted efforts to address structural deficits in the State general fund budget. In general terms, these bills

implemented a framework to transfer cash assets which were 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 (then 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 tax increment revenues, including Pledged Tax Revenues.

SB 107, which made extensive amendments to the Dissolution Act, was enacted following the adoption of the State fiscal year 2015-16 budget, after having initially been presented as AB 113, a trailer bill to the State fiscal year 2015-16 budget. SB 107 changed the process for submitting Recognized Obligation Payment Schedules from a six-month to an annual process, authorized successor agencies to submit and obtain DOF approval of a Last and Final ROPS to govern all remaining payment obligations of successor agencies, altered the provisions governing the distribution of Redevelopment Property Tax Trust Fund moneys attributable to pension and State Water Project tax rate overrides and eliminated the impact of financial and time limitations in redevelopment plans for purposes of paying enforceable obligations, among other changes to the Dissolution Act. These statutory amendments impact the manner in which successor agencies claim Redevelopment Property Tax Trust Fund moneys for enforceable obligations and, for some successor agencies, impact the amount of Redevelopment Property Tax Trust Fund moneys that will be available for payment of a successor agency's enforceable obligations.

The following information concerning the State's budget for fiscal year 2020-21 has been obtained from publicly available information that the Agency believes to be reliable; however, the City and the Underwriter take no responsibility for the accuracy or completeness thereof and have not independently verified such information. Information about the State budget is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the DOF, <http://www.dof.ca.gov>, under the heading "California Budget." An impartial analysis of the budget is posted by the Legislative Analyst's Office (the "LAO") at <http://www.lao.ca.gov>. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on cities in the State, may be found at the website of the State Treasurer, <http://www.treasurer.ca.gov>. The information referred to is prepared by the respective State agency maintaining each website and not by the City, the Agency or the Underwriter, and the City, the Agency and the Underwriter take no responsibility for the continued accuracy of these Internet addresses or for the accuracy, completeness or timeliness of information posted thereon, and such information is not incorporated herein by these references.

On June 29, 2020, the Governor signed into law the State budget for fiscal year 2020-21 (the "2020-21 Budget"). The following information is drawn from the DOF's summary of the 2020-21 Budget.

As with the Governor's May revision (the "May Revision") to the proposed State budget, the 2020-21 Budget acknowledges that the rapid onset of COVID-19 has had an immediate and severe impact on the State's economy. The ensuing recession has caused significant job losses, precipitous drops in family and business income, and has exacerbated inequality. The May Revision forecast included a peak unemployment rate of 24.5% in the second quarter of 2020 and a decline in personal income of nearly 9%. The 2020-21 Budget reports that the official unemployment rate exceeded 16% in both April and May of 2020.

The 2020-21 Budget includes a number of measures intended to address a projected deficit of \$54.3 billion identified by the May Revision, and occasioned principally by declines in the State's three main tax revenues (personal income, sales and use, and corporate). The measures included in the 2020-21 Budget are intended to close this deficit and set aside \$2.6 billion in the State's traditional general fund reserve, including \$716 million for the State to respond to the changing conditions of the COVID-19 pandemic.

For fiscal year 2019-20, the 2020-21 Budget projects total general fund revenues and transfers of \$137.6 billion and authorizes expenditures of \$146.9 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of \$17 billion, including \$16.1 billion in the BSA and \$900 million in the Safety Net Reserve Fund. For fiscal year 2020-21, the 2020-21 Budget projects total general fund revenues and

transfers of \$137.7 billion and authorizes expenditures of \$133.9 billion. The State is projected to end the 2020-21 fiscal year with total available general fund reserves of \$11.4 billion, including \$2.6 billion in the traditional general fund reserve (of which \$716 million is earmarked for COVID-related responses), \$8.3 billion in the BSA and \$450 million in the Safety Net Reserve Fund

For additional information regarding the 2020-21 Budget, see the DOF's website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov.

Certain litigation which challenges some of the terms of the Dissolution Act is currently ongoing, and it is anticipated that there will be additional future legislation in this area. The Agency cannot predict what measures may be proposed or implemented for the current fiscal year or in the future.

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

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 tax increment revenues.

Recognized Obligation Payment Schedule

The Dissolution Act provides that, commencing on the date that the first Recognized Obligation Payment Schedule is valid thereunder, only those obligations listed in the Recognized Obligation Payment Schedule may be paid by the Agency from the funds specified in the Recognized Obligation Payment Schedule. Before each February 1, with respect to the following fiscal year, the Dissolution Act requires successor agencies to prepare, approve and submit to the successor agencies' oversight boards and the DOF for approval a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as described under the caption "SECURITY FOR THE 2020 BONDS—Recognized Obligation Payment Schedule") of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Tax revenues will not be distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Agency's Redevelopment Obligation Retirement Fund without a duly approved and effective Recognized Obligation Payment Schedule obtained in sufficient time prior to the June 1 property tax distribution date. See the caption "SECURITY FOR THE 2020 BONDS—Recognized Obligation Payment Schedule" and "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—*Recognized Obligation Payment Schedule.*" The Agency has filed each Recognized Obligation Payment Schedule on or before the applicable statutory deadline.

In the event that the Agency were to fail to file a Recognized Obligation Payment Schedule with respect to a fiscal year, the availability of Pledged Tax Revenues to the Agency could be adversely affected for such period. In the event that a successor agency fails to submit to the DOF an oversight board-approved Recognized Obligation Payment Schedule complying with the provisions of the Dissolution Act within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations, the DOF may determine if any amount should be withheld by the applicable county auditor-controller for payments for enforceable obligations from distribution to taxing entities pursuant to clause (iv) below, pending approval of a Recognized Obligation Payment Schedule. Upon notice provided by the DOF to the county auditor-controller of an amount to be withheld from allocations to taxing entities, the county auditor-controller must distribute to taxing entities any moneys in the Redevelopment Property Tax Trust Fund in excess of the withholding amount set forth in the notice, and the county auditor-controller must distribute withheld funds to the successor agency only in accordance with a Recognized Obligation Payment Schedule when and as approved by the DOF.

Typically, under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, the county auditor-controller is to distribute funds for each six-month period (after retention of amounts due to county auditor-controllers for administrative fees) in the following order specified in Section 34183 of the Dissolution Act:

- (i) First, to each local agency and school entity, to the extent applicable, amounts required for pass-through payments that such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including pursuant to the Pass-Through Agreements and Statutory Pass-Through Amounts. Pension or State Water Project override revenues that are not pledged to or not needed for debt service on Agency debt will be allocated and paid to the entity that levies the override;
- (ii) Second, to the Agency for payments listed in its Recognized Obligation Payment Schedule;
- (iii) Third, to the Agency for the administrative cost allowance, as defined in the Dissolution Act; and
- (iv) Fourth, the remainder is distributed to the taxing entities in an amount proportionate to such taxing entity's share of property tax revenues in the tax rate area in such Fiscal Year (without adjustment for pass-through obligations).

If the Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations and the DOF 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.

The Agency has covenanted in the Indenture to take all actions required under the Dissolution Act to enable the County Auditor-Controller to distribute from the RPTTF on each January 2 and June 1 all amounts required to pay debt service on the Bonds and to pay other amounts required under the Indenture. See the caption "SECURITY FOR THE BONDS—Recognized Obligation Payment Schedule" and Appendix B.

The Dissolution Act also imposes certain penalties in the event that the Agency does not timely submit a Recognized Obligation Payment Schedule for each fiscal year. Specifically, a Recognized Obligation Payment Schedule must be submitted by the Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the DOF and the State Controller by February 1 in each year with respect to the following Fiscal Year. If the Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by such deadline, the City will be subject to a civil penalty equal to \$10,000 per day for every day that the schedule is not submitted. Additionally, the Agency's administrative cost allowance will be reduced by 25% for any fiscal year for which the Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule within 10 days of the February 1 deadline. If the Agency fails to submit a Recognized Obligation Payment Schedule by the February 1 deadline, any creditor of the Agency, the DOF or any affected taxing entity will have standing to, and may request a writ of mandate to, require the Agency to immediately perform this duty. For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications thereof on the 2020 Bonds, see the captions "SECURITY FOR THE 2020 BONDS—Recognized Obligation Payment Schedule" and "THE PROJECT AREAS—Historical and Estimated Redevelopment Property Tax Trust Fund Distributions."

Last and Final Recognized Obligation Payment Schedule

SB 107 amended the Dissolution Act to permit certain successor agencies with limited remaining obligations to submit a Last and Final ROPS for approval by the oversight board and DOF. The Last and Final ROPS must list the remaining enforceable obligations of the successor agency, including the total outstanding obligation amount and a schedule of remaining payments for each enforceable obligation. The Last and Final

ROPS shall also establish the maximum amount of Redevelopment Property Tax Trust Funds to be distributed to the successor agency for each remaining fiscal year until all obligations have been fully paid.

Any revenues, interest, and earnings of the successor agency, including proceeds from the disposition of real property, that are not authorized for use pursuant to the approved Last and Final ROPS shall be remitted to the county auditor-controller for distribution to the affected taxing entities. A successor agency shall not expend more than the amount approved for each enforceable obligation listed on the approved Last and Final ROPS and once the successor agency has received Redevelopment Property Tax Trust Fund moneys equal to the amount of the total outstanding obligations approved in the Last and Final ROPS, the county auditor-controller will not allocate further Redevelopment Property Tax Trust Fund moneys to the successor agency.

Successor agencies may only amend an approved Last and Final ROPS twice. If the Agency prepares and obtains DOF approval of a Last and Final ROPS and subsequently amends the Last and Final ROPS two times, the Agency may be unable to make unexpected or unscheduled reserve deposits or payments due to the 2018 Insurer or insurers of Parity Debt.

The Agency is not currently eligible to submit a Last and Final ROPS and has no current plans to seek approval of a Last and Final ROPS. The Agency has covenanted in the Indenture not to submit a Last and Final ROPS without the prior consent of the Insurer, so long as the Policy is in full force and effect and the Insurer is not in default of its obligations thereunder.

See the caption “SECURITY FOR THE BONDS—Last and Final Recognized Obligation Payment Schedule” for a discussion of the requirements for a Last and Final Recognized Obligation Payment Schedule and the mechanics for allocation of Redevelopment Property Tax Trust Fund moneys pursuant to an approved Last and Final Recognized Obligation Payment Schedule.

Parity Debt Issued Without Reserve

The Indenture permits the issuance of Parity Debt for the purpose of refunding outstanding 2020 Bonds and to finance all or a portion of the DDA Payment Obligation remaining under the Summerly DDA following the issuance of the 2020 Bonds, subject to compliance with certain requirements. See the caption “SECURITY FOR THE 2020 BONDS—Limitation on Additional Indebtedness.” If such Parity Debt is issued in the form of Bonds pursuant to a Supplemental Indenture, the Indenture requires the amount on deposit in the Reserve Account to equal the Reserve Requirement; however, the Agency may issue Parity Debt in a form other than Bonds, pursuant to a Parity Debt Instrument that is not a Supplemental Indenture, without satisfying the Reserve Requirement. In the event Pledged Tax Revenues are insufficient to pay debt service on all Bonds and Parity Debt, the likelihood of a default by the Agency under such Parity Debt Instrument would be higher than the likelihood of default by the Agency under the Indenture or a Supplemental Indenture, because moneys held in the Reserve Account would only be available to make payments on the Bonds and Parity Debt issued under a Supplemental Indenture, not to make payments on Parity Debt issued under another Parity Debt Instrument.

The Agency’s ability to issue Parity Debt following the issuance of the 2020 Bonds is limited to refundings of Outstanding Bonds and to finance all or a portion of the DDA Payment Obligation under the Summerly DDA. The Developer and Master Developer have indicated that they may ask the Agency to issue Parity Debt to finance a portion of the remaining DDA Payment Obligation. The Agency projects that sufficient Pledged Tax Revenues will be available to make debt service payments on the 2020 Bonds. See Table 7 under the caption “PLEDGED TAX REVENUES—Projected Pledged Tax Revenues” and Table 8 under the caption “PLEDGED TAX REVENUES—Debt Service Coverage.”

Bankruptcy and Foreclosure

The payment of the property taxes from which Pledged Tax Revenues are derived and the ability of the County to foreclose the lien of a delinquent unpaid tax may be limited by bankruptcy, insolvency or other laws

generally affecting creditors' rights (such as the Soldiers' and Sailors' Relief Act of 1940 discussed below) or by the laws of the State relating to judicial foreclosure. In addition, the prosecution of a foreclosure action could be delayed due to crowded local court calendars or delays in the legal process. The various legal opinions to be delivered concurrently with the delivery of the 2020 Bonds (including Bond Counsel's approving legal opinions) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the liens to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings because federal bankruptcy laws may provide for an automatic stay of foreclosure and sale of tax sale proceedings. Such delay would increase the possibility of delinquent tax installments not being paid in full and thereby increase the likelihood of a delay or default in payment of the principal of and interest on the 2020 Bonds. Moreover, if the value of the subject property is less than the lien of property taxes, such excess could be treated as an unsecured claim by the bankruptcy court. Further, should remedies be exercised under the federal bankruptcy laws, payment of property taxes may be subordinated to bankruptcy law priorities. Thus, certain claims may have priority over property taxes in a bankruptcy proceeding even though they would not outside of a bankruptcy proceeding.

In addition, the United States Bankruptcy Code might prevent moneys on deposit in the Redevelopment Obligation Retirement Fund from being applied to pay interest on the 2020 Bonds and/or to redeem 2020 Bonds if bankruptcy proceedings were brought by or against a landowner and if the court found that any of such landowner had an interest in such moneys within the meaning of Section 541(a)(1) of the United States Bankruptcy Code.

Other laws generally affecting creditors' rights or relating to judicial foreclosure may affect the ability to enforce payment of property taxes or the timing of enforcement thereof. For example, the Soldiers and Sailors Civil Relief Act of 1940 affords protections such as a stay in enforcement of the foreclosure covenant, a six-month period after termination of military service to redeem property sold to enforce the collection of a tax or assessment and a limitation on the interest rate on the delinquent tax or assessment to persons in military service if a court concludes that the ability to pay such taxes or assessments is materially affected by reason of such service.

As discussed under the caption "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—*Delinquencies*," under its current policies, the County Auditor-Controller distributes 100% of tax increment revenues allocated to each redevelopment successor agency without regard to delinquencies in the payment of property taxes. However, there can be no assurance that such policies will not be changed in the future.

Estimated Revenues

In estimating that Pledged Tax Revenues will be sufficient to pay debt service on the 2020 Bonds and any Parity Bonds, the Agency and the Fiscal Consultant have made certain assumptions with regard to present and future assessed valuation in the Project Areas, future tax rates and percentage of taxes collected. The Agency believes these assumptions to be reasonable, but there is no assurance that these assumptions will be realized. To the extent that the assessed valuation and the tax rates are less than expected, the Pledged Tax Revenues which are available to pay debt service on the 2020 Bonds and any Parity Bonds will be less than those projected and such reduced Pledged Tax Revenues may be insufficient to provide for the payment of principal of, premium (if any) and interest on the 2020 Bonds and any Parity Bonds. See the captions "PLEDGED TAX REVENUES."

Hazardous Substances

While governmental taxes, assessments, and charges are a common claim against the value of a taxable parcel, other less common claims may be relevant. One example is a claim with regard to a hazardous substance.

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. In general, the owners and operators of a taxable parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but State and local laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated 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 taxable parcels be affected by a hazardous substance is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of the property that is realizable upon a delinquency and foreclosure.

Further, it is possible that liabilities may arise in the future with respect to any of the taxable parcels resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a taxable parcel that is realizable upon a delinquency.

Natural Disasters

The value of the property in the Project Areas in the future can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements on property and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes, topographic conditions such as earth movements, landslides and floods and climatic conditions such as high winds or droughts. In the event that one or more of such conditions occur, such occurrence could cause damages of varying seriousness to the land and improvements and the value of property in the Project Areas could be diminished in the aftermath of such events. A substantial reduction of the value of such properties and could affect the ability or willingness of the property owners to pay the property taxes. The City has undertaken measures which include building inspection and enforcement of building codes, community education and seismic assessment of new development projects.

Seismic Risks. The City is located on a portion of the Elsinore Fault System and therefore, like most communities in California, is an area of unpredictable seismic activity. The Safety and Welfare Element of the City’s General Plan states that the City is “likely to experience repeated moderate to strong ground shaking generated by the Elsinore fault in the foreseeable future.” Such an event could potentially result in damage to buildings, roads, bridges, and property within the Project Areas in the event of an earthquake. The last major event was in 1910 with a 6 M_w earthquake northwest of the City. The occurrence of severe seismic activity in the City could result in substantial damage to property located in the Project Areas, and could lead to successful appeals for reduction in assessed values of such property. Such a reduction could result in a decrease in Pledged Tax Revenues.

Flood Risks. Significant portions of the City are located within the 100-year floodplain. The City of Lake Elsinore has identified flooding sources within the City that include Arroyo del Toro, Channel H, Elsinore

Spillway Channel, Lake Elsinore, Leach Canyon Channel, Lime Street Channel, McVicker Canyon, Ortega Wash, Ortega Channel, Rice Canyon, San Jacinto River, Stovepipe Canyon Creek, Temescal Wash, Wash G, Wash I, Murrieta Creek, Wasson Canyon Creek, and potentially Railroad Canyon Dam if the incidence of failure occurs. The City places a high priority on preventing flood damage and requires new projects to consider flooding and storm drainage effects; however, limited encroachment into the 100-year floodplain fringe is allowed in order to permit development of properties within this area.

Development in the 100-year floodplain can increase flooding hazards by raising water levels upstream and adding flow, velocity, and debris downstream. Floodplains are the low, flat, periodically flooded lands adjacent to rivers, lakes, and oceans inundated by the 100-year flood and composed of the floodplain and the floodplain fringe. The floodway is the channel of a river or other watercourse and the adjacent land areas that must be reserved in order to discharge the 100-year flood without cumulatively increasing the water surface elevation more than one foot. The floodway fringe is that portion of the floodplain between the floodplain and the limits of the existing 100-year floodplain.

Wildfires. Much of the area to the southwest, west, and northwest within the City's sphere of influence supports coastal shrub and chamise redshank chaparral. These are prime fuel sources for wildfire. Wildfire susceptibility in the City is defined as moderately high. The combination of Southern California's Mediterranean climate, with its winter and spring rainfall, hot, dry summers, and frequent strong winds creates optimum conditions for wildfires. The annual rainfall pattern supports grasses, shrubs, and trees, and the hot arid summers result in dry vegetation. This readily combustible material can be easily ignited and will burn hot and fast, especially during high wind conditions. The City is known for periodic high-velocity wind conditions through the Temescal Valley and the steep canyons to the northwest, west, and southwest portions of the City's sphere of influence. Such winds are due mostly to the area's topography, which forms a natural wind tunnel along the valley and through the canyons. The area is also subject to occasional Santa Ana conditions. Property damage due to wildfires could result in a decrease in Pledged Tax Revenues

On or about August 6, 2018, a wildfire commonly referred to as the Holy Fire began in the area known as the Holy Jim Canyon, which is located to the West of the City in the Cleveland National Forest. The Holy Fire burned over 22,000 acres of land located in Orange and Riverside counties, including areas within the City. No homes or other permanent structures within any of the Project Areas were damaged by the Holy Fire; however, portions of the City were subject to mandatory evacuations. Areas burned by wildfire may be more prone to mudslides and flooding than other areas.

Changes in the Law

There can be no assurance that the State electorate will not at some future time adopt initiatives or that the State Legislature will not enact legislation that will amend the Dissolution Act, the Redevelopment Law or other laws or the Constitution of the State resulting in a reduction of Pledged Tax Revenues, which could have an adverse effect on the Agency's ability to pay debt service on the 2020 Bonds.

Investment Risk

Funds held under the Indenture are required to be invested in Permitted Investments as provided under the Indenture. See Appendix B for a summary of the definition of Permitted Investments. The funds and accounts of the Agency, into which a portion of the proceeds of the 2020 Bonds will be deposited and into which Pledged Tax Revenues are deposited, may be invested by the Agency in any investment authorized by law. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal.

Further, the Agency cannot predict the effects on the receipt of Pledged Tax Revenues if the County were to suffer significant losses in its portfolio of investments or if the County or the City were to become

insolvent or declare bankruptcy. See Appendix E for information regarding the City's finances. See also the caption "—Bankruptcy and Foreclosure."

Secondary Market

There can be no guarantee that there will be a secondary market for the 2020 Bonds, or, if a secondary market exists, that the 2020 Bonds can be sold for any particular price. Although the Agency has committed to provide certain financial and operating information on an annual basis, there can be no assurance that such information will be available to Bondowners on a timely basis. See the caption "CONCLUDING INFORMATION—Continuing Disclosure" and Appendix H. Any failure to provide annual financial information, if required, does not give rise to monetary damages but merely an action for specific performance. 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.

No Validation Proceeding Undertaken

Code of Civil Procedure Section 860 authorizes public agencies to institute a process, otherwise known as a "validation proceeding," for purposes of determining the validity of a resolution or any action taken pursuant thereto. Section 860 authorizes a public agency to institute validation proceedings in cases where another statute authorizes its use. Relevant to the 2020 Bonds, Government Code Section 53511 authorizes a local agency to "bring an action to determine the validity of its bonds, warrants, contracts, obligations or evidences of indebtedness." Pursuant to Code of Civil Procedure Section 870, a final favorable judgment issued in a validation proceeding shall, notwithstanding any other provision of law, be forever binding and conclusive, as to all matters herein adjudicated or which could have been adjudicated, against all persons: "The judgment shall permanently enjoin the institution by any person of any action or proceeding raising any issue as to which the judgment is binding and conclusive."

The Agency has not undertaken or endeavored to undertake any validation proceeding in connection with the issuance of the 2020 Bonds. The Agency and Bond Counsel have relied on the provisions of AB 1484 authorizing the issuance of the 2020 Bonds and specifying the related deadline for any challenge to the 2020 Bonds to be brought. Specifically, Section 34177.5(e) of the Dissolution Act provides that notwithstanding any other law, an action to challenge the issuance of bonds (such as the 2020 Bonds), the incurrence of indebtedness, the amendment of an enforceable obligation, or the execution of a financing agreement authorized under Section 34177.5, must be brought within 30 days after the date on which the oversight board approves the resolution of the successor agency approving such financing. Such challenge period expired with respect to the 2020 Bonds and the Oversight Board Resolution on August 15, 2020.

It is possible that the definition of Pledged Tax Revenues could be affected by changes in law or judicial decisions relating to the dissolution of redevelopment agencies. The Indenture provides that if, and to the extent, that the applicable property tax revenue provisions of the Dissolution Act are determined by a court in a final judicial decision to be invalid, and in place of any such invalid provisions, then Pledged Tax Revenues will include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the State Constitution. Additionally, any action by a court to invalidate provisions of the Dissolution Act required for the timely payment of principal of, and interest on, the 2020 Bonds could be subject to issues regarding unconstitutional impairment of contracts and unconstitutional taking without just compensation. The Agency believes that the aforementioned considerations would provide some protections against the adverse consequences upon the Agency and the availability of Pledged Tax Revenues for the payment of debt service on the 2020 Bonds in the event of successful challenges to the Dissolution Act or portions thereof. However, the Agency provides no assurance that any other lawsuit

challenging the Dissolution Act or portions thereof will not result in an outcome that may have a detrimental effect on the Agency's ability to timely pay debt service on the 2020 Bonds.

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2020 Bonds will be selected for audit by the Internal Revenue Service. It is also possible that the market value of the 2020 Bonds might be affected as a result of such an audit of the 2020 Bonds (or by an audit of similar municipal obligations).

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS," in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2020B Bonds, the City and the Agency have covenanted in the Indenture and the Tax Certificate relating to the 2020B Bonds not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the 2020B Bonds under Section 103 of the Internal Revenue Code of 1986, as amended. Interest on the 2020B Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance, as a result of acts or omissions of the City or the Agency subsequent to the issuance of the 2020B Bonds in violation of such covenants with respect to the 2020B Bonds. Should such an event of taxability occur, the 2020B Bonds are not subject to redemption by reason thereof and will remain outstanding until maturity or unless earlier redeemed pursuant to the redemption provisions of the Indenture.

Bonds Are Limited Obligations

Neither the faith and credit nor the taxing power of the Agency (except to the limited extent set forth in the Indenture), the City, the State or any political subdivision thereof is pledged to the payment of the 2020 Bonds. The 2020 Bonds are special obligations of the Agency; and, except as provided in the Indenture, they are payable solely from Pledged Tax Revenues. Pledged Tax Revenues could be insufficient to pay debt service on the 2020 Bonds as a result of delinquencies in the payment of property taxes or the insufficiency of proceeds derived from the sale of land within the Project Areas following a delinquency in the payment of the applicable property taxes. As discussed under the caption "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—*Delinquencies*," under its current policies, the County Auditor-Controller distributes 100% of tax increment revenues allocated to each redevelopment successor agency in the County without regard to delinquencies in the payment of property taxes. However, there can be no assurance that such policies will not be changed in the future. The Agency has no obligation to pay debt service on the 2020 Bonds in the event of insufficient Pledged Tax Revenues, except to the extent that money is available for such purpose in the Redevelopment Obligation Retirement Fund, the Debt Service Fund and the Reserve Account.

Bond Insurance

In the event of default of the payment of the scheduled principal of or interest on the 2020 Bonds when all or some becomes due, the Trustee on behalf of any owner of the 2020 Bonds shall have a claim under the Policy for such payments. The Insurer may direct and must consent to any remedies with respect to the 2020 Bonds and the Insurer's consent may be required in connection with amendments to any applicable documents relating to the 2020 Bonds. See Appendix B—"SUMMARY OF THE INDENTURE—Security of Bonds; Flow of Funds—Provisions Relating to the Insurance Policy."

The long-term ratings on the 2020 Bonds are dependent in part on the financial strength of the Insurer and its claims paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and the ratings on the Bonds will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "RATINGS" herein.

The obligations of the Insurer are unsecured contractual obligations and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the Agency nor the Underwriter has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Agency to make the payments on the 2020 Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See “BOND INSURANCE” herein for further information regarding the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

Split Roll Initiative

On May 29, 2020, a proposed voter initiated ballot initiative became eligible and subsequently qualified for the November 2020 Statewide ballot (the “Proposition 15”). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, Proposition 15 would amend Article XIII A such that the “full cash value” of commercial and industrial real property, for each lien date, would be equal to the fair market value of that property. If approved, Proposition 15 would not affect the “full cash value” of residential property, real property used for commercial agricultural production, or commercial and industrial real property with combined value of \$3 million or less, which would continue to be subject to annual increases not to exceed 2%. In addition, Proposition 15 would eliminate the business tangible personal property tax on equipment and fixtures for small businesses and provide a \$500,000 per year exemption for all other businesses. After compensating the State General Fund for resulting reductions in State personal income tax and corporate tax revenues, and compensating cities, counties and special districts for the cost of implementing Proposition 15, approximately 40% of the remaining additional tax revenues generated as a result of Proposition 15 would be deposited into a fund created pursuant to Proposition 15 called the Local School and Community College Property Tax Fund, with such funds being used to supplement, and not replace, existing funding school districts and community college districts receive under the State’s constitutional minimum funding requirement. With respect to the tax revenues deposited into the Local School and Community College Property Tax Fund, 11% would be allocated by the Board of Governors of the California Community Colleges to community college districts and 89% of such tax revenues would be allocated by the Superintendent of Public Instruction to school districts, charter schools and county offices of education.

On July 1, 2020, a legislatively referred constitutional amendment was filed with the Secretary of State and subsequently qualified for the November 2020 Statewide ballot (“Proposition 19”). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, Proposition 19 would amend Article XIII A to: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by wildfire or natural disaster, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) dedicate most of the potential new State revenue generated from Proposition 19 toward fire protection.

The Agency cannot predict whether either Proposition 15 or Proposition 19 will be approved by a majority of voters casting a ballot. If approved, the Agency cannot make any assurance as to what effect the implementation of either Proposition 15 or Proposition 19 will have on Pledged Tax Revenues or the assessed valuation of real property in the Project Areas.

Limitations on Remedies

Remedies available to the Owners of the 2020 Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the 2020 Bonds or to preserve the tax-exempt status of the 2020 Bonds.

Bond Counsel has limited its opinion as to the enforceability of the 2020 Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or other similar laws affecting generally the enforcement of creditors' rights, by equitable principles and by the exercise of judicial discretion. Additionally, the 2020 Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Indenture. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Owners.

Enforceability of the rights and remedies of the Owners of the 2020 Bonds, and the obligations incurred by the Agency, may become subject to the United States 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, equity 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, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against governmental entities in the State. See the caption "—Bankruptcy and Foreclosure."

TAX MATTERS

2020B Bonds

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the 2020B Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the 2020B Bonds is exempt from State of California personal income tax.

The difference between the issue price of a 2020B Bond (the first price at which a substantial amount of the 2020B Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the 2020B Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to an Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by an Owner will increase the Owner's basis in the applicable 2020B Bond. In the opinion of 2020B Bond Counsel, the amount of original issue discount that accrues to the Owner of the 2020B Bond is excluded from gross income of such Owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Owner of the 2020B Bonds is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the 2020B Bonds is based upon certain representations of fact and certifications made by the Agency and others and is subject to the condition that the Agency complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2020B Bonds to assure that interest (and original issue discount) on the 2020B Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the 2020B Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2020B Bonds. The Agency will covenant to comply with all such requirements.

The amount by which an Owner's original basis for determining loss on sale or exchange in the applicable 2020B Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such

amortizable bond premium reduces the Owner's basis in the applicable 2020B Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in an Owner realizing a taxable gain when a 2020B Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2020B Bond to the Owner. Purchasers of the 2020B Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the 2020B Bonds permit certain actions to be taken or to be omitted if a favorable opinion of a bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (or original issue discount) on any 2020B Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the 2020B Bonds is excluded from gross income for federal income tax purposes provided that the Agency continues to comply with certain requirements of the Code, the ownership of the 2020B Bonds and the accrual or receipt of interest (and original issue discount) with respect to the 2020B Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2020B Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2020B Bonds.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2020B Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2020B Bonds might be affected as a result of such an audit of the 2020B Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2020B Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the 2020B Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE 2020B BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE 2020B BONDS OR THE MARKET VALUE OF THE 2020B BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2020B BONDS. IT IS POSSIBLE THAT LEGISLATIVE CHANGES WILL BE INTRODUCED WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME OR STATE TAX BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2020B BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE 2020B BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE 2020B BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE 2020B BONDS.

2020C Bonds

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest with respect to the 2020C Bonds is exempt from State of California personal income tax.

The difference between the issue price of a 2020C Bond (the first price at which a substantial amount of the 2020C Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity (to the extent that such issue price is lower than the stated redemption price at maturity) with respect to such 2020C Bond constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the 2020C Bond Owner will increase the 2020C Bond Owner's basis in the 2020C Bond.

The amount by which a 2020C Bond Owner's original basis for determining gain or loss on sale or exchange of the applicable 2020C Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable 2020C Bond premium, which a 2020C Bond holder may elect to amortize under Section 171 of the Code; such amortizable 2020C Bond premium reduces the 2020C Bond Owner's basis in the applicable 2020C Bond (and the amount of taxable interest received), and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of 2020C Bond premium may result in a 2020C Bond Owner realizing a taxable gain when a 2020C Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2020C Bond to the Owner. Purchasers of 2020C Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable 2020C Bond premium.

The federal tax and State of California personal income tax discussion set forth above is included for general information only and may not be applicable depending upon an owner's particular situation. The ownership and disposal of the 2020C Bonds and the accrual or receipt of interest (and original issue discount) with respect to the 2020C Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2020C Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2020C Bonds.

Copies of the proposed forms of opinions of Bond Counsel are attached hereto as Appendix C.

CONCLUDING INFORMATION

Underwriting

The 2020 Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter") pursuant to a Bond Purchase Agreement, dated _____, 2020 (the "Purchase Agreement"), by and between the Underwriter and the Agency. The Underwriter has agreed to purchase the 2020 Bonds at a price of \$_____ (being the aggregate principal amount thereof, [plus/less] a [net] original issue [premium/discount] of \$_____ and less an Underwriter's discount of \$_____). The Purchase Agreement provides that the Underwriter will purchase all of the 2020 Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

The initial public offering prices stated on the inside front cover page of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the 2020 Bonds to certain dealers (including dealers depositing 2020 Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

Legal Opinions

The opinions of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, approving the validity of the 2020 Bonds and stating that interest on the 2020B Bonds is excluded from gross income for federal income tax purposes and that interest on the 2020 Bonds is exempt from California personal income taxes under present State income tax laws will be furnished to the purchaser at

the time of delivery of the 2020 Bonds at the expense of the Agency. Compensation for Bond Counsel's services is entirely contingent upon the sale and delivery of the 2020 Bonds.

Copies of the proposed forms of Bond Counsel's final approving opinions with respect to the 2020 Bonds are attached hereto as Appendix C. The legal opinions are only as to legality and are not intended to be nor are they to be interpreted or relied upon as a disclosure document or an express or implied recommendation as to the investment quality of the 2020 Bonds.

In addition, certain legal matters will be passed on for the Underwriter by Kutak Rock LLP, Irvine, California, as Underwriter's Counsel, for the Agency by the City Attorney of the City of Lake Elsinore, as counsel to the Agency, for the Insurer by its counsel and for the Trustee by its counsel.

Litigation

There is no action, suit or proceeding known to the Agency to be pending and notice of which has been served upon and received by the Agency, or threatened, restraining or enjoining the execution or delivery of the 2020 Bonds or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Agency taken with respect to any of the foregoing.

Legality for Investment in California

The Redevelopment Law provides that obligations authorized and issued under the Redevelopment Law will be legal investments for all banks, trust companies and savings banks, insurance companies, and various other financial institutions, as well as for trust funds. The 2020 Bonds are also authorized security for public deposits under the Redevelopment Law.

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

Ratings

S&P Global Ratings, LLC, a Standard & Poor's Financial Services LLC business ("S&P") is expected to assign a rating of "____" to the 2020 Bonds with the understanding that the Policy will be issued by the Insurer upon delivery of the 2020 Bonds. See the caption "BOND INSURANCE." In addition, S&P has assigned an underlying rating of "____" to the 2020 Bonds without regard to the issuance of the Policy. There is no assurance that the credit ratings given to the 2020 Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2020 Bonds. Such ratings reflect only the views of S&P and an explanation of the significance of such ratings may be obtained from S&P.

Neither the Agency nor the Underwriter makes any representation as to the Insurer's creditworthiness or that the Insurer's credit rating will be maintained in the future. The rating agencies have previously taken action to downgrade the ratings of certain municipal bond insurers and have published various releases outlining the processes that they intends to follow in evaluating the ratings of financial guarantors. For some financial guarantors, the result of such evaluations could be a rating affirmation, a change in rating outlook, a review for downgrade or a downgrade. Potential investors are directed to the rating agencies for additional information on the applicable rating agencies' evaluations of the financial guaranty industry and individual financial guarantors, including the Insurer. See the caption "BOND INSURANCE" for further information relating to the Insurer.

Continuing Disclosure

The Agency has covenanted in a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”) for the benefit of the holders and Beneficial Owners of the 2020 Bonds to provide certain financial information and operating data relating to the Agency by nine months following the end of the Agency’s fiscal year (currently its fiscal year ends on June 30) (the “Annual Report”), commencing with the report for fiscal year ending June 30, 2020, and to provide notices of the occurrence of certain enumerated events. This Official Statement constitutes the Annual Report for Fiscal Year 2019-20.

The Annual Report and the notices of enumerated events will be filed by the Agency with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>. The specific nature of the information to be contained in the Annual Report and the notices of enumerated events are set forth in Appendix H. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934 (“Rule 15c2-12”).

The Continuing Disclosure Certificate will inure solely to the benefit of any Dissemination Agent, the Underwriter and Owners or Beneficial Owners from time to time of the 2020 Bonds. A default under the Continuing Disclosure Certificate is not a default under the Indenture and the sole remedy following a default is an action to compel specific performance by the Agency with the terms of the Continuing Disclosure Certificate.

Although the City, the Facilities Financing Authority, the Public Financing Authority and certain community facilities districts formed by the City are not obligated persons pursuant to Rule 15c2-12 with respect to the Bonds, during the last five years the City, the Facilities Financing Authority, the Public Financing Authority, the Agency, the Former Agency, the Public Financing Authority and certain community facilities districts formed by the City failed to comply in certain respects with continuing disclosure obligations related to outstanding bonded indebtedness. The failures to comply include late filings with respect to several annual reports and incomplete filings with respect to other annual reports. The incomplete filings omitted one or more of the following items:

- (1) Comprehensive audited financial statements of the City, the Public Financing Authority or certain community facilities districts, as applicable, including the audited financial statements for Fiscal Year 2014-15 which were filed more than 30 days late;
- (2) Failure to provide notices of the late filing of certain of the annual financial information that is described in item (1) above; and
- (3) Appeals information was not included in the annual report for Fiscal Year 2018-19 prepared in connection with certain bonds which were subsequently refunded, however such information was subsequently filed.

The City, the Authority, the Successor Agency, the Public Financing Authority and various community facilities districts formed by the City have made additional filings to provide certain of the previously omitted information.

The Agency believes that in several instances annual reports were timely provided to the dissemination agent but the dissemination agent either failed to file such reports or did not file the complete report. In order to promote compliance by the City, the Agency, the Facilities Financing Authority, the Public Financing Authority and various community facilities districts formed by the City with continuing disclosure undertakings in the future, the City has retained Spicer Consulting Group, LLC, to serve as the dissemination agent with respect to issuances of land-secured bonded indebtedness and Urban Futures Incorporated to serve as the dissemination agent with respect to other types of bonded indebtedness, including the Bonds. Additionally, the City adopted formal policies and procedures with respect to its continuing disclosure practices and reported its failures to

comply with its prior continuing disclosure obligations under the Municipalities Continuing Disclosure Cooperation Initiative of the U.S. Securities Exchange Commission..

Miscellaneous

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

This Official Statement does not constitute a contract with the purchasers of the 2020 Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

SUCCESSOR AGENCY OF THE REDEVELOPMENT
AGENCY OF THE CITY OF LAKE ELSINORE

By: _____
Executive Director

APPENDIX A
FISCAL CONSULTANT'S REPORT

APPENDIX B

SUMMARY OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture of Trust, as supplemented by the First Supplemental Indenture of Trust (the “Indenture”) authorizing the 2020 Bonds that are not otherwise described in the text of this Official Statement. Such summary is not intended to be definitive, and reference is made to the actual Indenture (copies of which may be obtained from the Trustee) for the complete terms thereof.

[TO COME]

APPENDIX C

FORMS OF BOND COUNSEL OPINIONS

Upon issuance of the 2020 Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinions in substantially the following form:

_____, 2020

Successor Agency of the Redevelopment Agency of the City of Lake Elsinore
Lake Elsinore, California

*Re: \$_____ Successor Agency of the Redevelopment Agency of the City of Lake Elsinore
 (Rancho Laguna Redevelopment Project Areas No. II and No. III) Third Lien Tax Allocation
 Bonds, Series 2020B*

Honorable Members of the Successor Agency:

We have examined certified copies of proceedings of the Successor Agency of the Redevelopment Agency of the City of Lake Elsinore (the “Agency”), the Oversight Board to the Agency (the “Oversight Board”), the Department of Finance of the State of California (“DOF”) and other information and documents submitted to us relative to the issuance and sale by the Agency of its Successor Agency of the Redevelopment Agency of the City of Lake Elsinore (Rancho Laguna Redevelopment Project Areas No. II and No. III) Third Lien Tax Allocation Bonds, Series 2020B in the aggregate principal amount of \$_____ (the “Bonds”) and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we also have relied upon certain representations of fact and certifications made by the Agency, the Trustee, the Underwriter of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the Constitution and laws of the State of California (the “State”), including Article 11 of Chapter 3 (commencing with Section 53580) of Part 1 of Division 2 of Title 5 of the California Government Code, the provisions of Health & Safety Code Section 34177.5, a resolution of the Agency adopted on July 14, 2020 and a resolution of the Oversight Board adopted on July 16, 2020, which action was approved by the DOF on September 25, 2020, and in accordance with the terms and conditions of an Indenture of Trust, dated as of March 1, 2018, as supplemented by the First Supplemental Indenture of Trust, dated as of _____ 1, 2020 (collectively, the “Indenture”), each by and between the Agency and Wilmington Trust, National Association (the “Trustee”). All terms not defined herein have the meanings ascribed to those terms in the Indenture.

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

(1) The Bonds have been duly and validly authorized by the Agency and are legal, valid and binding special obligations of the Agency, secured and payable solely from Pledged Tax Revenues (as defined in the Indenture) and other sources as and to the extent provided for in the Indenture. The Bonds are special obligations of the Agency but are not a debt of the City of Lake Elsinore, the County of Riverside, the State or any other political subdivision thereof within the meaning of any constitutional or statutory limitation, and none of the City of Lake Elsinore, the County of Riverside, the State, or any other of its political subdivisions, except the Agency, is liable for the payment thereof.

(2) The Indenture has been duly authorized by the Agency, is valid and binding upon the Agency, is enforceable in accordance with its terms and creates a valid pledge of that which the Indenture purports to pledge.

(3) Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

(4) Interest (and original issue discount) on the Bonds is exempt from State personal income tax.

(5) The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner's basis in the applicable Bond. Original issue discount that accrues for the Bond owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals (as described in paragraph 3 above) and is exempt from State personal income tax.

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

The opinions expressed in paragraphs (3) and (5) above as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds are subject to the condition that the Agency complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Agency has covenanted to comply with all such requirements. Except as set forth in paragraphs (3), (4), (5) and (6) above, we express no opinion as to any tax consequences related to the Bonds.

Certain agreements, requirements and procedures contained or referred to in the Indenture and the Tax Certificate executed by the Agency with respect to the Bonds may be changed and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax exempt obligations. We express no opinion as to the effect on exclusion from gross income for federal income tax purposes of the interest (and original issue discount) on any Bonds if any such change occurs or action is taken or omitted upon advice or approval of bond counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

With respect to the opinions expressed herein, the rights and obligations under the Indenture are subject to bankruptcy, insolvency, moratorium and other laws affecting the enforcement of creditors' rights, to the application of equitable principles if equitable remedies are sought, to the limitations on legal remedies against public agencies in the State and to limitations on rights of indemnity by principles of public policy.

The opinions expressed herein and the exclusion of interest on the Bonds from gross income for federal income tax purposes may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or

events are taken or do occur. Our engagement as bond counsel to the Agency terminates upon the issuance of the Bonds.

By delivering this opinion, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the Bonds or the Indenture, nor are we expressing any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on any assets thereunder.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities.

Our opinion is limited to matters governed by the laws of the State and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

_____, 2020

Successor Agency of the Redevelopment Agency of the City of Lake Elsinore
Lake Elsinore, California

Re: \$_____ *Successor Agency of the Redevelopment Agency of the City of Lake Elsinore
(Rancho Laguna Redevelopment Project Areas No. II and No. III) Third Lien Tax Allocation
Bonds, Series 2020C (Federally Taxable)*

Honorable Members of the Successor Agency:

We have examined certified copies of proceedings of the Successor Agency of the Redevelopment Agency of the City of Lake Elsinore (the “Agency”), the Oversight Board to the Agency (the “Oversight Board”), the Department of Finance of the State of California (“DOF”) and other information and documents submitted to us relative to the issuance and sale by the Agency of its Successor Agency of the Redevelopment Agency of the City of Lake Elsinore (Rancho Laguna Redevelopment Project Areas No. II and No. III) Third Lien Tax Allocation Bonds, Series 2020C (Federally Taxable) in the aggregate principal amount of \$_____ (the “Bonds”) and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we also have relied upon certain representations of fact and certifications made by the Agency, the Trustee, the Underwriter of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the Constitution and laws of the State of California (the “State”), including Article 11 of Chapter 3 (commencing with Section 53580) of Part 1 of Division 2 of Title 5 of the California Government Code, the provisions of Health & Safety Code Section 34177.5, a resolution of the Agency adopted on July 14, 2020 and a resolution of the Oversight Board adopted on July 16, 2020, which action was approved by the DOF on September 25, 2020, and in accordance with the terms and conditions of an Indenture of Trust, dated as of March 1, 2018, as supplemented by the First Supplemental Indenture of Trust, dated as of _____ 1, 2020 (collectively, the “Indenture”), each by and between the Agency and Wilmington Trust, National Association (the “Trustee”). All terms not defined herein have the meanings ascribed to those terms in the Indenture.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

(1) The Bonds have been duly and validly authorized by the Agency and are legal, valid and binding special obligations of the Agency, secured and payable solely from Pledged Tax Revenues (as defined in the Indenture) and other sources as and to the extent provided for in the Indenture. The Bonds are special obligations of the Agency but are not a debt of the City of Lake Elsinore, the County of Riverside, the State or any other political subdivision thereof within the meaning of any constitutional or statutory limitation, and none of the City of Lake Elsinore, the County of Riverside, the State, or any other of its political subdivisions, except the Agency, is liable for the payment thereof.

(2) The Indenture has been duly authorized by the Agency, is valid and binding upon the Agency, is enforceable in accordance with its terms and creates a valid pledge of that which the Indenture purports to pledge.

(3) Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended.

(4) Interest (and original issue discount) on the Bonds is exempt from personal income taxes imposed in the State.

(5) Except for certain exceptions, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated payment price at maturity with respect to such Bond (to the extent that the stated redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner's basis in the applicable Bond.

Except as expressly set forth in paragraphs (3), (4) and (5), we express no opinion regarding any tax consequences with respect to the Bonds. Potential purchasers should consult their independent tax advisors with respect to the tax consequences relating to the Bonds and the taxpayer's particular circumstances.

With respect to the opinions expressed herein, the rights and obligations under the Indenture are subject to bankruptcy, insolvency, moratorium and other laws affecting the enforcement of creditors' rights, to the application of equitable principles if equitable remedies are sought, to the limitations on legal remedies against public agencies in the State and to limitations on rights of indemnity by principles of public policy.

By delivering this opinion, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the Bonds or the Indenture, nor are we expressing any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on any assets thereunder.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities.

Our opinion is limited to matters governed by the laws of the State and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX E
COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR
FISCAL YEAR ENDED JUNE 30, 2019

APPENDIX F
STATE DEPARTMENT OF FINANCE LETTER

APPENDIX G

SUPPLEMENTAL INFORMATION — THE CITY OF LAKE ELSINORE

The following information relating to the City of Lake Elsinore (the “City”) and the County of Riverside, California (the “County”) is supplied solely for purposes of information. Neither the City nor the County is obligated in any manner to pay principal of or interest on the 2020 Bonds or to cure any delinquency or default on the 2020 Bonds. The 2020 Bonds are payable solely from the sources described in the Official Statement.

General

The City was founded in 1883 and incorporated as a general law city effective April 23, 1888 in San Diego County. In 1893, the Elsinore Valley, previously located in San Diego County, became part of the new County of Riverside. The City encompasses approximately 43 square miles, with over 10 miles of lakeshore, and is located at the southwestern end of the County, 73 miles southeast of downtown Los Angeles and 74 miles north of downtown San Diego.

Population

The following table offers population figures for the City, the County and the State for 2016 through 2020.

<i>Area</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>
City of Lake Elsinore	60,876	62,092	62,536	63,154	63,453
County of Riverside	2,348,213	2,384,783	2,400,762	2,422,146	2,442,304
State of California	39,189,035	39,523,613	39,586,646	39,695,376	39,782,870

Source: California State Department of Finance, Demographic Research Unit. 2010 Census Benchmark.

Building Activity

The following tables provide summaries of the building permit valuations and the number of new dwelling units authorized in the City and County from 2015 through 2019.

BUILDING PERMIT VALUATIONS City of Lake Elsinore 2012-2016

	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
Valuation (\$000):					
Residential	\$75,979	\$121,211	\$165,306	\$102,639	\$572,097
Non-residential	<u>5,879</u>	<u>18,587</u>	<u>188,298</u>	<u>1,239,886</u>	<u>140,138</u>
Total*	\$81,858	\$139,798	\$353,604	\$1,342,525	\$712,235
Residential Units:					
Single family	372	457	569	345	327
Multiple family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Total	372	457	569	345	329

* Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

BUILDING PERMIT VALUATIONS
County of Riverside
2015-2019

	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
Valuation (\$000):					
Residential	\$1,536,742	\$1,759,535	\$1,779,848	\$2,434,157	\$2,119,007
Non-residential	<u>911,465</u>	<u>1,346,019</u>	<u>3,220,299</u>	<u>1,643,902</u>	<u>1,419,484</u>
Total*	<u>\$2,448,207</u>	<u>\$3,105,554</u>	<u>\$5,000,147</u>	<u>\$4,078,059</u>	<u>\$3,538,491</u>
Residential Units:					
Single family	5,007	5,662	6,265	7,540	6,563
Multiple family	<u>1,189</u>	<u>1,039</u>	<u>1,070</u>	<u>1,628</u>	<u>1,798</u>
Total	<u>6,196</u>	<u>6,701</u>	<u>7,335</u>	<u>9,168</u>	<u>8,361</u>

* Totals may not add to sums because of rounding.
Source: Construction Industry Research Board.

Employment

The following tables show the largest employers located in the City and County as of fiscal year 2019.

LARGEST EMPLOYERS
City of Lake Elsinore
2019

<i>Rank</i>	<i>Name of Business</i>	<i>Employees</i>	<i>Type of Business</i>
1.	Lake Elsinore Unified School District	2,520	School District
2.	M & M Framing	500	Construction
3.	Stater Bros	352	Supermarkets
4.	Lake Elsinore Hotel & Casino	275	Casino & Resort
5.	Costco	275	Retail Stores
6.	Walmart	234	Retail Stores
7.	Riverside County – Dept. of Social Services	163	Government
8.	Elsinore Valley Municipal Water District	154	Water District
9.	Home Depot	135	Building Supplies
10.	Target	130	Retail Stores

Source: City of Lake Elsinore Comprehensive Annual Financial Report for the year ending June 30, 2019.

LARGEST EMPLOYERS
County of Riverside
2019

<i>Rank</i>	<i>Name of Business</i>	<i>Employees</i>	<i>Type of Business</i>
1	County of Riverside	22,000	County Government
2	University of California-Riverside	8,735	University
3	March Air Reserve Base	7,000	Military Reserve Base
4	Kaiser Permanente Riverside Medical Center	4,346	Medical Center
5	Riverside Unified School District	4,313	School District
6	City of Riverside	2,485	
7	Riverside Community Hospital	2,200	
8	Riverside Community College District	2,100	
9	Alvord Unified School District	1,898	
10	California Baptist University	1,442	University

Source: County of Riverside Comprehensive Annual Financial Report for the year ending June 30, 2019.

Employment and Industry

Employment data by industry is not separately reported on an annual basis for the City but is compiled for the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (the “MSA”), which includes all of Riverside and San Bernardino Counties. In addition to varied manufacturing employment, the MSA has large and growing commercial and service sector employment, as reflected in the table below.

The following table represents the Annual Average Labor Force and Industry Employment for the County for the period from 2015 through 2019.

RIVERSIDE-SAN BERNARDINO-ONTARIO MSA INDUSTRY EMPLOYMENT & LABOR FORCE - BY ANNUAL AVERAGE

	2015	2016	2017	2018	2019
Civilian Labor Force	1,956,600	1,987,400	2,017,700	2,047,458	2,071,750
Civilian Employment	1,828,400	1,870,200	1,914,900	1,959,392	1,988,600
Civilian Unemployment	128,200	117,200	102,800	88,083	83,167
Civilian Unemployment Rate	6.6%	5.9%	5.1%	4.3%	4.0%
 Total Farm	14,800	14,700	14,500	14,500	15,100
Total Nonfarm	1,353,100	1,400,800	1,454,900	1,506,700	1,541,800
Total Private	1,119,800	1,160,300	1,203,900	1,249,500	1,281,300
Goods Producing	183,000	192,300	197,600	207,500	208,300
Mining and Logging	1,300	900	1,000	1,200	1,200
Construction	85,700	92,500	97,400	105,200	105,900
Manufacturing	96,100	98,900	99,200	101,100	101,200
Service Providing	1,170,100	1,208,508	1,257,300	1,299,300	1,333,500
Trade, Transportation and Utilities	332,000	346,300	365,500	379,600	390,700
Wholesale Trade	61,600	62,900	62,600	65,500	66,700
Retail Trade	174,300	179,800	180,900	181,200	181,300
Transportation, Warehousing and Utilities	97,400	104,400	122,100	132,900	142,800
Information	11,400	11,600	11,600	11,400	11,500
Financial Activities	43,900	45,300	43,900	43,800	44,200
Professional and Business Services	147,400	145,800	146,900	151,400	155,500
Educational and Health Services	205,100	214,300	226,700	239,500	250,100
Leisure and Hospitality	151,700	159,700	166,300	170,600	175,200
Other Services	44,000	45,100	45,400	45,800	45,800
Government	<u>233,300</u>	<u>240,500</u>	<u>251,000</u>	<u>257,200</u>	<u>260,500</u>
Total, All Industries	<u>1,367,900</u>	<u>1,415,400</u>	<u>1,469,400</u>	<u>1,521,200</u>	<u>1,556,900</u>

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and persons involved in labor-management trade disputes. Employment reported by place of work. Items may not add to total due to independent rounding. The “Total, All Industries” data is not directly comparable to the employment data found in this Appendix G.

Source: State of California, Employment Development Department, March 2019 Benchmark.

The following table summarizes the labor force, employment and unemployment figures for the period from 2015 through 2019 for the City, the County, the State and the nation as a whole.

**CITY OF LAKE ELSINORE,
COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA AND UNITED STATES
Average Annual Civilian Labor Force, Employment and Unemployment**

<i>Year and Area</i>	<i>Labor Force</i>	<i>Employment⁽²⁾</i>	<i>Unemployment⁽³⁾</i>	<i>Unemployment Rate (%)</i>
2015				
City of Lake Elsinore	27,500	25,500	2,000	7.1%
County of Riverside	1,035,500	966,400	69,100	6.7
State of California	18,893,200	17,723,300	1,169,900	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
2016				
City of Lake Elsinore	27,900	26,100	1,800	6.5%
County of Riverside	1,051,800	988,000	63,800	6.1
State of California	19,102,700	18,065,000	1,037,700	5.4
United States	159,187,000	151,436,000	7,751,000	4.9
2017				
City of Lake Elsinore	29,400	28,000	1,400	4.8%
County of Riverside	1,072,154	1,015,843	56,311	5.3
State of California	19,205,300	18,285,500	919,800	4.8
United States	160,320,000	153,337,000	6,982,000	4.4
2018				
City of Lake Elsinore	30,400	29,200	1,200	4.1%
County of Riverside	1,091,375	1,042,673	48,702	4.5
State of California	19,281,092	18,460,433	820,650	4.3
United States	162,075,000	155,761,000	6,314,000	3.9
2019				
City of Lake Elsinore	30,800	29,600	1,200	3.9%
County of Riverside	1,104,035	1,057,884	46,151	4.2
State of California	19,408,271	18,623,900	784,375	4.0
United States				

Note: Data is not seasonally adjusted.

(1) Annual averages, unless otherwise specified.

(2) Includes persons involved in labor-management trade disputes.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: California Employment Development Department, March 2019 Benchmark and U.S. Department of Labor, Bureau of Labor Statistics.

Personal Income

Personal Income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients.

Total personal income in Riverside County increased by 52% between 2007 and 2018. The following tables summarize personal income for Riverside County for 2007 through 2018.

PERSONAL INCOME
Riverside County
2007-2018
(Dollars in Thousands)

<i>Year</i>	<i>Riverside County</i>	<i>Annual Percent Change</i>
2007	\$65,561,491	N/A
2008	66,718,107	1.7%
2009	65,363,159	(2.1)
2010	67,585,240	3.3
2011	71,936,625	6.0
2012	74,050,799	2.9
2013	76,511,910	3.2
2014	80,555,648	5.0
2015	86,033,655	6.4
2016	90,385,180	4.8
2017	94,210,345	4.1
2018	99,591,680	5.4

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

The following table summarizes per capita personal income for Riverside County, California and the United States for 2005-2016. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

PER CAPITA PERSONAL INCOME
Riverside County, State of California and the United States
2007-2018

<i>Year</i>	<i>Riverside County</i>	<i>California</i>	<i>United States</i>
2007	\$31,972	\$43,692	\$39,821
2008	31,932	44,162	41,082
2009	30,446	42,224	39,376
2010	30,380	43,317	40,277
2011	31,847	45,849	42,461
2012	32,301	48,369	44,282
2013	32,828	48,570	44,493
2014	34,044	51,344	46,494
2015	35,883	54,718	48,451
2016	36,782	57,739	49,870
2017	38,975	60,156	51,885
2018	40,637	63,557	54,446

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Taxable Sales

The table below presents taxable sales for the years 2013 through the 2019⁽¹⁾ for the City.

TAXABLE SALES
City of Lake Elsinore
2013-2019⁽¹⁾
(Dollars in Thousands)

<i>Year</i>	<i>Permits</i>	<i>Taxable Transactions</i>
2013	1,716	\$688,483
2014	1,176	728,088
2015 ⁽¹⁾	1,388	796,126
2016	1,510	821,942
2017	1,529	854,947
2018	1,626	869,151
2019	1,692	903,926

⁽¹⁾ Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.

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

The table below presents taxable sales for the years 2013 through the third quarter of 2019⁽¹⁾ for the County.

TAXABLE SALES
County of Riverside
2013-2019⁽¹⁾
(Dollars in Thousands)

<i>Year</i>	<i>Permits</i>	<i>Taxable Transactions</i>
2013	46,805	\$30,065,467
2014	48,453	32,035,687
2015 ⁽¹⁾	55,857	33,166,660
2016	57,742	34,483,694
2017	58,969	36,407,460
2018	61,433	38,919,498
2019	64,063	40,557,845

⁽¹⁾ Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.

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

APPENDIX H

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon the issuance of the 2020 Bonds, the Agency proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

[TO BE INSERTED BY BOND COUNSEL]

APPENDIX I
SPECIMEN MUNICIPAL BOND INSURANCE POLICY