

**CORCORAN CITY COUNCIL,
JOINT POWERS FINANCE AUTHORITY,
SUCCESSOR AGENCY FOR CORCORAN RDA,
& HOUSING AUTHORITY
AGENDA**

**City Council Chambers
1015 Chittenden Avenue
Corcoran, CA 93212**

**Monday, August 20, 2012
6:00 P.M.**

Public Inspection: A detailed City Council packet is available for review at the City Clerk's Office, located at Corcoran City Hall, 832 Whitley Avenue.

Notice of ADA Compliance: In compliance with the Americans with Disabilities Act, if you need assistance to participate in this meeting, please contact the City Clerks Office at (559) 992-2151 ext. 235.

Public Comment: Members of the audience may address the Council on non-agenda items; However, in accordance with government code section 54954.2, the Council may not (except in very specific instances) take action on an item not appearing on the posted agenda.

This is the time for members of the public to comment on any matter within the jurisdiction of the Corcoran City Council. This is also the public's opportunity to request that a Consent Calendar item be removed from that section and made a regular agenda item. The councilmembers ask that you keep your comments brief and positive. Creative criticism, presented with appropriate courtesy, is welcome.

After receiving recognition from the chair, speakers shall walk to the rostrum, state their name and address and proceed with comments. Each speaker will be limited to five (5) minutes.

Consent Calendar: All items listed under the consent calendar are considered to be routine and will be enacted by one motion. If anyone desires discussion of any item on the consent calendar, the item can be removed at the request of any member of the City Council and made a part of the regular agenda.

ROLL CALL

Mayor:	Raymond Lerma
Vice Mayor:	Jim Wadsworth
Council Member:	Antonia "Toni" Baltierra
Council Member:	Sidonio "Sid" Palmerin
Council Member:	Jerry Robertson

INVOCATION

FLAG SALUTE

1. PUBLIC DISCUSSION

2. **CONSENT CALENDAR (VV)**

2-A. Approval of Minutes of the regular meeting on August 6, 2012

2-B. Authorization to read ordinances and resolutions by title only.

3. **APPROPRIATIONS (VV)**

Approval of Warrant Register dated August 20, 2012. (Venegas)

4. **PRESENTATIONS**

4-A. Presentation by Kings County Economic Development Corporation.

5. **PUBLIC HEARINGS** – None

6. **WRITTEN COMMUNICATIONS** – None

7. **STAFF REPORTS**

7-A. Consider Refunding of 2003 Water COPS (Certificate of Participation) and Restructuring and Remarketing of 2008 Water COPS. (Venegas) (VV)

7-B. Consider request to solicit bids for Dog Park fencing. (Kroeker) (VV)

7-C. Consider approval of ROPS (Recognized Obligation Payment Schedule) for January through June 2013. (Venegas) (VV)

7-D. Consider contract for Consulting Services related to business licenses. (Venegas) (VV)

7-E. Consider approval of Resolution No. 2648 approving participation in California Emergency Management Agency (CalEMA) grant. (Kroeker) (VV)

7-F. Consider High Speed Rail Coordination. (Meik) (VV)

8. **MATTERS FOR MAYOR AND COUNCIL**

8-A. Information Items

8-B. Staff Referral Items - *Items of Interest (Non-action items the Council may wish to discuss)*

8-C. Committee Reports

9. **CLOSED SESSION**

Council will recess to closed session pursuant to:

9-A. CONFERENCE WITH LABOR NEGOTIATOR(S) (Government Code § 54957.6). It is the intention of this governing body to meet in closed-session to review its position and to instruct its designated representatives:

- Designated representatives: Kindon Meik and Ken Caves
Name of employee organization: CPOA, CLOCEA, Local 39 and Management

9-B. PENDING LITIGATION (Government Code § 54956.9). It is the intention of this governing body to meet in closed-session concerning:

- Conference with legal counsel – ANTICIPATED LITIGATION (Government Code § 54956.9(b)(1) or (c)).
- Significant exposure to litigation (Government Code § 54956.9(b)).
Number of potential cases is: 1.
Facts and circumstances clearly known to potential plaintiff (if any) that might result in litigation (Government Code § 54956.9(b)(3)(B)) :

9-C. CONFERENCE WITH REAL PROPERTY NEGOTIATOR(S) (Government Code § 54956.8). It is the intent of this governing body to meet in closed-session to confer with its real property negotiator concerning the purchase, sale, exchange, or lease of real property by or for this local agency as follows:

Property Description (Specify street address, or if no street address, the parcel number or other unique reference): APN: 034-170-012, 034-170-013,
034-170-003, 034-170-004, 034-170-005, and 034-170-020

Our Negotiator: Kindon Meik

Parties with whom negotiating: _____

Instructions to negotiator concerning: Price

10. ADJOURNMENT:

I certify that I caused this Agenda of the Corcoran City Council meeting to be posted at the City Council Chambers, 1015 Chittenden Avenue on August 16, 2012.



Lorraine P. Lopez, City Clerk

Accounts Payable Voucher Approval List



User: bjh
Printed: 08/16/2012-10:55

Vouch No	Wrnt Date	Vendor	Description	Account Number	Amount
051431	08/16/2012	A Design for You	GTF Uniform/R.Aguirre	104-421-200-125	67.57
Warrant Total:					67.57
051434	08/16/2012	ASI Administrative Solutions,	Section 125 Administration	304-000-202-010	96.00
Warrant Total:					96.00
051432	08/16/2012	Amtrak	Tickets/100 Corcoran to Hanford	145-410-300-292	650.00
051432	08/16/2012	Amtrak	Tickets/100 Hanford to Corcoran	145-410-300-292	650.00
051432	08/16/2012	Amtrak	Tickets/ 20 Ten Ride Passes	145-410-300-292	1,180.00
Warrant Total:					2,480.00
051433	08/16/2012	Amtrak	Tickets/100 Corcoran to Hanford	145-410-300-292	650.00
051433	08/16/2012	Amtrak	Tickets/100 Hanford to Corcoran	145-410-300-292	650.00
051433	08/16/2012	Amtrak	Tickets/ 15 Ten Ride Passes	145-410-300-292	885.00
Warrant Total:					2,185.00
051435	08/16/2012	AT&T Mobility	Cell Phone Service	120-435-300-220	108.96
Warrant Total:					108.96
051436	08/16/2012	Auto Zone, Inc.	Supplies	104-421-300-210	23.58
Warrant Total:					23.58
051437	08/16/2012	Az Auto Parts	Parts	145-410-300-260	109.05
051437	08/16/2012	Az Auto Parts	Parts	104-412-300-260	54.28
051437	08/16/2012	Az Auto Parts	Parts	104-421-300-260	64.91
051437	08/16/2012	Az Auto Parts	Parts	104-431-300-260	99.67
051437	08/16/2012	Az Auto Parts	Parts	104-433-300-210	206.53
051437	08/16/2012	Az Auto Parts	Parts	109-434-300-260	31.57
051437	08/16/2012	Az Auto Parts	Parts	120-435-300-140	20.74
051437	08/16/2012	Az Auto Parts	Parts	120-435-300-210	149.31
051437	08/16/2012	Az Auto Parts	Parts	120-435-300-260	70.39
051437	08/16/2012	Az Auto Parts	Parts	105-437-300-210	28.97
051437	08/16/2012	Az Auto Parts	Parts	105-437-300-260	65.81
Warrant Total:					901.23

Vouch No	Wrnt Date	Vendor	Description	Account Number	Amount
051438	08/16/2012	B & C Enterprises	Fuel	145-410-300-250	835.12
051438	08/16/2012	B & C Enterprises	Fuel	104-412-300-250	850.17
051438	08/16/2012	B & C Enterprises	Fuel	104-421-300-250	1,515.72
051438	08/16/2012	B & C Enterprises	Fuel	104-433-300-250	339.33
051438	08/16/2012	B & C Enterprises	Fuel	109-434-300-250	1,043.24
051438	08/16/2012	B & C Enterprises	Fuel	120-435-300-250	113.59
051438	08/16/2012	B & C Enterprises	Fuel	121-439-300-250	12.62
051438	08/16/2012	B & C Enterprises	Fuel	112-438-300-250	395.56
Warrant Total:					5,105.35
051439	08/16/2012	BankCard Center	Earthlink	104-401-300-157	34.95
051439	08/16/2012	BankCard Center	Buddy's Trophies/Name Plates	104-401-300-210	64.35
051439	08/16/2012	BankCard Center	Buddy's Trophies/Name Plates	104-401-300-210	64.35
051439	08/16/2012	BankCard Center	Select Business/Copier Supplies	104-432-300-150	114.11
051439	08/16/2012	BankCard Center	Pirate Pizza/Lunch/School Temp Employee	104-406-300-270	35.99
051439	08/16/2012	BankCard Center	CACEO Seminar/D.Brabant	104-407-300-270	325.00
051439	08/16/2012	BankCard Center	Yosemite Reservations/S.Chee	104-421-300-270	170.83
051439	08/16/2012	BankCard Center	Midway USA/Supplies	104-421-300-210	34.50
051439	08/16/2012	BankCard Center	RedyBattery/Supplies	104-421-300-210	187.64
051439	08/16/2012	BankCard Center	Marriott/Lodging/R.Aguirre	104-421-300-270	700.56
051439	08/16/2012	BankCard Center	Midway USA/Supplies	104-421-300-210	41.82
051439	08/16/2012	BankCard Center	Marriott/Parking/R. Aguirre	104-421-300-270	48.00
051439	08/16/2012	BankCard Center	Animal Care Equipment/AC Supplies	104-421-300-203	197.61
051439	08/16/2012	BankCard Center	Napa Valley/Training Fee/E. Essman	104-421-300-270	212.00
051439	08/16/2012	BankCard Center	NWTC Registration/Training/S.Chee	104-421-300-270	175.00
051439	08/16/2012	BankCard Center	Yosemite Reservations/Lodging/Essman	104-421-300-270	251.86
051439	08/16/2012	BankCard Center	Yosemite Reservations/Lodging/Essman	104-421-300-270	251.86
051439	08/16/2012	BankCard Center	Radisson/J.Faulkner	105-437-300-270	421.15
Warrant Total:					3,331.58
051440	08/16/2012	Best Deal Food Co Inc.	Supplies	104-432-300-210	12.94
051440	08/16/2012	Best Deal Food Co Inc.	Supplies	104-432-300-210	27.12
051440	08/16/2012	Best Deal Food Co Inc.	Supplies	120-435-300-210	20.46
051440	08/16/2012	Best Deal Food Co Inc.	Supplies	120-435-300-210	18.85
Warrant Total:					79.37
051441	08/16/2012	BSK Associates	Lab Analysis	105-437-300-200	120.00
051441	08/16/2012	BSK Associates	Lab Analysis	105-437-300-200	57.00
051441	08/16/2012	BSK Associates	Lab Analysis	105-437-300-200	12.00
051441	08/16/2012	BSK Associates	Lab Analysis	105-437-300-200	57.00
051441	08/16/2012	BSK Associates	Lab Analysis	105-437-300-200	120.00
051441	08/16/2012	BSK Associates	Lab Analysis	105-437-300-200	57.00
051441	08/16/2012	BSK Associates	Lab Analysis	105-437-300-200	42.00
051441	08/16/2012	BSK Associates	Lab Analysis	105-437-300-200	57.00
051441	08/16/2012	BSK Associates	Lab Analysis	105-437-300-200	12.00
Warrant Total:					534.00
051442	08/16/2012	C & J K9	Academy Training/Y.Galutira	104-421-300-217	4,500.00

Vouch No	Wrnt Date	Vendor	Description	Account Number	Amount	
					Warrant Total:	4,500.00
051443	08/16/2012	C. A. Reding Company, Inc	Copier Mntce/WTP	105-437-300-140	92.28	
					Warrant Total:	92.28
051444	08/16/2012	Caves & Associates	Negotiation Services	104-402-300-200	782.72	
					Warrant Total:	782.72
051445	08/16/2012	Chemical Waste Management Inc	Filter Press Sludge	105-437-300-193	2,093.49	
					Warrant Total:	2,093.49
051446	08/16/2012	Chevron & Texaco Card Svc	Fuel	104-421-300-250	438.46	
					Warrant Total:	438.46
051448	08/16/2012	City of Avenal	Animal Control Shelter Services	104-421-300-203	3,344.16	
					Warrant Total:	3,344.16
051449	08/16/2012	City of Corcoran	City Services/2410 Bell	301-430-300-316	100.92	
					Warrant Total:	100.92
051447	08/16/2012	City of Visalia	Training Registration/J.Murray	104-421-300-270	150.00	
					Warrant Total:	150.00
051451	08/16/2012	Corcoran City Petty Cash	Reimbursements	104-406-300-200	30.00	
051451	08/16/2012	Corcoran City Petty Cash	Reimbursements	104-421-300-210	89.95	
051451	08/16/2012	Corcoran City Petty Cash	Reimbursements	104-401-300-270	25.00	
051451	08/16/2012	Corcoran City Petty Cash	Reimbursements	104-421-300-270	108.00	
					Warrant Total:	252.95
051450	08/16/2012	Collins Air	Cooler Repairs	104-432-300-140	135.54	
					Warrant Total:	135.54
051452	08/16/2012	Corcoran Hardware	Supplies	145-410-300-210	10.26	
051452	08/16/2012	Corcoran Hardware	Supplies	104-412-300-210	172.96	
051452	08/16/2012	Corcoran Hardware	Supplies	104-411-300-210	16.07	
051452	08/16/2012	Corcoran Hardware	Supplies	104-432-300-210	15.40	
051452	08/16/2012	Corcoran Hardware	Supplies	104-432-320-210	18.42	
051452	08/16/2012	Corcoran Hardware	Supplies	109-434-300-140	19.28	
051452	08/16/2012	Corcoran Hardware	Supplies	109-434-300-210	85.55	
051452	08/16/2012	Corcoran Hardware	Supplies	120-435-300-210	456.16	
051452	08/16/2012	Corcoran Hardware	Supplies	105-437-300-210	544.82	
051452	08/16/2012	Corcoran Hardware	Supplies	112-438-300-140	20.54	
051452	08/16/2012	Corcoran Hardware	Supplies	121-439-300-140	5.13	
051452	08/16/2012	Corcoran Hardware	Supplies	104-421-300-210	29.85	
					Warrant Total:	1,394.44
051453	08/16/2012	Corcoran Publishing Company	Transit Ads	145-410-300-156	482.00	

Vouch No	Wrnt Date	Vendor	Description	Account Number	Amount	
051453	08/16/2012	Corcoran Publishing Company	Public Notice-Notice to Bidders	105-437-500-540	80.00	
					Warrant Total:	562.00
051454	08/16/2012	Creative Bus Sales, Inc	Wheelchair Lift Parts	145-410-300-140	766.00	
					Warrant Total:	766.00
051455	08/16/2012	CSJVRMA	Quarterly Deposit	104-401-300-130	1,267.00	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	104-402-300-130	2,360.00	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	104-405-300-130	3,267.00	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	104-406-300-130	380.00	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	104-407-300-130	1,029.00	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	104-411-300-130	2,630.00	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	104-412-300-130	3,293.00	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	104-421-300-130	26,958.00	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	104-431-300-130	1,595.00	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	104-432-300-130	5,211.00	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	104-432-320-130	581.00	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	104-433-300-130	1,366.00	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	109-434-300-130	3,273.00	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	120-435-300-130	18,601.00	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	121-439-300-130	1,656.00	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	105-437-300-130	33,445.00	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	145-410-300-130	6,796.00	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	301-430-300-130	652.00	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	136-415-300-130	2,693.00	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	112-438-300-130	900.00	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	104-402-200-121	682.50	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	104-405-200-121	529.50	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	104-406-200-121	173.25	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	104-407-200-121	403.75	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	104-412-200-121	3,555.00	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	104-421-200-121	21,851.75	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	104-431-200-121	726.50	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	104-433-200-121	2,154.00	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	109-434-200-121	3,555.00	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	120-435-200-121	4,368.60	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	121-439-200-121	485.40	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	112-438-200-121	936.75	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	145-410-200-121	4,540.50	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	301-430-200-121	172.25	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	105-437-200-121	6,870.75	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	177-448-200-121	173.25	
051455	08/16/2012	CSJVRMA	Quarterly Deposit	178-441-200-121	374.25	
051455	08/16/2012	CSJVRMA	Crime Shield	104-405-300-130	1,925.00	
					Warrant Total:	171,431.00
051456	08/16/2012	DASH Medical Gloves, Inc	Jail Supplies	104-421-300-210	139.21	
					Warrant Total:	139.21

Vouch No	Wrnt Date	Vendor	Description	Account Number	Amount
051457	08/16/2012	Data Ticket Inc	Funds Deposited in Error	104-000-202-010	120.00
				Warrant Total:	120.00
051458	08/16/2012	Dept of Justice	Live Scan Fees	104-421-300-148	413.00
				Warrant Total:	413.00
051459	08/16/2012	Dept of Transportation	Signals & Lighting Billing	109-434-300-160	21.22
				Warrant Total:	21.22
051460	08/16/2012	Donald Jacobs Distributing	Street Painting Supplies	109-434-300-140	181.22
				Warrant Total:	181.22
051461	08/16/2012	Excalibur Elevators, Inc	Elevator Semi-Annual Service	104-432-300-200	270.00
				Warrant Total:	270.00
051462	08/16/2012	Farley Law Firm	Legal Services	104-403-300-200	250.00
				Warrant Total:	250.00
051463	08/16/2012	Felder Communications	Radio Maintenance & Repairs	145-410-300-141	51.50
051463	08/16/2012	Felder Communications	Radio Maintenance & Repairs	104-412-300-141	14.30
051463	08/16/2012	Felder Communications	Radio Maintenance & Repairs	104-421-300-141	510.00
051463	08/16/2012	Felder Communications	Radio Maintenance & Repairs	104-431-300-141	8.50
051463	08/16/2012	Felder Communications	Radio Maintenance & Repairs	109-434-300-141	60.00
051463	08/16/2012	Felder Communications	Radio Maintenance & Repairs	120-435-300-141	55.73
051463	08/16/2012	Felder Communications	Radio Maintenance & Repairs	105-437-300-141	63.85
051463	08/16/2012	Felder Communications	Radio Maintenance & Repairs	121-439-300-141	15.62
				Warrant Total:	779.50
051464	08/16/2012	Foothill Transcription Company	Transcription Service	104-421-300-200	54.00
				Warrant Total:	54.00
051465	08/16/2012	Yvette Galutira	Per Diem/Narcotic Detention K9 Trng	104-421-300-270	1,214.00
				Warrant Total:	1,214.00
051466	08/16/2012	Gang Intelligence Symposium	Conference/A.Chavarria	104-421-300-270	225.00
				Warrant Total:	225.00
051467	08/16/2012	Gary V. Burrows Inc.	Diesel	109-434-300-250	1,474.41
051467	08/16/2012	Gary V. Burrows Inc.	Diesel	105-437-300-250	30.09
				Warrant Total:	1,504.50
051468	08/16/2012	Geil Enterprises, Inc	Alarm System Repairs	145-410-300-140	158.75
				Warrant Total:	158.75
051469	08/16/2012	GMS, Inc.	Red Flag Annual Supp Mntce	178-441-300-200	45.00
				Warrant Total:	45.00

Vouch No	Wrnt Date	Vendor	Description	Account Number	Amount	
051470	08/16/2012	Hanford Sentinel, Inc	Employment Ad/WTP	105-437-300-156	171.24	
					Warrant Total:	171.24
051471	08/16/2012	Hanford Veterinary Hospital	K9 Vet Services	104-421-300-217	347.17	
					Warrant Total:	347.17
051472	08/16/2012	Hinderliter, deLlames & Assoc	Sales Tax Audit Services/3rd Quarter	104-405-300-200	583.09	
					Warrant Total:	583.09
051473	08/16/2012	Home Depot Credit Services	Supplies	120-435-300-210	82.50	
					Warrant Total:	82.50
051474	08/16/2012	Images/RadioShack Dealer	Sim Card	104-407-300-210	35.38	
051474	08/16/2012	Images/RadioShack Dealer	Cable	104-421-300-210	18.22	
051474	08/16/2012	Images/RadioShack Dealer	Sylvania Compact DVD Play	120-435-300-210	32.16	
051474	08/16/2012	Images/RadioShack Dealer	Panasonic Alarm	145-410-300-210	46.11	
					Warrant Total:	131.87
051475	08/16/2012	Jorgensen & Company	Fire Alarm Repair	145-410-300-140	285.00	
					Warrant Total:	285.00
051476	08/16/2012	Kings County Comm On Aging	Senior Nutrition Food Funding Assistance	104-411-300-209	6,000.00	
051476	08/16/2012	Kings County Comm On Aging	Request for Funding	104-401-300-285	1,000.00	
					Warrant Total:	7,000.00
051478	08/16/2012	Kings County EDC	Monthly Contribution	311-408-300-206	3,223.75	
					Warrant Total:	3,223.75
051477	08/16/2012	Kings County Dept of Finance	Water Assessment/034-170-002-000	104-000-160-160	47.84	
051477	08/16/2012	Kings County Dept of Finance	Water Assessment/034-170-003-000	104-000-160-160	47.84	
					Warrant Total:	95.68
051479	08/16/2012	Kings Rehabilitation Center	Janitorial Services	136-415-300-200	3,122.21	
051479	08/16/2012	Kings Rehabilitation Center	Janitorial Services	104-432-300-200	3,520.79	
					Warrant Total:	6,643.00
051480	08/16/2012	Kings Waste & Recycling	Dump Fees/Greenwaste	112-436-300-192	6,821.60	
051480	08/16/2012	Kings Waste & Recycling	Dump Fees/Recyclables	112-436-300-192	699.20	
					Warrant Total:	7,520.80
051482	08/16/2012	LexisNexis Risk Data Mngmt	Background Service	104-421-300-200	50.00	
					Warrant Total:	50.00
051483	08/16/2012	Linder Equipment Co	Parts	145-410-300-260	152.59	
051483	08/16/2012	Linder Equipment Co	Parts	145-410-300-260	498.42	
					Warrant Total:	651.01

Vouch No	Wrnt Date	Vendor	Description	Account Number	Amount
051481	08/16/2012	La Quinta Inn & Suites	Lodging/Y. Galutira	104-421-300-270	1,544.40
Warrant Total:					1,544.40
051484	08/16/2012	Miguel Meneses	Yard Svc/Salyer Estate Landscaping Dist	111-601-300-202	120.00
051484	08/16/2012	Miguel Meneses	Yard Svc/Sunrise Villa Landscaping Dist	111-604-300-202	200.00
Warrant Total:					320.00
051485	08/16/2012	John Murray	Per Diem/Honor Guard Academy	104-421-300-270	60.00
Warrant Total:					60.00
051486	08/16/2012	Robert Nolan	Test & Certify Backflow Prevention Valve	109-434-300-200	40.00
051486	08/16/2012	Robert Nolan	Test & Certify Backflow Prevention Valve	136-415-300-200	40.00
051486	08/16/2012	Robert Nolan	Test & Certify Backflow Prevention Valve	104-412-300-200	40.00
051486	08/16/2012	Robert Nolan	Test & Certify Backflow Prevention Valve	104-412-300-200	40.00
051486	08/16/2012	Robert Nolan	Test & Certify Backflow Prevention Valve	145-410-300-200	40.00
051486	08/16/2012	Robert Nolan	Test & Certify Backflow Prevention Valve	145-410-300-200	40.00
051486	08/16/2012	Robert Nolan	Test & Certify Backflow Prevention Valve	120-435-300-200	40.00
051486	08/16/2012	Robert Nolan	Test & Certify Backflow Prevention Valve	120-435-300-200	40.00
051486	08/16/2012	Robert Nolan	Test & Certify Backflow Prevention Valve	105-437-300-200	40.00
051486	08/16/2012	Robert Nolan	Test & Certify Backflow Prevention Valve	109-434-300-200	40.00
051486	08/16/2012	Robert Nolan	Test & Certify Backflow Prevention Valve	109-434-300-200	40.00
051486	08/16/2012	Robert Nolan	Test & Certify Backflow Prevention Valve	109-434-300-200	40.00
051486	08/16/2012	Robert Nolan	Repairs	109-434-300-140	196.08
Warrant Total:					676.08
051487	08/16/2012	Nova Storm Systems	Business Network Access Service	105-437-300-200	85.00
Warrant Total:					85.00
051488	08/16/2012	Office Depot	Office Supplies	104-421-300-150	365.58
051488	08/16/2012	Office Depot	Office Supplies	104-432-300-150	618.67
051488	08/16/2012	Office Depot	Office Supplies	145-410-300-210	123.99
051488	08/16/2012	Office Depot	Office Supplies	120-435-300-210	69.85
051488	08/16/2012	Office Depot	Office Supplies	105-437-300-210	18.21
051488	08/16/2012	Office Depot	Office Supplies	104-433-300-210	9.12
Warrant Total:					1,205.42
051489	08/16/2012	PG&E	Utilities	111-601-300-240	3.29
051489	08/16/2012	PG&E	Utilities	145-410-300-240	194.34
051489	08/16/2012	PG&E	Utilities	104-411-300-240	3,006.61
051489	08/16/2012	PG&E	Utilities	104-412-300-240	697.86
051489	08/16/2012	PG&E	Utilities	104-432-300-240	2,452.46
051489	08/16/2012	PG&E	Utilities	109-434-300-240	85.28
051489	08/16/2012	PG&E	Utilities	120-435-300-240	13,765.65
051489	08/16/2012	PG&E	Utilities	121-439-300-240	416.60
051489	08/16/2012	PG&E	Utilities	105-437-300-240	115,370.83
051489	08/16/2012	PG&E	Utilities	104-432-320-240	154.41
051489	08/16/2012	PG&E	Utilities	111-601-300-240	7.23
051489	08/16/2012	PG&E	Utilities	145-410-300-240	971.83
051489	08/16/2012	PG&E	Utilities	104-411-300-240	717.54

Vouch No	Wrnt Date	Vendor	Description	Account Number	Amount
051489	08/16/2012	PG&E	Utilities	104-412-300-240	381.47
051489	08/16/2012	PG&E	Utilities	104-432-300-240	5,669.22
051489	08/16/2012	PG&E	Utilities	104-432-320-240	259.53
051489	08/16/2012	PG&E	Utilities	109-434-300-240	200.39
051489	08/16/2012	PG&E	Utilities	120-435-300-240	10,765.01
051489	08/16/2012	PG&E	Utilities	121-439-300-240	386.05
051489	08/16/2012	PG&E	Utilities	105-437-300-240	7,733.00
Warrant Total:					163,238.60
051508	08/16/2012	The Pirate Pizza	City/County Coordinating Mtg	104-401-300-271	161.97
Warrant Total:					161.97
051490	08/16/2012	ProForce Law Enforcement	Taser Supplies	104-421-300-210	597.87
Warrant Total:					597.87
051491	08/16/2012	Prudential Overall Supply	Entrance Rugs/Shop Towels/Dust Mop	145-410-300-200	55.16
051491	08/16/2012	Prudential Overall Supply	Entrance Rugs/Shop Towels/Dust Mop	136-415-300-200	39.53
051491	08/16/2012	Prudential Overall Supply	Entrance Rugs/Shop Towels/Dust Mop	104-432-300-200	172.51
051491	08/16/2012	Prudential Overall Supply	Entrance Rugs/Shop Towels/Dust Mop	104-432-300-200	30.63
051491	08/16/2012	Prudential Overall Supply	Entrance Rugs/Shop Towels/Dust Mop	104-432-320-200	25.16
051491	08/16/2012	Prudential Overall Supply	Entrance Rugs/Shop Towels/Dust Mop	104-433-300-200	37.60
051491	08/16/2012	Prudential Overall Supply	Entrance Rugs/Shop Towels/Dust Mop	104-433-300-180	20.00
051491	08/16/2012	Prudential Overall Supply	Entrance Rugs/Shop Towels/Dust Mop	120-435-300-200	55.16
051491	08/16/2012	Prudential Overall Supply	Entrance Rugs/Shop Towels/Dust Mop	105-437-300-200	58.75
Warrant Total:					494.50
051494	08/16/2012	Reserve Account	Postage for Meter	104-432-300-152	1,500.00
Warrant Total:					1,500.00
051492	08/16/2012	Quality Pool Service	Soda Bicarbonate	104-411-300-210	386.10
051492	08/16/2012	Quality Pool Service	Bulk Chlorine	104-411-300-210	1,169.67
051492	08/16/2012	Quality Pool Service	Slide Pool Repairs	104-411-300-140	140.45
051492	08/16/2012	Quality Pool Service	Hydrochloric Acid	104-411-300-210	1,111.23
051492	08/16/2012	Quality Pool Service	Monthly Service	104-411-300-200	850.00
051492	08/16/2012	Quality Pool Service	Bulk Chlorine	104-411-300-200	1,228.66
051492	08/16/2012	Quality Pool Service	Bulk Chlorine	104-411-300-200	1,349.62
Warrant Total:					6,235.73
051493	08/16/2012	Res-Com	Pest Control	145-410-300-200	33.00
051493	08/16/2012	Res-Com	Pest Control	104-411-300-200	33.00
051493	08/16/2012	Res-Com	Pest Control	136-415-300-200	33.00
051493	08/16/2012	Res-Com	Pest Control	104-432-300-200	99.00
051493	08/16/2012	Res-Com	Pest Control	104-432-300-200	33.00
051493	08/16/2012	Res-Com	Pest Control	104-432-320-200	33.00
051493	08/16/2012	Res-Com	Pest Control	120-435-300-200	33.00
051493	08/16/2012	Res-Com	Pest Control	105-437-300-200	33.00
051493	08/16/2012	Res-Com	Pest Control	104-432-300-200	99.00
Warrant Total:					429.00

Vouch No	Wrnt Date	Vendor	Description	Account Number	Amount
051495	08/16/2012	Richard's Chevrolet	Repairs	105-437-300-260	876.98
051495	08/16/2012	Richard's Chevrolet	Parts	104-431-300-260	18.58
Warrant Total:					895.56
051496	08/16/2012	S & S Shirts	Uniform Caps	105-437-200-125	346.76
Warrant Total:					346.76
051497	08/16/2012	Sawtelle & Rosprim Industrial	Supplies	109-434-300-210	65.77
051497	08/16/2012	Sawtelle & Rosprim Industrial	Supplies	120-435-300-210	118.38
051497	08/16/2012	Sawtelle & Rosprim Industrial	Supplies	120-435-300-260	4.20
051497	08/16/2012	Sawtelle & Rosprim Industrial	Supplies	105-437-300-210	26.04
Warrant Total:					214.39
051498	08/16/2012	Self Help Enterprises	Preparation of Special Reports	104-406-300-200	300.00
051498	08/16/2012	Self Help Enterprises	Activity/Delivery/9-STBG-6408	272-501-300-290	13,223.93
051498	08/16/2012	Self Help Enterprises	Activity/Delivery/10-STBG-6706	273-501-300-200	2,053.00
051498	08/16/2012	Self Help Enterprises	Loans/10-STBG-6706	273-501-300-290	4,498.34
051498	08/16/2012	Self Help Enterprises	RDA/10-STBG-6706	311-408-700-710	25,000.00
051498	08/16/2012	Self Help Enterprises	Admin/08-CalHome-4908	282-533-300-200	352.00
Warrant Total:					45,427.27
051499	08/16/2012	Shaw's Rooter & Drain	Property Mntce	301-430-300-316	95.77
051499	08/16/2012	Shaw's Rooter & Drain	Boarded up 2411 Garvey	104-407-300-198	135.18
Warrant Total:					230.95
051500	08/16/2012	Shell Fleet Plus	Fuel	104-407-300-250	144.52
051500	08/16/2012	Shell Fleet Plus	Fuel	145-410-300-250	2,268.01
051500	08/16/2012	Shell Fleet Plus	Fuel	104-421-300-250	4,048.12
051500	08/16/2012	Shell Fleet Plus	Fuel	104-431-300-250	154.13
051500	08/16/2012	Shell Fleet Plus	Fuel	120-435-300-250	876.10
051500	08/16/2012	Shell Fleet Plus	Fuel	121-439-300-250	292.03
051500	08/16/2012	Shell Fleet Plus	Fuel	105-437-300-250	1,385.53
051500	08/16/2012	Shell Fleet Plus	Fuel	112-438-300-250	760.39
Warrant Total:					9,928.83
051501	08/16/2012	SignWorks Graphics & Lettering	Vehicle Mntce	104-421-300-203	113.57
Warrant Total:					113.57
051502	08/16/2012	SJVAPCD	Permit Fees/Generator	105-437-300-160	602.00
Warrant Total:					602.00
051503	08/16/2012	Sprint	Cell Phone Service	104-421-300-221	759.30
Warrant Total:					759.30
051504	08/16/2012	Sun Ridge Systems, Inc	Training Fee/K.Neighbors	104-421-300-270	525.00
Warrant Total:					525.00
051505	08/16/2012	Tech Depot by Office Depot	Canon Fax/Copier	104-432-300-150	212.34

Vouch No	Wrnt Date	Vendor	Description	Account Number	Amount	
051505	08/16/2012	Tech Depot by Office Depot	APC Smart-UPS	104-432-300-150	303.40	
					Warrant Total:	515.74
051506	08/16/2012	TF Tire & Service	Tires & Repairs	145-410-300-260	18.00	
051506	08/16/2012	TF Tire & Service	Tires & Repairs	104-412-300-140	18.00	
051506	08/16/2012	TF Tire & Service	Tires & Repairs	104-412-300-260	272.71	
051506	08/16/2012	TF Tire & Service	Tires & Repairs	104-421-300-203	308.71	
051506	08/16/2012	TF Tire & Service	Tires & Repairs	104-421-300-260	622.16	
051506	08/16/2012	TF Tire & Service	Tires & Repairs	104-431-300-260	464.84	
051506	08/16/2012	TF Tire & Service	Tires & Repairs	109-434-300-140	311.19	
051506	08/16/2012	TF Tire & Service	Tires & Repairs	105-437-300-260	20.00	
					Warrant Total:	2,035.61
051507	08/16/2012	The Gas Co	Utilities	104-432-300-242	54.17	
051507	08/16/2012	The Gas Co	Utilities	104-432-300-242	21.39	
051507	08/16/2012	The Gas Co	Utilities	104-432-320-242	21.39	
051507	08/16/2012	The Gas Co	Utilities	145-410-300-242	21.08	
051507	08/16/2012	The Gas Co	Utilities	104-432-300-242	20.18	
051507	08/16/2012	The Gas Co	Utilities	104-432-300-242	30.74	
051507	08/16/2012	The Gas Co	Utilities	120-435-300-242	17.54	
					Warrant Total:	186.49
051509	08/16/2012	Toshiba Financial Services	Copier Rental/PD	104-421-300-180	385.66	
					Warrant Total:	385.66
051511	08/16/2012	Turnupseed Electric Svc Inc	Service Work/Station 2 Flow Meter	105-437-300-140	183.60	
051511	08/16/2012	Turnupseed Electric Svc Inc	Service Work/Pump Motor	105-437-300-140	2,441.18	
					Warrant Total:	2,624.78
051510	08/16/2012	Tule Trash Company	Contract	112-436-300-200	103,028.73	
051510	08/16/2012	Tule Trash Company	Franchise Fee	112-436-316-023	-7,212.01	
051510	08/16/2012	Tule Trash Company	KWRA Ticket charged to Tule s/be City's	112-436-300-200	47.78	
051510	08/16/2012	Tule Trash Company	Francise Fees/Roll-offs/June	112-436-316-023	-1,431.14	
051510	08/16/2012	Tule Trash Company	Prison Roll-offs/CSATF/June	112-436-300-200	2,188.05	
051510	08/16/2012	Tule Trash Company	Prison Roll-offs/CSP/June	112-436-300-200	1,339.50	
051510	08/16/2012	Tule Trash Company	Cans pulled for non-payment	112-436-300-200	50.00	
051510	08/16/2012	Tule Trash Company	Dump Fees	112-436-300-200	963.90	
					Warrant Total:	98,974.81
051512	08/16/2012	United Parcel Service	Shipping Fees	104-432-300-152	9.81	
					Warrant Total:	9.81
051513	08/16/2012	Univar USA Inc	Sodium Hypochlorite	105-437-300-219	4,756.75	
					Warrant Total:	4,756.75
051514	08/16/2012	US Bank	Trustee Fees/2003 Water Bonds	105-437-300-200	3,150.00	
					Warrant Total:	3,150.00

Vouch No	Wrnt Date	Vendor	Description	Account Number	Amount	
051515	08/16/2012	Valley Ford Lincoln Mercury	Parts	145-410-300-260	53.80	
					Warrant Total:	53.80
051516	08/16/2012	Verizon California	Telephone Service	136-415-300-220	43.77	
051516	08/16/2012	Verizon California	Telephone Service	104-421-300-220	150.11	
051516	08/16/2012	Verizon California	Telephone Service	104-421-300-220	993.86	
051516	08/16/2012	Verizon California	Telephone Service	104-432-320-220	44.97	
051516	08/16/2012	Verizon California	Telephone Service	104-432-300-220	84.37	
051516	08/16/2012	Verizon California	Telephone Service	104-432-300-220	1,024.26	
051516	08/16/2012	Verizon California	Telephone Service	105-437-300-220	255.53	
					Warrant Total:	2,596.87
051517	08/16/2012	Verizon Wireless	Cell Phone Service	104-407-300-220	34.09	
051517	08/16/2012	Verizon Wireless	Cell Phone Service	145-410-300-220	136.36	
051517	08/16/2012	Verizon Wireless	Cell Phone Service	105-437-300-220	108.13	
					Warrant Total:	278.58
051518	08/16/2012	Wales Technologies	Repairs	105-437-300-140	500.00	
					Warrant Total:	500.00
051519	08/16/2012	Walt's Auto Parts	Parts	104-421-300-260	76.91	
051519	08/16/2012	Walt's Auto Parts	Parts	104-431-300-210	8.44	
051519	08/16/2012	Walt's Auto Parts	Parts	104-433-300-210	436.75	
051519	08/16/2012	Walt's Auto Parts	Parts	109-434-300-260	24.12	
					Warrant Total:	546.22
051520	08/16/2012	Wright's Electric	Electrical Service	104-432-300-210	160.71	
051520	08/16/2012	Wright's Electric	Electrical Service	104-412-300-140	100.56	
					Warrant Total:	261.27

<u>Check</u>	<u>Date</u>	<u>Vendor No</u>	<u>Vendor Name</u>	<u>Amount</u>	<u>Voucher</u>
51410	08/08/2012	HYATREHO	Hyatt Hotel	1,307.04	000000
51411	08/08/2012	ALAMECOS	Alameda County Sheriff's Office	610.00	000000
51412	08/08/2012	BEAVEBEN	Benjamin Beavers	570.00	000000

CHECK TOTAL: \$2,487.04



..... Joyce A. Venegas, Deputy City Mgr/Finance Director

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
104	General	149,989.64
105	Water Fund	182,432.74
109	Gas Taxes	10,787.32
111	Assessments	330.52
112	Refuse Fund	109,508.85
120	Wastewater/Sanitary Sewer	49,883.34
121	Wastewater/Storm Drain	3,269.45
136	RAO Operations	5,971.51
145	Transit	23,351.87
177	Home Program Income	173.25
178	State Program Income	419.25
272	09-STBG-6408	13,223.93
273	10-STBG-6706	6,551.34
282	Cal Home Active Grants	352.00
301	Housing Authority	1,020.94
304	Genl Long-Term Debt Group	96.00
311	City as Successor RDA	28,223.75
	Report Total:	585,585.70

Accounts Payable Voucher Approval List

Deposit Refunds

User: bjh

Printed: 07/12/2012-14:44



Vouch No	Wrnt Date	Vendor	Description	Account Number	Amount
051298	07/12/2012	DELIA SOTELO	Refund check	105-000-202-010	60.00
				Warrant Total:	60.00
051299	07/12/2012	RANDY WOOD	Refund check	105-000-202-010	15.60
				Warrant Total:	15.60
051300	07/12/2012	Instant Cellular, LLC	Refund check	105-000-202-010	60.00
				Warrant Total:	60.00
051301	07/12/2012	JENNY WILLIAMS	Refund check	105-000-202-010	55.15
				Warrant Total:	55.15
051302	07/12/2012	FRANCISCO AUDELOS-AVALOS	Refund check	105-000-202-010	9.16
				Warrant Total:	9.16
051303	07/12/2012	ADRIANNE METCALF	Refund check	105-000-202-010	60.00
				Warrant Total:	60.00
051304	07/12/2012	LUIS MOTA	Refund check	105-000-202-010	24.96
				Warrant Total:	24.96
051305	07/12/2012	ADRIAN HERNANDEZ	Refund check	105-000-202-010	17.78
				Warrant Total:	17.78
051306	07/12/2012	JOHN VILLARREAL	Refund check	105-000-202-010	17.94
				Warrant Total:	17.94
051307	07/12/2012	GUILLERMINA TALAMANTES	Refund check	105-000-202-010	19.55
				Warrant Total:	19.55



..... Joyce A. Venegas, Deputy City Mgr/Finance Director

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
105	Water Fund	340.14
	Report Total:	340.14

**STAFF REPORTS
ITEM #: 7A**

MEMO

TO: Corcoran City Council

**FROM: Kindon Meik, City Manager
Steve Kroeker, Public Works Director
Joyce A. Venegas, Deputy City Manager/Finance Director**

DATE: August 14, 2012 MEETING DATE: August 20, 2012

SUBJECT: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CORCORAN AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$5,500,000 PRINCIPAL AMOUNT OF WATER REVENUE REFUNDING BONDS, SERIES 2012A, AUTHORIZING AND DIRECTING EXECUTION OF AN INDENTURE OF TRUST, CONTINUING DISCLOSURE AGREEMENT, ESCROW INSTRUCTIONS AND A BOND PURCHASE CONTRACT, AUTHORIZING THE SALE OF BONDS, APPROVING AN OFFICIAL STATEMENT AND PROVIDING OTHER MATTERS PROPERLY RELATING THERETO

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CORCORAN PROVIDING FOR THE REMARKETING OF THE CITY'S VARIABLE RATE DEMAND 2008 REFUNDING CERTIFICATES OF PARTICIPATION, AUTHORIZING A FIRST AMENDMENT TO TRUST AGREEMENT, FIRST AMENDMENT TO INSTALLMENT SALE AGREEMENT, REMARKETING AGREEMENT, REMARKETING MEMORANDUM AND PROVIDING OTHER MATTERS PROPERLY RELATING THERETO

A RESOLUTION OF THE CORCORAN JOINT POWERS FINANCE AUTHORITY AUTHORIZING A FIRST AMENDMENT TO TRUST AGREEMENT, FIRST AMENDMENT TO INSTALLMENT SALE AGREEMENT AND PROVIDING OTHER MATTERS PROPERLY RELATING THERETO

Recommendation: (Voice Vote)

Approve the resolutions authorizing the issuance of the 2012A Bonds and providing for the amendments to the documents relating to the 2008 Certificates (or "COPs").

Background:

The City currently has two bond issues outstanding secured by and payable from net revenues of the City's Water System; the 2003 Water COPs and the 2008 Water COPs.

\$5.9 Million 2003 Water COPs: The 2003 COPs were issued to refund the City's 1994 COPs and also fund approximately \$3.0 million of capital improvements to the Water System, including construction of new wells, transmission lines and facilities for the remediation of arsenic content in the water. The 2003 COPs are currently outstanding in the amount of \$4,895,000 and carry fixed interest rates between 3.50% and 4.25% (average overall interest rate of 4.24%). The 2003 COPs mature in 2035 and are currently callable at a 1% premium. Annual debt service on the COPs is approximately \$337,045.

\$19.9 Million 2008 Water COPs: The 2008 Water COPS were issued to pay down and refund the 2005 COPS that had been issued to finance the construction of the Arsenic Treatment Plant and related enhancements to the water system. They are currently outstanding in the amount of \$18.62 million. The 2008 COPs utilized a "synthetic-fixed-rate" structure in which the City pays a swap rate of 3.72%. Originally the 2005 COPs were issued as Auction Rate Securities ("ARS"), but with the collapse of the financial markets in 2008, this structure was no longer viable and was refinanced as variable rate securities backed by a letter of credit ("LOC") from Union Bank. To date, the synthetic fixed rate structure has saved the City over \$1.0 million compared to a standard fixed rate transaction. The LOC from Union Bank expires in March of 2013. Given the impending expiration, the City and its financial advisor have been prudently evaluating the various financing alternatives available to the City over the past few months.

Discussion:

The City and its financial advisor have developed a financing plan to restructure both the 2003 COPs and the 2008 Water COPs. The City intends to take advantage of historically low interest rates and refinance ("refund") the 2003 COPs - providing attractive savings to the Water Fund. For the 2008 COPs, the City has determined that renewing the Union Bank LOC, as well as re-amortizing and re-offering the COPs, will be the most cost-effective financing alternative at this time. Details on each restructuring can be found below.

Refunding of the 2003 Water COPs: The City intends to take advantage of historically low fixed interest rates and refund the 2003 COPs. The maturity of the new refunding bonds ("Series 2012A Bonds") will be kept the same at 2035. Based upon current market conditions, interest rates on the Series 2012A Bonds are estimated to range from 0.64% in 2013 to 4.24% in 2035, with an overall average bond yield of 3.64%. Annual cash flow savings is estimated to be about \$25,000. Interest rates and potential savings will vary since they will not be locked-in until the bonds are priced and marketed to investors (estimated pricing date of August 28th).

Restructuring and Remarketing of the 2008 Water COPs: Given the impending expiration of the Union Bank LOC, the City and its team have prudently evaluated all financing alternatives available for the 2008 COPs and decided to "stay the course" with the synthetic fixed rate structure. Union Bank has offered to renew the LOC for another 3 years (until March 2016) at a cost of 85 basis points (0.85%) per year. While this is

higher than the 35 basis points that the City previously paid, it is significantly lower than initially estimated and lower than comparable transactions in the market. In fact, the majority of variable rate transactions in the marketplace over the last several years have been unable to maintain the variable rate mode given the lack of highly rated LOC banks willing to offer a commitment. Based on remarketing fees of 12.5 basis points (0.125%), and the swap rate of 3.72%, the all-in rate will be 4.695%.

While the annual costs are now higher, the City has developed a strategy to maintain annual debt service costs at approximately the same level as before (\$1.25 million), while reducing the size of the financing and the corresponding swap. This strategy includes releasing the old debt service reserve fund and using it to pay down a portion of the 2008 COPs – reducing the overall borrowing amount and also the size of the swap.

Given that the size of the transaction is being reduced, the 2008 COPs are being re-amortized to create a more efficient payment structure and re-offered to the public. In addition, the legal documents relating to the 2008 COPs are being amended to track the terms of the Series 2012A Bonds, including removal of the reserve fund

Eric Scriven, p2 Capital Advisors, is serving as the Financial Advisor to the City. Mitsubishi Securities will serve as Underwriter for the Series 2012A Bonds and Remarketing Agent on the 2008 COPs. Nossaman will serve as Bond Counsel and U.S. Bank National Association will remain as the trustee bank. The Series 2012A Bonds are expected to be priced on August 28th and the sale is expected to close on September 26th, with the remarketing of the 2008 COPs to occur in late-September as well.

Financial Impact

Given that the annual debt service on the 2008 COPs will remain at about the same level as before, the only financial impact will be from the refunding of the 2003 COPs. As stated above, the City expects to realize a reduction in annual debt service costs of about \$25,000. These figures incorporate the costs of issuance associated with the financing.

Estimated Schedule:

August 20, 2012	Council Approval of Financing and Related Documents
August 28, 2012	Pricing (set interest rates on Bonds)
September 26, 2012	Closing (transfer of funds)
September 28, 2012	2003 COPs Redeemed
Late Sept./Early Oct.	Remarketing of 2008 COPs

Attachments:

- RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CORCORAN AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$5,500,000 PRINCIPAL AMOUNT OF WATER REVENUE REFUNDING BONDS, SERIES 2012A, AUTHORIZING AND DIRECTING EXECUTION OF AN INDENTURE OF TRUST, CONTINUING DISCLOSURE AGREEMENT, ESCROW INSTRUCTIONS AND A BOND PURCHASE CONTRACT, AUTHORIZING THE SALE OF BONDS, APPROVING AN OFFICIAL STATEMENT AND PROVIDING OTHER MATTERS PROPERLY RELATING THERETO
- INDENTURE OF TRUST
- CONTINUING DISCLOSURE AGREEMENT
- ESCROW INSTRUCTIONS
- BOND PURCHASE CONTRACT
- PRELIMINARY OFFICIAL STATEMENT
- A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CORCORAN PROVIDING FOR THE REMARKETING OF THE CITY'S VARIABLE RATE DEMAND 2008 REFUNDING CERTIFICATES OF PARTICIPATION, AUTHORIZING A FIRST AMENDMENT TO TRUST AGREEMENT, FIRST AMENDMENT TO INSTALLMENT SALE AGREEMENT, REMARKETING AGREEMENT, REMARKETING MEMORANDUM AND PROVIDING OTHER MATTERS PROPERLY RELATING THERETO
- FIRST AMENDMENT TO TRUST AGREEMENT
- FIRST AMENDMENT TO INSTALLMENT SALE AGREEMENT
- REMARKETING AGREEMENT
- REMARKETING MEMORANDUM
- A RESOLUTION OF THE CORCORAN JOINT POWERS FINANCE AUTHORITY AUTHORIZING A FIRST AMENDMENT TO TRUST AGREEMENT, FIRST AMENDMENT TO INSTALLMENT SALE AGREEMENT AND PROVIDING OTHER MATTERS PROPERLY RELATING THERETO

To view a copy of the

Attachments

Please contact:

**Joyce Venegas
Deputy City Manager/Finance Director
at 559-992-2151, ext. 224**

Or

the City Clerk's Office at:

**City of Corcoran
832 Whitley Avenue
Corcoran, California
559-992-2151, ext. 235**

Or

on the City's website at:

<http://www.cityofcorcoran.com/citygov/agendas.asp>

click on Council Packet for 8/20/12

RESOLUTION NO. 2646

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CORCORAN AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$5,500,000 PRINCIPAL AMOUNT OF WATER REVENUE REFUNDING BONDS, SERIES 2012A, AUTHORIZING AND DIRECTING EXECUTION OF AN INDENTURE OF TRUST, CONTINUING DISCLOSURE AGREEMENT, ESCROW INSTRUCTIONS AND A BOND PURCHASE CONTRACT, AUTHORIZING THE SALE OF BONDS, APPROVING AN OFFICIAL STATEMENT AND PROVIDING OTHER MATTERS PROPERLY RELATING THERETO

WHEREAS, the City of Corcoran (the “City”) is a municipal corporation duly organized and validly existing under and by the virtue of the Constitution and laws of the State of California, and is authorized pursuant to Articles 10 and 11, Division 2, Title 5 (commencing with Section 53570) of the California Government Code, as amended (the “Refunding Law”) to borrow money for the purpose of refinancing indebtedness of the City; and

WHEREAS, the City has determined that it is in the interests of the City at this time to provide for the refinancing of its obligations relating to the 2003 Certificates of Participation (Water System Project) (the “Prior Obligations”); and

WHEREAS, in order to provide funds to refinance the Prior Obligations, the City proposes to issue its City of Corcoran Water Revenue Refunding Bonds, Series 2012A, in the aggregate principal amount of not to exceed \$5,500,000 (the “Bonds”), pursuant to an Indenture of Trust (the “Indenture”), currently dated as of September 1, 2012 between the City and U.S. Bank National Association (the “Trustee”); and

WHEREAS, the City proposes to sell the Bonds to Mitsubishi UFJ Securities (the “Underwriter”) for offer and sale by the Underwriter to members of the general public, and in connection with the offering of the Bonds, the City has caused to be prepared an Official Statement describing, among other things, the City, the Indenture, the Net Revenues and the Bonds, a preliminary form of which is on file with the City Clerk of the City; and

WHEREAS, the Bonds will be sold pursuant to the Bond Purchase Contract (the “Purchase Contract”) to be dated the date of sale, between the City and the Underwriter; and

WHEREAS, the City has duly considered such transactions, including, without limitation, the Indenture, the Bond Purchase Contract and the Official Statement, and wishes at this time to approve said transactions in the public interests of the City.

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

Section 1. Issuance of Bonds; Approval of Indenture. The findings set forth in the recitals hereof are true and correct. The City hereby authorizes the issuance of the Bonds under

and pursuant to the Refunding Law and the Indenture in the aggregate principal amount of not to exceed \$5,500,000 for the purposes hereinbefore described. The City hereby approves the Indenture in substantially the form on file with the City Clerk together with any additions thereto or changes therein deemed necessary or advisable by the Mayor, the City Manager, the Finance Director, or their authorized representatives (collectively, the “Authorized Officers”), upon consultation with City Counsel and Nossaman LLP (“Bond Counsel”), whose execution thereof shall be conclusive evidence of the approval of any such additions and changes. Such changes and additions shall include, without limitation, designation of the Trustee, the final date of the Indenture, the final series designation of the Bonds, the insertion in the Indenture of the final annual maturities and final aggregate principal amount of the Bonds and the final annual interest rates payable with respect to the Bonds. Each of the Authorized Officers are hereby authorized and directed to execute the final form of the Indenture for and in the name and on behalf of the City. The City hereby authorizes the delivery and performance of the Indenture, provided that the true interest costs of the Bonds does not exceed five percent (5%), underwriter’s discount (excluding original issue discount) does not exceed two percent (2%), the final maturity date does not exceed July 1, 2035 and the principal amount does not exceed \$5,500,000.

Section 2. Bond Purchase Contract. The City hereby authorizes the sale of the Bonds to the Underwriter pursuant to and in accordance with the Bond Purchase Contract, in substantially the form on file with the City Clerk together with any additions thereto or changes therein approved by Authorized Officers, the execution thereof to be conclusive evidence of such approval. The City hereby delegates to each of the Authorized Officers, the City to accept an offer from the Underwriter to purchase the Bonds from the City pursuant to the Bond Purchase Contract.

Section 3. Approval of Continuing Disclosure Agreement. The form of Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”), between the City and the Trustee, acting as dissemination agent, as presented to this meeting is hereby approved. An Authorized Officer is hereby authorized and directed, for and on behalf of the City, to execute, acknowledge and deliver the Continuing Disclosure Agreement, in substantially the form presented to this meeting, with such changes therein as such Authorized Officer may require or approve, with the advice and approval of City Counsel and Bond Counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. Approval of Escrow Instructions. The form of Escrow Instructions (the “Escrow Instructions”), from the City to the Trustee, acting as escrow agent for the Prior Obligations, as presented to this meeting is hereby approved. An Authorized Officer is hereby authorized and directed, for and on behalf of the City, to execute, acknowledge and deliver the Escrow Instructions, in substantially the form presented to this meeting, with such changes therein as such Authorized Officer may require or approve, with the advice and approval of City Counsel and Bond Counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. Official Statement. The City hereby approves the preparation of, and hereby authorizes the Authorized Officers to deem final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934 except for permitted omissions, a preliminary form of

Official Statement describing the Bonds. Distribution of such preliminary Official Statement to prospective purchasers of the Bonds is hereby approved. Each of the Authorized Officers are hereby authorized to execute the final form of the Official Statement, on behalf of the City, including as it may be modified by such additions thereto and changes therein as the Authorized Officers shall deem necessary, desirable or appropriate, and the execution of the final Official Statement by the Authorized Officers shall be conclusive evidence of the approval of any such additions and changes. The City hereby authorizes the distribution of the final Official Statement by the purchaser of the Bonds.

Section 6. Official Action. The officers and staff of the City are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions, including negotiations for selection of the Trustee, purchase of bond insurance resulting in present value savings and execution and delivery of any and all assignments, certificates, requisition, agreements, consents, instruments of conveyance, warrants and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance, sale and delivery of the Bonds.

Section 7. Effective Date. This Resolution shall take effect immediately upon adoption.

* * * * *

I, the undersigned City Clerk of the City of Corcoran, hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted by the City Council of the City at a meeting thereof on the 20th day of August, 2012, by the following vote of the members thereof:

AYES:

NOES:

ABSTAINED:

ABSENT:

Mayor

ATTESTED:

City Clerk

INDENTURE OF TRUST

between the

CITY OF CORCORAN

and

U.S. BANK NATIONAL ASSOCIATION, as Trustee

RELATING TO THE

\$ _____

**CITY OF CORCORAN
WATER REVENUE REFUNDING BONDS
SERIES 2012A**

Dated as of September 1, 2012

TABLE OF CONTENTS

ARTICLE I DEFINITIONS; EQUAL SECURITY	2
Section 1.01. <u>Definitions</u>	2
Section 1.02. <u>Equal Security</u>	11
ARTICLE II TERMS AND CONDITIONS OF BONDS	12
Section 2.01. <u>Authorization of Bonds</u>	12
Section 2.02. <u>Denominations, Medium, Method and Place of Payment and</u> <u>Dating of Bonds</u>	12
Section 2.03. <u>Interest on the Bonds</u>	13
Section 2.04. <u>Form of Bonds</u>	13
Section 2.05. <u>Execution of Bonds</u>	13
Section 2.06. <u>Transfer and Exchange of Bonds</u>	13
Section 2.07. <u>Bond Registration Books</u>	14
Section 2.08. <u>Temporary Bonds</u>	14
Section 2.09. <u>Bonds Mutilated, Destroyed, Lost or Stolen</u>	14
Section 2.10. <u>Evidence of Signatures of Bond Owners and Ownership of</u> <u>Bonds</u>	15
Section 2.11. <u>Book Entry System</u>	15
Section 2.12. <u>Limitations on Future Obligations Secured by Net Revenues</u>	17
ARTICLE III PROCEEDS OF BONDS; PLEDGE OF NET REVENUES	18
Section 3.01. <u>Delivery of Bonds; Payment of Debt Service; Pledge of Net</u> <u>Revenues</u>	18
Section 3.02. <u>Depositing of Proceeds of Bonds and Other Amounts</u>	19
Section 3.03. <u>Deposit of Debt Service Payments</u>	19
Section 3.04. <u>Payment Fund</u>	20
Section 3.05. <u>Use of Money in the Delivery Costs Fund</u>	21
Section 3.11. <u>Receipt and Deposit of Revenues</u>	21
Section 3.07. <u>Held in Trust</u>	22
Section 3.08. <u>Commingling of Moneys in Funds</u>	22
Section 3.09. <u>Liability of District Limited</u>	22
Section 3.09. <u>Arbitrage Covenant</u>	23
ARTICLE IV REDEMPTION OF BONDS	23
Section 4.01. <u>Terms of Redemption</u>	23
Section 4.02. <u>Selection of Bonds for Redemption</u>	24
Section 4.03. <u>Notice of Redemption; Rescission</u>	24
Section 4.04. <u>Partial Redemption of Bonds</u>	25
Section 4.05. <u>Effect of Redemption</u>	25
ARTICLE V COVENANTS OF THE CITY AND THE TRUSTEE	26
Section 5.01. <u>Compliance with Indenture</u>	26
Section 5.02. <u>Observance of Laws and Regulations</u>	26
Section 5.03. <u>Prosecution and Defense of Suits</u>	26
Section 5.04. <u>Accounting Records and Statements</u>	27

Section 5.05. <u>Further Assurances</u>	27
Section 5.06. <u>Against Encumbrances</u>	27
Section 5.07. <u>Against Sale or Other Disposition of Property</u>	27
Section 5.08. <u>Against Competitive Facilities</u>	27
Section 5.09. <u>Tax Covenants</u>	28
Section 5.10. <u>Operation of the System</u>	28
Section 5.11. <u>Payment of Claims</u>	28
Section 5.12. <u>Compliance with Contracts</u>	28
Section 5.13. <u>Insurance</u>	28
Section 5.14. <u>Books and Accounts; Financial Statements</u>	29
Section 5.15. <u>Payment of Taxes and Compliance with Governmental Regulations</u>	29
Section 5.17. <u>Collection of Rates and Charges</u>	29
Section 5.18. <u>Eminent Domain Proceeds</u>	31
Section 5.19. <u>Continuing Disclosure to Owners</u>	31
Section 5.20. <u>Rebate of Excess Investment Earnings to United States</u>	31
ARTICLE VI <u>DEFAULT AND LIMITATIONS OF LIABILITY</u>	32
Section 6.01. <u>Events of Default and Events of Mandatory Acceleration; Acceleration of Maturities</u>	32
Section 6.02. <u>Other Remedies of the Trustee</u>	33
Section 6.03. <u>Non-Waiver</u>	33
Section 6.04. <u>Remedies Not Exclusive</u>	34
Section 6.05. <u>No Liability by the Trustee to the Owners</u>	34
Section 6.06. <u>Limitation on Owners' Right to Bring Suit</u>	34
Section 6.07. <u>Application of Funds Upon Default</u>	35
Section 6.08. <u>Rights of the Owners of Parity Obligations</u>	36
ARTICLE VII <u>THE TRUSTEE</u>	36
Section 7.01. <u>Trustee; Duties, Removal and Resignation</u>	36
Section 7.02. <u>Compensation of the Trustee</u>	37
Section 7.03. <u>Protection to Trustee</u>	37
Section 7.04. <u>Payment Limited</u>	40
Section 7.05. <u>Merger or Consolidation</u>	40
Section 7.06. <u>Funds and Accounts</u>	40
ARTICLE VIII <u>AMENDMENT OF OR SUPPLEMENT TO INDENTURE</u>	40
Section 8.01. <u>Amendment or Supplement by Consent of Owners</u>	40
Section 8.02. <u>Disqualified Bonds</u>	41
ARTICLE IX <u>DEFEASANCE</u>	42
Section 9.01. <u>Defeasance</u>	42
Section 9.02. <u>Unclaimed Moneys</u>	43
ARTICLE X <u>MISCELLANEOUS</u>	43
Section 10.01. <u>Benefits of Prior Indenture Limited to Parties</u>	43
Section 10.02. <u>Successor Deemed Included in all References to Predecessor</u>	43

Section 10.03.	<u>Execution of Documents by Owners</u>	43
Section 10.04.	<u>Waiver of Personal Liability</u>	44
Section 10.05.	<u>Acquisition of Bonds by District or the District</u>	44
Section 10.06.	<u>Content of Certificates</u>	44
Section 10.07.	<u>Notice by Mail</u>	44
Section 10.08.	<u>Funds</u> 45	
Section 10.09.	<u>Investments</u>	45
Section 10.10.	<u>Article and Section Headings, Gender and References</u>	46
Section 10.11.	<u>Partial Invalidity</u>	46
Section 10.12.	<u>California Law</u>	46
Section 10.13.	<u>Notices</u>	46
Section 10.14.	<u>Effective Date</u>	46
Section 10.15.	<u>Execution in Counterparts</u>	47
Section 10.16.	<u>Payments Due on Days that are not Business Days</u>	47
APPENDIX A	(FORM OF BOND).....	A-1
APPENDIX B	LIST OF PARITY OBLIGATIONS	B-1

INDENTURE OF TRUST

This INDENTURE OF TRUST (the "Indenture"), dated as of September 1, 2012, between the CITY OF CORCORAN, a municipal corporation duly organized and validly existing under and by virtue of the Constitution and laws of the State of California (the "City") and U.S. BANK NATIONAL ASSOCIATION, a national banking association, duly organized and existing under and by virtue of the laws of the United States of America, as trustee (the "Trustee").

WITNESSETH:

WHEREAS, the City has previously entered into an Installment Sale Agreement, dated as of July 1, 2003, (the "2003 Installment Sale Agreement") with the Corcoran Joint Powers Finance Authority (the "Authority"). Pursuant to a Trust Agreement, dated as of July 1, 2003, (the "Prior Trust Agreement") among the City, the Authority and U.S. Bank National Association (the "Prior Trustee"), the Prior Trustee has executed and delivered the 2003 Certificates of Participation (Water System Project) (the "Prior Obligations"), each evidencing a direct, undivided fractional interest in the certain payments made by the City pursuant to the 2003 Installment Sale Agreement; and

WHEREAS, the City is authorized pursuant to Articles 10 and 11, Division 2, Title 5 (commencing with Section 53570) of the California Government Code, as amended, to issue revenue bonds to provide funds to refund its outstanding indebtedness which is payable from Net Revenues (as defined herein); and

WHEREAS, in order to prepay the Prior Obligations, the City has decided to issue its Water Revenue Refunding Bonds, Series 2012A in an aggregate principal amount of \$_____, secured by Net Revenues as provided herein; and

WHEREAS, the City hereby certifies that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Indenture by such party does exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Indenture;

NOW, THEREFORE, IN CONSIDERATION OF THE PROMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS; EQUAL SECURITY

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall for all purposes hereof, and of any amendment hereof or supplement hereto, of the Bonds and of any certificate, opinion, request or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

“Authority” means the Corcoran Joint Powers Finance Authority, a joint powers authority, operating and acting pursuant to the laws of the State of California duly organized and existing under and by virtue of the Constitution and laws of the State of California, and its successors and assigns.

“Authorized Officer” means, with respect to the City, its Mayor, the City Manager, or the Finance Director or any other person designated as an Authorized Representative of the City by a Written Certificate of the City signed by its Mayor, City Manager, or Finance Director and filed with the Trustee.

“Bond Year” means the period from the Closing Date through July 1, 2013, and thereafter the twelve-month period commencing on July 2 of each year through and including July 1 of the following year.

“Bonds” means the \$_____ principal amount of Water Revenue Refunding Bonds, Series 2012A authorized hereby and at any time Outstanding hereunder that are issued by the City under and pursuant to Article II of this Indenture.

“Bond Counsel” means Nossaman LLP or any other attorney or firm of attorneys appointed by and acceptable to the City, of nationally-recognized experience in the execution and delivery of obligations the interest in which is excludable from gross income for federal income tax purposes under the Code.

“Business Day” means any day other than a Saturday, Sunday or legal holiday or a day on which banks are authorized to be closed for business in California or on which the Trust Office is authorized to be closed.

“Certificate of the City” means an instrument in writing signed by an Authorized Officer.

“City” means the City of Corcoran, California, a municipal corporation duly organized and existing under the Constitution and laws of the State of California, and its successors and assigns.

“Closing Date” means the date on which the Bonds are delivered to the original purchasers thereof, which date is _____, 2012.

“Code” means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code herein shall be deemed to include the United States Treasury Regulations, including temporary and proposed regulations relating to such section which are applicable to the Bonds or the use of the proceeds thereof.

“Continuing Disclosure Agreement” shall mean the agreement by that name, dated as of September 1, 2012, between the City and the dissemination agent named therein.

“Debt Service” means, during any period of computation, the amount obtained for such period by totaling the following amount--

(a) The principal amount of all Outstanding serial Bonds and Parity Obligations coming due and payable by their terms in such period (except to the extent that such principal has been fully capitalized and is invested in Federal Securities which mature at times and in such amounts as are necessary to pay the principal to which such amounts are pledged);

(b) The minimum principal amount of all Outstanding term Bonds and Parity Obligations scheduled to be redeemed by operation of mandatory sinking fund deposits in such period, together with any premium thereon (except to the extent that such principal has been fully capitalized and is invested in Federal Securities which mature at times and in such amounts as are necessary to pay the principal to which such amounts are pledged); and

(c) The interest which would be due during such period on the aggregate principal amount of Bonds and Parity Obligations which would be Outstanding in such period if the Bonds or Parity Obligations are retired as scheduled (except to the extent that such interest has been fully capitalized and is invested in Federal Securities which mature at times and in such amounts as are necessary to pay the interest to which such amounts are pledged), but deducting and excluding from such aggregate amount the amount of Bonds and Parity Obligations no longer Outstanding; provided that, whenever interest as described herein accrues at other than a fixed rate, such interest shall be assumed to be a rate equal to the greater of (i) the actual rate on the date of calculation, or if the Parity Obligation is not yet outstanding, the initial rate (if established and binding), (ii) if the Parity Obligation has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (x) if interest on the Parity Obligation is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently published The Bond Buyer Bond Revenue Index (or comparable index if no longer published) plus fifty (50) basis points, or (y) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities, plus fifty (50) basis points.

“Debt Service Account” means the account of that name established by the Trustee pursuant to Section 3.04 hereof.

“Debt Service Payments” mean the payments of Debt Service on the Bonds due hereunder.

“Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to the City relating to the refunding of the Prior Obligations, including but not

limited to filing costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee and its counsel, financing discounts, legal fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of Bonds and charges and fees in connection with the foregoing.

“Delivery Costs Fund” means the fund of that name established by Section 3.02 hereof.

“Depository” means (a) initially, DTC, and (b) any other qualified securities depository acting as Depository pursuant to Section 2.11 hereof.

“Depository System Participant” means any participant in the Depository’s book entry system.

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

“Due Date” means the fifteenth day of the month prior to each Interest Payment Date.

“Escrow Fund” means the fund established by the Escrow Instructions.

“Escrow Instructions” means the escrow instructions from the City to the Prior Trustee, dated as of September 1, 2012.

“Event of Default” means an event of default described in Section 6.01 hereof.

“Federal Securities” mean (a) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America, (b) obligations fully and unconditionally guaranteed as to timely payment of the interest and principal by the United States of America, (c) obligations of any agency or instrumentality of the United States of America as to which the timely payment of the interest on and the principal of such obligations is backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

“Fiscal Year” means the twelve calendar month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the City as its Fiscal Year in accordance with applicable law.

“Generally Accepted Accounting Principles” mean the uniform accounting and reporting procedures prescribed by the California State Controller or his successor for cities in the State of California, or failing the prescription of such procedures means generally accepted accounting principles as presented and recommended by the American Institute of Certified Public

Accountants or its successor, or by the National Council on Governmental Accounting or its successor, or by any other generally accepted authority on such principles.

“Governmental Loan” means a loan from the State or the United States of America, acting through any of its agencies, to finance improvements to the Water System, and the obligation of the City to make payments to the State or the United States of America under the loan agreement memorializing said loan on a parity basis with the payment of Debt Service Payments.

“Gross Revenues” means all gross charges (including surcharges, if any) received for, and all other gross income and receipts derived by the City from, the ownership and operation of the Water System or otherwise arising from the Water System, including but not limited to (a) connection charges, (b) investment earnings on amounts held in the Water Fund or in any other fund established with respect to the Water System, and (c) rental income related to the Water System. Gross Revenues does not include (i) refundable deposits made to establish credit, (ii) the proceeds of any ad valorem property taxes, and (iii) the proceeds of any special assessments or special taxes levied upon real property within any improvement district served by the City for the purpose of paying special assessment bonds or special tax obligations of the City relating to the Water System. Gross Revenues shall also include interest with respect to any Parity Obligations reimbursed to or on behalf of the City by the United States of America, and shall include and including moneys in the Rate Stabilization Fund that have been designated and pledged as “Gross Revenues” for a Fiscal Year pursuant to Section 306 hereof.

“Indenture” means this Indenture of Trust by and between the Trustee and the City, dated as of September 1, 2012, as originally executed and entered into and as it may from time to time be amended or supplemented in accordance herewith.

“Independent Certified Public Accountant” means any certified public accountant or firm of certified public accountants duly licensed and entitled to practice, and practicing as such, under the laws of the State of California, appointed and paid by the City, and each of whom--

1. is in fact independent and not under the domination of the City;
2. does not have a substantial financial interest, direct or indirect, in the operations of the City; and
3. is not connected with the City as a board member, officer or employee of the City, but may be regularly retained to audit the accounting records of and make reports thereon to the City.

“Information Services” means in accordance with then-current guidelines of the Securities and Exchange Commission, one or more services selected by the Trustee which are then providing information with respect to called Bonds, or, if the Trustee does not select a service, then such service or services as the City may designate in a certificate delivered to the Trustee.

“Interest Payment Date” means January 1, 2013, and each July 1 and January 1 thereafter.

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

“Net Proceeds” means, when used with respect to any insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all reasonable expenses (including attorneys’ fees) incurred in the collection of such proceeds.

“Net Revenues” means, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Expenses becoming payable during such period.

“Nominee” means (a) initially, Cede & Co., as nominee of DTC, and (b) any other nominee of a Depository designated pursuant to Section 2.11 hereof.

“Operation and Maintenance Expenses” means the reasonable and necessary costs and expenses paid by the City to maintain and operate the Water System, including but not limited to (a) costs of acquisition of water to be supplied by the Water System, (b) costs of electricity and other forms of energy supplied to the Water System, (c) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water System in good repair and working order, and (d) the reasonable administrative costs of the City attributable to the operation and maintenance of the Water System. Operation and Maintenance Expenses do not include (i) debt service payable on obligations incurred by the City with respect to the Water System, including but not limited to the Debt Service Payments and any Parity Obligations, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

“Outstanding” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 8.02) all Bonds except:

- (1) Bonds canceled by the Trustee;
- (2) Bonds paid or deemed to have been paid within the meaning of Section 9.01; and
- (3) Bonds in lieu of or in substitution for which replacement Bonds shall have been executed and delivered hereunder.

“Owner” or “Bondowner” means the registered owner of any Outstanding Bond.

“Parity Obligations” means indebtedness or other obligations (including leases and installment sale agreements) hereafter issued or incurred and secured by a pledge of and lien on Net Revenues equally and ratably with the Debt Service Payments, including the 2008 Installment Payments, the 2008 Reimbursement Agreement and the 2008 Swap Agreement (only to the extent of 2008 Swap Periodic Payments), of the City payable from and secured by a pledge of and lien upon any of the Net Revenues issued or incurred pursuant to this Indenture.

“Payment Fund” means the fund by that name established in Section 3.03 hereof.

“Permitted Investments” mean any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (the Trustee is entitled to conclusively rely upon any direction of the City as a certification that such investment constitutes a Permitted Investment):

1. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, but excluding CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

2. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

Farmers Home Administration (FmHA)
Certificates of beneficial ownership

Federal Housing Administration Debentures (FHA)

General Services Administration
Participation certificates

Government National Mortgage Association (GNMA or “Ginnie Mae”)
GNMA – guaranteed mortgage-backed bonds
GNMA – guaranteed pass-through obligations (participation certificates)
(not acceptable for certain cash-flow sensitive issues.)

U.S. Maritime Administration
Guaranteed Title XI financing

U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local District Bonds
New Communities Debentures – U.S. Government guaranteed debentures
U.S. Public Housing Notes and Bonds – U.S. Government guaranteed
public housing notes and bonds

3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

Federal Home Loan Bank System

Senior debt obligations

Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”)

Participation certificates

Senior debt obligations

Federal National Mortgage Association (FNMA or “Fannie Mae”)

Mortgage-backed securities and senior debt obligations

Resolution Funding Corp. (REFCORP) obligations

Farm Credit System

Consolidated system-wide bonds and notes

Federal Agriculture Mortgage Association

Tennessee Valley District

4. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of “AAAm-G,” “AAA-m,” or “AA-m” and if rated by Moody’s rated “Aaa,” “Aa1” or “Aa2,” including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee provide investment advisory or other management services.

5. Certificates of deposit secured at all times by collateral described in 1 and/or 2 above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks including the Trustee and its affiliates. The collateral must be held by a third party and the Owners must have a perfected first security interest in the collateral; and unsecured certificates of deposit, time deposits, money market deposits, demand deposits and bankers’ acceptances of any bank (including those of the Trustee, its parent and its affiliates) the short-term obligations of which are rated on the date of purchase in one of the two highest rating categories by S&P and by Moody’s.

6. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

7. Investment agreements, including GIC’s, forward purchase agreements and reserve fund put agreements.

8. Commercial paper rated, at the time of purchase, “Prime -1” by Moody’s and “A-1” or better by S&P.

9. Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

10. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime -1" or "A2" or better by Moody's and "A-1" or "A" or better by S&P.

11. Repurchase agreements for 30 days or less must follow the following criteria:

(i) Repurchase agreements that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date.

12. Asset-backed Securities: As authorized in Government Code Section 53601(n), investment in any equipment lease-backed certificate, consumer receivable pass-through certificate or consumer receivable-backed bond with a maximum remaining final maturity of five years. Purchases will be restricted to securities with an expected weighted average life not to exceed three years. Securities eligible for investment under this subdivision shall be rated "AAA" by a nationally recognized rating service.

13. Mortgage-backed Securities: As authorized in Government Code Section 53601(n), investment in any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, with a maximum remaining final maturity of five years. Purchases will be restricted to securities with an expected weighted average life not to exceed three years. Securities eligible for investment under this subdivision shall be rated "AAA" by a nationally recognized rating service. Purchases of asset-backed and mortgage-backed securities may not exceed 20% of the City's portfolio in total.

14. Medium-term Notes: Corporate notes issued by corporations organized and operating within the United States with a rating of "A" or higher at the time of purchase by a nationally recognized rating service and with a maximum remaining maturity of no more than three (3) years after the date of purchase.

15. The Local Agency Investment Fund created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

16. Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of California, as it may be amended.

17. The County of Kings Pooled Treasury Portfolio.

“Principal Office” means the corporate trust office of the Trustee currently located in San Francisco, California, or such other office designated by the Trustee from time to time.

“Prior Trust Agreement” means the Trust Agreement, dated as of July 1, 2003, among the City, the Authority and the Prior Trustee

“Prior Obligations” means the City’s obligations under the Installment Purchase Agreement, as evidenced by the 2003 Certificates of Participation (Water System Project).

“Prior Trustee” means U.S. Bank National Association, as trustee for the Prior Obligations.

“Rate Stabilization Fund” means the fund of that name established by the City pursuant to Section 3.06 hereof.

“Record Date” means the fifteenth day of the calendar month prior to an Interest Payment Date.

“Redemption Account” means the account of that name established by the Trustee pursuant to Section 3.04 hereof.

“Responsible Officer” means any officer of the Trustee assigned by the Trustee to administer the trusts established hereunder.

“Revenue Fund” means the fund of the City into which it deposits Gross Revenues.

“S&P” means Standard & Poor’s Ratings Group, a division of McGraw Hill Incorporated, its successors and assigns.

“Securities Depositories” mean The Depository Trust Company, 55 Water Street, 50th Floor, New York, New York 10041-0099, Attention: Call Notification Department, Fax (212) 855-7232; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in writing to the Trustee.

“State” means the State of California.

“Subordinate Debt” means indebtedness or other obligations (including leases and installment sale agreements) hereafter issued or incurred and secured by a pledge of and lien on Net Revenues subordinate to the Bonds.

“Trust Office” means the office of the Trustee designated in Section 10.13 hereof, and such other offices as the Trustee may designate from time to time.

“Trustee” means U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, or its successor or any other bank or trust company which may at any time be substituted in its place as provided in Section 7.01.

“2003 Certificates” means the \$5,915,000 City of Corcoran (Kings County, California) 2003 Certificates of Participation (Water System Project) executed and delivered on July 1, 2003.

“2008 Certificates” means the \$19,900,000 Variable Rate Demand 2008 Refunding Certificates of Participation (Water System Project) executed and delivered on March 27, 2008.

“2008 Installment Payment” means any payment required to be paid by the City to the Authority pursuant to Section 4.04 of the 2008 Installment Sale Agreement.

“2008 Installment Sale Agreement” means the agreement by that name, dated as of March 1, 2008, by and between the Authority and the City, and any duly authorized and executed amendment or supplement thereto.

“2008 Reimbursement Agreement” means the Reimbursement Agreement dated as of March 1, 2008, by and among the City, the Authority and Union Bank of California.

“2008 Swap Agreement” means collectively, the ISDA Master Agreement (including the Schedule thereto), Credit Support Annex and Confirmation, each dated October 20, 2005, between Piper Jaffray Financial Products, Inc. and the City, and the Replacement Swap Undertaking dated October 20, 2005, among the City, Piper and Morgan Stanley Capital Services Inc. (“MSCS”) and the Replacement Swap Agreement deemed to be entered into pursuant to such Replacement Swap Undertaking as of the date thereof, between MSCS and the City, and any replacement transactions thereunder, as amended the “Amended and Restated Schedule to the Master Agreement dated as of October 2005 and amended and restated as of March 27, 2008,” the Amended and Restated Credit Support Annex to the Schedule to the Master Agreement dated as of October 2005 and amended and restated as of March 27, 2008,” and the Amended and Restated Confirmation related thereto, originally dated October 20, 2005, initially Amended and Restated as of July 1, 2007 and further Amended and Restated as of March 27, 2008, and as to any other Parity Obligations, an agreement or agreements providing for a swap of the interest rates payable by the Authority with respect on such Parity Obligations.

“2008 Swap Periodic Payment” means the periodic payments (which do not include any payment due upon early termination of the Swap Agreement or the transfer of Eligible Credit Support pursuant to the Credit Support Document, as defined in the Swap Agreement) due to or from the City and the Swap Counterparty under the Swap Agreement.

“Water System” means the entire existing system of the City for the supply, storage, treatment and distribution of water within the service area of the City, including but not limited to all facilities, properties, lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the City.

Section 1.02. Equal Security. In consideration of the acceptance of the Bonds by the Owners, this Indenture shall be deemed to be and shall constitute a contract by and among the Trustee, the City and the Owners to secure the full and final payment of the interest and principal and redemption premiums, if any, to be made by the City on the Bonds, subject to the

agreements, conditions, covenants and terms contained herein; and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Trustee shall be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to benefit, protection or security of any Bonds over any other Bonds by reason of the number or date thereof or the time of execution or delivery thereof or otherwise for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II

TERMS AND CONDITIONS OF BONDS

Section 2.01. Authorization of Bonds. The City hereby authorizes the issuance of the Bonds in the aggregate principal amount of \$_____. The Bonds shall be designated “City of Corcoran Water Revenue Refunding Bonds, Series 2012A.”

Section 2.02. Denominations, Medium, Method and Place of Payment and Dating of Bonds. The Bonds shall be issued in the form of fully registered Bonds in denominations of five thousand dollars (\$5,000) or any integral multiple thereof. Subject to the provisions of Section 2.11 hereto, the interest, principal and redemption premiums, if any, on the Bonds shall be payable by check in lawful money of the United States of America. Subject to the provisions of Section 2.11 hereof, interest on the Bonds shall be payable on their Interest Payment Dates by check mailed via first class mail on the Interest Payment Date by the Trustee to the respective Owners thereof as of the Record Date at their addresses as they appear in the books required to be kept by the Trustee pursuant to the provisions of Section 2.07 hereof or, upon the written request from any Owner of Bonds aggregating at least \$1,000,000 in principal amount, received on or prior to the fifteenth day of the month preceding an applicable Interest Payment Date, by wire in Federal Reserve funds to an account within the United States on the Interest Payment Date, with regard to which such payment is made. The principal of the Bonds shall be payable on July 1 in each of the years and in the principal amounts as follows, or on redemption prior thereto, upon surrender thereof at the Trust Office of the Trustee.

<u>Year (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
	\$	%

The Bonds shall be dated as of the Closing Date, and bear interest from the Interest Payment Date immediately preceding the date of authentication thereof by the Trustee, unless such date of authentication is on or after the fifteenth (15th) day of the calendar month prior to

an Interest Payment Date, in which case they shall bear interest from such Interest Payment Date, or unless such date of authentication is on or before December 15, 2012 , in which case they shall bear interest from the Closing Date.

Section 2.03. Interest on the Bonds. Interest on the Bonds shall be paid on each Interest Payment Date at the rates per annum set forth in Section 2.02 hereof, calculated on the basis of a 360-day year consisting of twelve 30-day months.

Section 2.04. Form of Bonds. The Bonds and the assignment to appear thereon shall be in substantially the form set forth in Appendix A hereto with appropriate or necessary insertions, omissions and variations as permitted or required hereby.

Section 2.05. Execution of Bonds. The Bonds shall be executed by the manual or facsimile signature of the Mayor of the City, or his authorized representatives and shall be attested to by the manual or facsimile signature of the Secretary. The Bonds shall be authenticated by the manual signature of an authorized officer of the Trustee.

Section 2.06. Transfer and Exchange of Bonds. Subject to the provisions of Section 2.11 hereof, (a) each Bond shall be transferable only upon a register of the names of each Owner (the "Bond Register"), which shall be kept for that purpose at the Trust Office, by the Owner thereof in person or by his or her attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Owner or his or her duly authorized attorney. Upon the transfer of any such Bond, the Trustee shall provide in the name of the transferee, a new Bond or Bonds, of the same aggregate principal amount, interest rate and maturity as the surrendered Bonds (unless there has occurred a partial redemption of such Bond pursuant to Section 4.01 hereof, in which case the principal amount of the new Bond shall be equal to the unredeemed principal amount of the Bond submitted for transfer).

(b) The Trustee shall deem and treat the person in whose name any Outstanding Bond shall be registered upon the Bond Register as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond and for all other purposes, and all such payments so made to any such Owner or upon his or her order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the City nor the Trustee shall be affected by any notice to the contrary. The City agrees to indemnify and save the Trustee harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence or willful misconduct under the Indenture, in so treating such Owner.

In all cases in which the privilege of exchanging or transferring Bonds is exercised, the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Article. All Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Trustee. For every such exchange or transfer of Bonds, whether temporary or definitive, the City and the Trustee may make a charge sufficient to reimburse any of them for any tax, fee or other governmental charge, other than one imposed by the City, required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such

exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. Notwithstanding any other provision hereof, the cost of preparing each new Bond and any other expenses of the City or the Trustee incurred in connection therewith (except any applicable tax, fee or other governmental charge other than one imposed by the City) shall be paid by the City. The Trustee shall not be obliged to effect any exchange or transfer of any Bond during the period after the mailing of notice calling such Bond or a portion thereof for redemption, nor during the fifteen (15) days preceding the giving of such notice of redemption.

Section 2.07. Bond Registration Books. The Trustee shall keep or cause to be kept at its Principal Office sufficient records for the registration and registration of transfers of the Bonds, which shall, during normal business hours upon reasonable prior written notice be open to inspection by the City; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations consistent herewith as it may prescribe, register or transfer or cause to be registered or transferred, on the Bond Register, Bonds as herein before provided.

Section 2.08. Temporary Bonds. Pending preparation of the definitive Bonds, any Bonds delivered under the Indenture may be initially delivered in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the City, shall be without coupons and may contain such reference to any of the provisions hereof as may be appropriate. Every temporary Bond shall be authenticated by the Trustee and be delivered by the Trustee upon the same conditions and in substantially the same manner as definitive Bonds. If the Trustee delivers temporary Bonds, it shall authenticate and furnish definitive Bonds without delay and, thereupon, the temporary Bonds shall be surrendered for cancellation at the Principal Office of the Trustee and the Trustee shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations of the same interest rate or rates and maturity or maturities. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under the Indenture as definitive Bonds delivered pursuant hereto.

Section 2.09. Bonds Mutilated, Destroyed, Lost or Stolen. If any Bond shall become mutilated, the Trustee, at the expense of the Owner of said Bond, shall authenticate and deliver a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and destroyed or redelivered to, or upon the order of, the City. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft shall be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and if an indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner, shall authenticate and deliver a new Bond of like tenor and numbered as the Trustee shall determine in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a reasonable fee for each new Bond delivered under this Section and of the reasonable expenses which may be incurred by the Trustee in carrying out the duties under this Section 2.09. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits hereof with all other Bonds secured by the Indenture. The Trustee shall not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining

the principal amount of Bonds which may be issued under the Indenture or for the purpose of determining any percentage of Bonds Outstanding under the Indenture, but both the original and replacement Bond shall be treated as one and the same. Notwithstanding any other provision of this Section 2.09, in lieu of delivering a new Bond for a Bond which has been mutilated, lost, destroyed or stolen and which has matured, the Trustee may make payment of such Bond upon receipt of indemnification satisfactory to the Trustee.

Section 2.10. Evidence of Signatures of Bond Owners and Ownership of Bonds. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by the Indenture to be signed or executed by Bond Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Bond Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the holding and ownership of Bonds shall be sufficient for any purpose hereof (except as otherwise herein provided), if made in the Form of the Assignment attached to the Bond in Appendix A hereto.

Nothing contained in this Article shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which to the Trustee may seem sufficient. Any request or consent of the Owner of any Bond shall bind every future Owner of the same Bond in respect of anything done or suffered to be done by the City or the Trustee in pursuance of such request or consent.

Section 2.11. Book Entry System.

(a) Original Delivery. The Bonds shall be initially delivered in the form of a separate single fully registered Bond (which may be typewritten) for each maturity. Upon initial delivery, the ownership of each such Bond shall be registered on the Bond Register kept by the Trustee in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee.

With respect to Bonds the ownership of which shall be registered in the name of the Nominee, the City and the Trustee shall have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the City holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, the City and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Bond Register, or any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed in the event the City elects to redeem the Bond in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Bond Register, of any amount with respect to principal, premium, if any, or interest on the Bonds, or (v) any consent given or other action taken by the Depository as Owner of the Bonds. The City and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bonds for the purpose of payment of principal of, premium, if any, and interest on such Bonds for the purpose of giving notices of redemption

and other matters with respect to such Bonds, for the purpose of registering transfers of ownership of such Bonds, and for all other purposes whatsoever. The Trustee shall pay the principal of and the interest and premium, if any, on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the Bonds to the extent of the sum or sums so paid. No person other than an Owner shall receive a Bond evidencing the obligation of the City to make payments of principal, interest and premium, if any, pursuant to this Indenture. Upon delivery by the Depository to the Nominee of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice of the City shall promptly, but in no event later than two (2) Business Days after receipt thereof, deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, to the extent it has not already done so the City shall execute and deliver to such Depository a letter (the "Letter of Representations") representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the City or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. In addition to the execution and delivery of such letter, the City may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. In the event that either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the City determines to terminate the Depository as such, then the City shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the City and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees in the Letter of Representations to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the City fails to identify another qualified securities depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Bond Register in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Section 2.11 hereof.

In the event the City determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain Bonds, the City may notify the Depository System Participants of the availability of such Bond through the Depository. In such event, the Trustee will, at the expense of the City, authenticate, transfer and exchange Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository so requests, the City shall cooperate with the Depository in taking appropriate action (i) to make available one or more separate Bonds evidencing the Bonds to any Depository System Participant having Bonds

credited to its account with the Depository, or (ii) to arrange for another qualified securities depository to maintain custody of a single Bond evidencing such Bonds, all at the City's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of the Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such Bonds and all notices with respect to such Bonds shall be made and given, respectively, as provided in the Letter of Representations or as otherwise instructed in writing by the Depository.

Section 2.12. Limitations on Future Obligations Secured by Net Revenues.

(a) No Obligations Superior to Debt Service Payments. In order to protect further the availability of the Net Revenues and the security for the Debt Service Payments and any Parity Obligations, the City hereby agrees that the City shall not, so long as any Bonds are outstanding, issue or incur any obligations payable from Gross Revenues or Net Revenues superior to the Debt Service Payments or such Parity Obligations. The City may issue or incur Subordinate Debt as provided herein.

(b) Parity Obligations. The City further covenants that, except for bonds issued to fully or partially refund the Bonds or Parity Obligations, the City shall not issue or incur any Parity Obligations unless:

(i) The City is not in default under the terms of this Indenture;

(ii) Net Revenues (exclusive of transfers to the Revenue Fund from the Rate Stabilization Fund, should one be established), calculated on sound accounting principles, as shown by the books of the City for the latest Fiscal Year or any more recent twelve (12) month period selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which instrument such Parity Obligation is issued or incurred, as shown by the books of the City, plus, at the option of the City, the additional allowance described below, shall have amounted to at least 1.20 times the sum of the Debt Service Payments coming due and payable in any future Fiscal Year and the annual debt service for such Fiscal Year on all Parity Obligations outstanding immediately subsequent to the incurring of such additional obligations in the Fiscal Year in which such sum is the greatest;

Either or both of the following items may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (b)(ii): an allowance for earnings arising from any increase in the charges made for service from the Water System which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year or 12-month period, was not in effect, in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or 12-month period, as shown by a certificate of the City.

In order to maintain the parity relationship of the Debt Service Payments to all Parity Obligations permitted hereunder, the City covenants that all payments in the nature of principal

and interest with respect to any Parity Obligations, except with respect to Governmental Loans, will be structured to occur semi-annually on the Due Dates and in each year as such payments are due with respect to the Debt Service Payments, and to otherwise structure the terms of such Parity Obligations to ensure that they are in all respects payable on a parity with the Debt Service Payments and not prior thereto; provided that the City shall not make a payment on such Governmental Loan to the extent it would have the effect of causing the City to fail to pay Debt Service Payments on a timely basis. In such event, the City shall make Debt Service Payments and payments on such Governmental Loan on a pro rata basis.

(c) If interest on any Parity Obligation is reasonably anticipated to be reimbursed to or on behalf of the City by the United States of America, then interest payments with respect to such Parity Obligations shall be excluded by the amount of such interest reasonably anticipated to be paid or reimbursed by the United States of America, and such reimbursements will not be included as Gross Revenues for purposes of the coverage calculations required in subsection (b)(ii) above.

(d) Subordinate Obligations. The City may issue bonds or other obligations secured by a lien on Gross Revenues or Net Revenues which is subordinate to the lien established under this Indenture, upon such terms and in such principal amounts as the City may determine.

ARTICLE III

PROCEEDS OF BONDS; PLEDGE OF NET REVENUES

Section 3.01. Delivery of Bonds; Payment of Debt Service; Pledge of Net Revenues. The Trustee is hereby authorized to authenticate the Bonds and upon receipt of the proceeds of sale thereof deliver the Bonds to the initial purchaser thereof upon receipt of a Certificate of the City.

All of the Net Revenues are pledged hereunder for the payment of Parity Obligations, including the Bonds, and all moneys on deposit in the Payment Fund and the Redemption Fund established under the Indenture are hereby irrevocably pledged, charged and assigned to the punctual payment of the Bonds, and except as otherwise provided herein, the Net Revenues and such other funds shall not be used for any other purpose so long as any of the Bonds remain Outstanding. Such pledge, charge and assignment shall constitute a first lien on the Net Revenues and such other moneys for the payment of the Debt Service Payments, the Bonds and any Parity Obligations in accordance with the terms hereof.

The City's obligation to pay the Debt Service Payments and any other amounts coming due and payable hereunder shall be a special obligation of the City limited solely to the Net Revenues. Under no circumstances shall the City be required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Debt Service Payments and the Bonds, nor shall any other funds or property of the City be liable for the payment of the Debt Service Payments, the Bonds or any other amounts coming due and payable hereunder.

The obligations of the City to make the Debt Service Payments from the Net Revenues and to perform and observe the other agreements contained herein shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the City or the Trustee of any obligation to the City or otherwise with respect to the Water System, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the City by the Trustee. The City hereby acknowledges that its obligation to make Debt Service Payments hereunder is absolute and unconditional, free of deductions and without abatement, offset, recoupment, diminution or set-off whatsoever. Until such time as all of the Debt Service Payments and all other amounts coming due and payable hereunder shall have been fully paid or prepaid, the City (a) will not suspend or discontinue payment of any Debt Service Payments or such other amounts with respect to the Bonds, (b) will perform and observe all other agreements contained in this Indenture, and (c) will not terminate this Indenture for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Water System, sale of the Water System, the taking by eminent domain of title to or temporary use of any component of the Water System, commercial frustration of purpose, any change in the tax or other laws of the United States of America or the State or any political subdivision of either thereof or any failure of the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture.

Nothing contained in this Section shall be construed to release the Trustee from the performance of any of the agreements on its part contained herein, and in the event the Trustee shall fail to perform any such agreements, the City may institute such action against the Trustee as the City may deem necessary to compel performance so long as such action does not abrogate the obligations of the City contained in the preceding paragraph. The City may, however, at the City's own cost and expense and in the City's own name prosecute or defend any action or proceeding or take any other action involving third persons which the City deems reasonably necessary in order to secure or protect the City's rights hereunder.

Section 3.02. Depositing of Proceeds of Bonds and Other Amounts. On the Closing Date the Trustee shall receive \$_____ (principal amount of the Bonds of \$_____, less an underwriter's discount of \$_____) as the purchase price of the Bonds. The Trustee shall deposit \$_____ of the Bond proceeds to the Delivery Costs Fund, which fund is hereby established and shall be held hereunder. The Trustee shall transfer \$_____ of the Bond proceeds to the Prior Trustee for deposit in the Escrow Fund established pursuant to the Escrow Instructions. The Trustee may establish a temporary fund or account in its records to facilitate such deposits or transfers.

Section 3.03. Deposit of Debt Service Payments. All Debt Service Payments with respect to the Bonds shall be paid directly by the City to the Trustee on the applicable Due Date. Such payments received by the Trustee shall be held in trust by the Trustee under the terms hereof and shall be deposited by it as and when received in the Debt Service Account of the Payment Fund, which fund the Trustee hereby agrees to establish and maintain as provided in Section 3.04 so long as any Bonds are Outstanding.

The Net Revenues of the Water System shall be received and deposited by the City in the Debt Service Fund held by the City. On or before each Due Date, the City shall withdraw from the Debt Service Fund an amount, together with the balance then on deposit in the Payment Fund, if any (other than amounts held for the defeasance of Bonds pursuant to Article IX and any amounts required for payment of principal of or interest on any Bonds which have matured or been called for redemption but which have not yet been presented for payment), equal to the aggregate amount of the Debt Service Payments coming due on the next succeeding Interest Payment Date, and transfer the same to the Trustee for deposit into the Payment Fund on the following dates and in the following amounts:

- (1) Interest Component. On or before the fifteenth day of each June and December, an amount which is equal to the amount to become due on such Bonds on the next succeeding Interest Payment Date; provided, however, that the City may be entitled to certain credits on such payments as set forth above.
- (2) Principal Component. On or before the fifteenth day of June of each year, an amount which, together with any moneys already on deposit with the Trustee and available to make such payment, is not less than the entire amount of the next succeeding maturing principal or mandatory sinking account payment coming due on the Bonds after such date; provided, however, that the City may be entitled to certain credits on such payments as set forth above.

Section 3.04. Payment Fund. Within the Payment Fund the Trustee shall establish a Debt Service Account and a Redemption Account. Debt Service Payments made by the City shall be deposited by the Trustee in the Debt Service Account. Such payments shall be net of amounts already on deposit therein that are in excess of the amount required to accumulate therein pursuant to Section 3.01. The Trustee shall transfer the money contained in the Debt Service Account and the Redemption Account at the following respective times in the following respective accounts in the following order of priority in the manner hereinafter provided, each of which accounts the Trustee hereby agrees to establish and maintain so long as any Bonds are Outstanding, and the money in each of such accounts shall be disbursed only for the purposes and uses hereinafter authorized:

(a) Debt Service Account. All moneys in the Debt Service Account shall be used and withdrawn by the Trustee solely for the purpose of paying principal of and interest on the Bonds on each Interest Payment Date or mandatory redemption dates, as applicable.

(b) Redemption Account. The Trustee, on the optional redemption date specified in the Certificate of the City filed with the Trustee at the time that any moneys to accomplish any such optional redemption are paid to the Trustee, shall deposit in the Redemption Account the amount of such payment. All money in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest and principal on the Bonds to be optionally redeemed on their respective redemption dates.

Section 3.05. Use of Money in the Delivery Costs Fund.

(a) The Trustee shall disburse funds from the Delivery Costs Fund to pay Delivery Costs only upon receipt of a signed certificate (stating the amount to be disbursed and the party or parties being paid) approved by the Authorized Officer of the City and accompanied by an invoice or statement for each such amount.

(b) Upon payment of all Delivery Costs, which shall be determined by a certificate to that effect by an Authorized Officer of the City delivered to the Trustee, or upon the date occurring four (4) months after the Closing Date, whichever occurs first, the Trustee shall transfer all funds remaining in the Delivery Costs Fund to the Debt Service Account, and the Delivery Costs Fund shall thereupon be closed.

Section 3.06. Receipt and Deposit of Gross Revenues; Revenue Fund; Rate Stabilization Fund.

The City covenants and agrees that all Gross Revenues, when and as received, will be received and held by the City in trust for the benefit of Bond owners and payments with respect to Parity Obligations, and will be deposited by the City in the Revenue Fund (which the City hereby covenants and agrees to maintain so long as any Bonds remain Outstanding) and will be accounted for and held in trust for the benefit of Bond owners and for payments with respect to Parity Obligations in the Revenue Fund. All Gross Revenues shall be disbursed, allocated and applied solely to the uses and purposes set forth in this Article III.

All Gross Revenues in the Revenue Fund shall be set aside by the City or deposited by the City with the Trustee, or the trustee or fiscal agent with respect to Parity Obligations, as the case may be, as follows and in the following order of priority:

(1) Operation and Maintenance Expenses. In order to carry out and effectuate the pledge and lien contained herein, the City agrees and covenants to pay all Operation and Maintenance Expenses (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Expenses, the payment of which is not then immediately required) from the Revenue Fund as they become due and payable.

(2) Debt Service Funds. Debt Service Payments payable pursuant to Section 3.01 hereof and all other payments relating to principal and interest on or with respect to Parity Obligations, shall be paid in accordance with the terms hereof and of such Parity Obligations, without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference.

(3) Reserve Funds. Payments required with respect to Parity Obligations, to replenish debt service reserve funds established for Parity Obligations shall be made in accordance with the terms hereof and such Parity Obligations, without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference.

(4) General Expenditures. All Gross Revenues not required to be withdrawn pursuant to the provisions of (1) through (3) above shall be used for expenditure for any lawful purpose of the City, including payment of Operation and Maintenance Expenses, transfers to the Rate Stabilization Fund or payment of any rebate requirement or of any obligation subordinate to the payment of all amounts due hereunder or under Parity Obligations.

The parties hereto acknowledge that although all Parity Obligations are secured equally and ratably by applicable Net Revenues, moneys with respect to obligations other than the Bonds may be held by the Trustee or by trustees other than the Trustee under documents and agreements other than the Indenture, and the Indenture imposes no obligations upon the Trustee with respect to such other obligations. The City shall make such transfers from the Revenue Fund necessary to effectuate such obligations' parity claim on such Net Revenues contemplated hereby.

The City may maintain and hold a separate fund to be known as the "Rate Stabilization Fund." From time to time the City may deposit in the Rate Stabilization Fund from Net Revenues remaining, after making the allocation pursuant to the provisions of (1) through (3) above, such amounts as the City shall determine, provided that deposits with respect to any Fiscal Year may be made at any time during such Fiscal Year and until (but not after) the day which is sixty (60) days following the end of such Fiscal Year. The City may withdraw amounts from the Rate Stabilization Fund for inclusion in Gross Revenues for any Fiscal Year, or for any other lawful purpose of the Water System, such withdrawals to be made at any time during such Fiscal Year and until (but not after) the day which is sixty (60) days after the end of such Fiscal Year. All interest or other earnings upon deposits in the Rate Stabilization Fund may be withdrawn therefrom and accounted for as Gross Revenues. Notwithstanding the foregoing, no deposit of Net Revenues to the Rate Stabilization Fund may be made to the extent such Net Revenues were included in a City certificate or an independent consultant's report submitted in accordance with this Indenture or any Parity Obligations and withdrawal of the Net Revenues to be deposited in the Rate Stabilization Fund from the Net Revenues employed in rendering said City certificate or independent consultant's report would cause noncompliance with provisions of this Indenture.

Section 3.07. Held in Trust. The moneys and investments held by the Trustee under Sections 3.03, 3.04 and 3.05 are irrevocably held in trust for the benefit of the Owners, and for the purposes herein specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Indenture, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the Trustee or the City.

Section 3.08. Commingling of Moneys in Funds. The Trustee is directed by the City to commingle any of the funds held by it pursuant to this Indenture into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trustee hereunder shall be accounted for separately notwithstanding such commingling by the Trustee.

Section 3.09. Liability of City Limited. Notwithstanding anything contained herein, the City shall not be required to advance any moneys derived from any source of income other than Net Revenues legally available therefor in the Revenue Fund and the other funds provided herein

for the payment of the Debt Service Payments or for the performance of any agreements or covenants contained herein required to be performed by it. The City may, however, but shall not be required to, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the City for such purpose.

The obligation of the City to make the Debt Service Payments and the other amounts due hereunder is a special obligation of the City payable solely from the moneys legally available therefor hereunder, and does not constitute a debt of the City or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Section 3.10. Arbitrage Covenant. The City hereby covenants with the Owners of the Bonds that, notwithstanding any other provision of this Indenture, it will make no use of the proceeds of the Bonds which would cause the Bonds or the Prior Obligations to be “arbitrage bonds” subject to federal income taxation by reason of Section 148 of the Internal Revenue Code of 1986, as amended. The Trustee hereby covenants with the Owners of the Bonds that it will comply with the express provisions of this Indenture and will follow the written directions of the City and, notwithstanding anything to the contrary contained herein, so long as the Trustee shall have complied with the written instructions of the City, if any, with respect to making any rebate to the United States of America, the Trustee shall conclusively be deemed to have complied with its obligations hereunder and shall not be liable if the Bonds become arbitrage bonds.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. Terms of Redemption.

(a) Extraordinary Casualty Redemption. The Bonds are subject to redemption, in whole or in part on any date, from the Net Proceeds of insurance or condemnation with respect to the Water System, which Net Proceeds are deposited in the Payment Fund and credited towards the prepayment of the Debt Service Payments, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

(b) Optional Redemption. The Bonds maturing on or before July 1, 20___, are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing on or after July 1, 20___, are subject to optional redemption on any date on or after July 1, 20___, in whole or in part, at the option of the City, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest to the redemption date, without a premium.

(c) Sinking Fund Redemption of Bonds. The Bonds maturing July 1, 20___ shall be subject to mandatory sinking fund redemption in part, by lot, commencing on July 1, 20___, from mandatory sinking fund payments set aside in the Payment Fund, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the

date fixed for redemption, without premium, in the aggregate respective principal amounts and on the dates set forth below; provided, however, that if some but not all of such Bonds have been redeemed pursuant to subsection (a) or (b) above, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of such Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the City (notice of which determination shall be given by the City to the Trustee):

Redemption Dates <u>(July 1)</u>	<u>Amount</u>
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(d) Purchase in Lieu of Redemption. In lieu, or partially in lieu, of such call and redemption, moneys of the City may be used to purchase Outstanding Bonds in the manner hereinafter provided. Purchases of Outstanding Bonds may be made by the City prior to the selection of Bonds for redemption by the Trustee, at public or private sale as and when and at such prices as the City may in its discretion determine but only at prices (including brokerage or other expenses) of not more than par plus applicable accrued interest and redemption premiums, and any accrued interest payable upon the purchase of Bonds may be paid from the amount in the Payment Fund for payment of interest on the following Interest Payment Date.

Section 4.02. Selection of Bonds for Redemption. In the event that part, but not all, of the Bonds are to be redeemed, the Bonds to be redeemed shall be selected by the Trustee among maturities as designated in writing by the City and by lot within a maturity; provided, however, that, as shall be set forth in a Certificate of the City, the Bonds may be redeemed by any maturity or maturities selected by the City, and by lot within a maturity. For the purpose of the selection described in this Section, all Bonds registered in the name of the same Owner shall be aggregated and treated as a single Bond held by such Owner. Notwithstanding any of the foregoing, in any such partial redemption the Trustee shall call the Bonds in integral multiples of \$5,000.

In the event of a redemption for which the Trustee does not have monies available to redeem the entire amount scheduled for redemption, the Trustee shall redeem Bonds of the applicable maturity or maturities by lot up to a principal amount equal to the available monies.

Section 4.03. Notice of Redemption; Recession. When redemption is authorized or required pursuant to this Article, the Trustee shall give notice (the "Redemption Notice"), at the expense of the City, of the redemption of the Bonds. Such Redemption Notice shall specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of any paying agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) if less than all the Bonds of a maturity are to be redeemed, the certificate numbers of the Bonds to

be redeemed and, in the case of any Bond to be redeemed in part only, the amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price, together with interest accrued to the redemption date, and that from and after such date interest with respect thereto shall cease to accrue and be payable. Such notice in respect of optional or extraordinary casualty redemption shall not be provided unless there has been deposited with the Trustee funds sufficient to pay such redemption price (except in the case of redemption resulting from the issuance of refunding obligations).

Subject to the provisions stated above, the Trustee shall take the following actions with respect to such Redemption Notice:

(a) (i) At least thirty (30) but not more than forty-five (45) days prior to the redemption date or (ii) immediately upon receipt of Net Proceeds from insurance or condemnation awards which are to be used to redeem Bonds, the Trustee shall cause Redemption Notices to be given to the respective Owners of Bonds designated for redemption by first class mail, postage prepaid, at their addresses appearing on the Bond Register maintained by the Trustee.

(b) At least thirty (30) days prior to the redemption date, such Redemption Notice shall be given to each of the Securities Depositories.

(c) At least thirty (30) days prior to the redemption date, such Redemption Notice shall be given to one of the Information Services selected by the City.

Neither failure to receive any Redemption Notice nor any defect in such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of such Bonds. Each check or other payment method used by the Trustee for the purpose of redeeming Bonds shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

The City shall have 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 shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under this Indenture. The City and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Section 4.04. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Trustee shall authenticate and deliver to the Owner thereof a new Bond or Bonds equal to the unredeemed principal amount of the Bond surrendered.

Section 4.05. Effect of Redemption. Notice having been given as aforesaid, and the moneys for the redemption, including interest to the applicable redemption date of the Bonds to

be redeemed, having been set aside in the Redemption Account or Payment Account, the portion of Bonds to be redeemed shall become due and payable on said redemption date, and, upon presentation and surrender thereof at the office or offices specified in said notice, said Bonds shall be paid at the unpaid principal amount and premium, if any, with respect thereto, plus any unpaid and accrued interest to said redemption date.

If, on said redemption date, moneys sufficient for the redemption of all the Bonds to be redeemed, together with interest to said redemption date shall be held by the Trustee so as to be available therefor on such redemption date, and, if notice of redemption thereof shall have been given as aforesaid, then, from and after said redemption date, interest with respect to the portion of Bonds to be redeemed shall cease to accrue and become payable. If said moneys shall not be so available on said redemption date, interest with respect to such portion of Bonds shall continue to be payable until paid at the same rates as they would have been payable had they not been called for redemption. All moneys held by or on behalf of the Trustee for the redemption or payment of particular Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed or paid for the lesser of two (2) years or the period ending one day prior to the date such moneys would escheat to the State. Subject to any applicable escheat laws, after the earlier of two (2) years or the period ending one day prior to the date such moneys would escheat to the State, the Trustee will pay over to the City the unclaimed money for the years to which such money applies, if any, and thereafter the Owners of such Bonds shall be entitled to payment on their Bonds only from the City and only from the amounts so paid to the City. The Trustee shall have no obligation to determine what applicable escheat law applies, but shall only be required to follow the City's written instructions to comply with this Section.

ARTICLE V

COVENANTS OF THE CITY AND THE TRUSTEE

Section 5.01. Compliance with Indenture. The City will not suffer or permit any material default by it to occur hereunder, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms hereof required to be complied with, kept, observed and performed by it.

Section 5.02. Observance of Laws and Regulations. The City will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it with respect to the Water System by contract, or prescribed by any law of the United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the City with respect to the Water System to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 5.03. Prosecution and Defense of Suits. The City shall promptly, upon request of the Trustee or any Owner holding at least 25% in principal amount of the Bonds from time to time, take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Water System, whether now existing or hereafter developing and shall, to the extent permitted by law, prosecute all such suits, actions and other proceedings

as may be appropriate for such purpose and shall indemnify and save the Trustee and every Owner harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

Section 5.04. Accounting Records and Statements. The Trustee will keep proper accounting records in which complete and correct entries shall be made of all transactions made by the Trustee relating to the receipt, deposit and disbursement of the Debt Service Payments, and such accounting records shall be available for inspection by the City or any Owner or his or her agent duly authorized in writing on any Business Day upon reasonable notice at reasonable hours and under reasonable conditions prescribed by the Trustee. So long as any Bonds are Outstanding, the Trustee will furnish each month to the City and any Owner who may so request in writing (at the expense of such Owner) a statement covering the receipts, deposits and disbursements of the Debt Service Payments for the preceding monthly period; provided, that the Trustee shall not be obligated to deliver an accounting for any fund or account that (i) has a balance of zero, or (ii) has not had any activity since the last reporting date.

Section 5.05. Further Assurances. Whenever and so often as requested to do so by the Trustee or any Owner, the City will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them by this Indenture.

Section 5.06. Against Encumbrances. The City hereby covenants that there is no pledge of or lien on Net Revenues senior to the pledge and lien securing the Bonds. The City will not make any pledge of or place any lien on the Net Revenues, provided that the City may at any time, or from time to time, pledge or encumber the Net Revenues in connection with the issuance or execution of Parity Obligations, or subordinate to the pledge of Net Revenues herein.

Section 5.07. Against Sale or Other Disposition of Property. Except as provided herein, the City covenants that the Water System shall not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole. Neither the Net Revenues nor any other funds pledged or otherwise made available to secure payment of the Debt Service Payments shall be mortgaged, encumbered, sold, leased, pledged, any charge placed thereon, or disposed or used except as authorized by the terms hereof. The City shall not enter into any agreement which impairs the operation of the Water System or any part of it necessary to secure adequate Net Revenues to pay the Debt Service Payments, or which otherwise would materially impair the rights of the Owners and the owners of any Parity Obligations with respect to the Net Revenues. If any substantial part of the Water System shall be sold, the payment therefor shall either (a) be used for the acquisition or construction of improvements, extensions or replacements of facilities constituting part of the Water System, or (b) to the extent not so used, be paid to the Trustee to be applied to pay or redeem the Bonds or any Parity Obligations, in accordance with written instructions of the City filed with the Trustee.

Section 5.08. Against Competitive Facilities. Except for any utility system existing as of the date hereof, the City will not, to the extent permitted by law, acquire, maintain or operate and

will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, authority, city or political subdivision or any person whomsoever to acquire, maintain or operate within the City any utility system competitive with the Water System; provided, however, that the City may assign all or a portion of the Water System to another entity upon delivery to the Trustee of an opinion of nationally recognized bond counsel that such assignment will not adversely affect the tax-exempt status of the Bonds, and provided such entity assumes the obligations of the City hereunder.

Section 5.09. Tax Covenants. The City shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, the interest on the Bonds to become includable in gross income for federal income tax purposes. To that end, the City hereby make the following specific covenants:

(a) The City hereby covenants that it shall not make or permit any use of the proceeds of the Bonds that may cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

(b) The City covenants that the proceeds of the Bonds will not be used as to cause the proceeds on the Bonds to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

(c) The City covenants not to take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

Section 5.10. Operation of the Water System. The City covenants and agrees to operate, or cause to be operated, the Water System in accordance with customary standards and practices applicable to similar facilities.

Section 5.11. Payment of Claims. The City will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Net Revenues or any part thereof or on any funds in the control of the City or the Trustee prior or superior to the lien of the Bonds or which might impair the security of the Bonds; provided the City shall not be obligated to make such payment so long as the City contracts such payment in good faith.

Section 5.12. Compliance with Contracts. The City will comply with, keep, observe and perform all agreements, conditions, covenants and terms, expressed or implied, required to be performed by it contained in all contracts for the use of the Water System and all other contracts affecting or involving the Water System to the extent that the City is a party thereto.

Section 5.13. Insurance. So long as the Bonds are Outstanding, the City shall at all times maintain insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Water System, either in the form of self-insurance or with responsible insurers. All amounts collected from insurance against accident to or destruction of any portion of the Water System shall be used either to repair or rebuild such damaged or destroyed portion of the Water System or to redeem the Bonds

in accordance with Section 4.01 hereof. The City shall also maintain worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the City, the Trustee and the Owners, either in the form of self-insurance or with responsible insurers. The Trustee is not responsible for the adequacy of such insurance.

Section 5.14. Books and Accounts; Financial Statements . The City shall keep proper books of record and accounts of the Water System, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Water System. Said books shall, upon prior request, be subject to the reasonable inspection by the Owners of not less than ten percent (10%) in aggregate principal amount of the Outstanding Bonds, or their representatives authorized in writing. The City shall cause the books and accounts of the Water System to be audited annually by an Independent Accountant, not more than one hundred eighty (180) days after the close of each Fiscal Year, and shall make a copy of such report available for inspection by the Owners at the office of the City.

The Trustee shall not be required to review, and shall not be deemed to have notice of, the contents of the books and records of the City, any financial statement or statement of insurance coverage delivered to the Trustee hereunder, it being expressly understood that the Trustee shall only receive and hold such documents as repository for examination and copying by any Owner at such Owner's expense during business hours on Business Days.

Section 5.15. Payment of Taxes and Compliance with Governmental Regulations. The City will pay and discharge all taxes, assessments and other governmental charges, if any, which may hereafter be lawfully imposed upon the Water System or any part thereof or upon the Net Revenues when the same shall become due. The City will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water System or any part thereof, but the City shall not be required to make such payments, or to comply with any regulations or requirements, so long as the payment or validity or application thereof shall be contested in good faith.

Section 5.16. [RESERVED].

Section 5.17. Collection of Rates and Charges. (a) The City hereby covenants that it shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues sufficient to pay the following amounts in the following order of priority:

(i) All Operation and Maintenance Expenses estimated by the City to become due and payable in such Fiscal Year;

(ii) All Debt Service Payments and all payments of principal of and interest on any Parity Obligations as they become due and payable during such Fiscal Year, without preference or priority; and

(iii) All payments required to meet any other obligations of the City which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues during such Fiscal Year.

In addition, the City shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year (exclusive of transfers to the Revenue Fund from the Rate Stabilization Fund, should one be established) which are sufficient to yield Net Revenues which are at least equal to 120% of the amount described in the preceding clause (b) for such Fiscal Year.

(b) For purposes of calculating the interest on any Outstanding Parity Obligations, if interest on any Parity Obligations is reasonably anticipated to be reimbursed to or on behalf of the City by the United States of America, then interest on such Parity Obligations shall be excluded to the extent such interest is reasonably anticipated to be paid or reimbursed by the United States of America, and such reimbursements will not be included as Gross Revenues for purposes of the coverage calculations set forth in (a) above.

(c) If, in any Fiscal Year, charges for the services and facilities of the Water System which, after allowances for contingencies and error in the estimates, shall produce Gross Revenues insufficient to meet the covenant set forth in paragraph (a), the City covenants and agrees to employ an independent consultant to make recommendations as to a revision of the rates, fees and charges of the Water System or the methods of operation of the Water System that will result in producing Net Revenues in the amount specified in paragraph (a) of this Section 5.17. Copies of the recommendations of such consultant shall be filed with the Trustee.

(d) The City covenants and agrees that it shall, promptly upon its receipt of such recommendations from such consultant, subject to applicable requirements or restrictions imposed by law, and subject to a good faith determination of the City Council that such recommendations, in whole or in part, are in the best interests of the City, revise its rates, fees and charges or its methods of operation or collections and shall take such other action as shall be in conformity with such recommendations. In the event that the City fails to comply with such recommendations, subject to the applicable requirements or restrictions imposed by law and to the determination of the City Council of the City that such recommendations are in the best interests of the City, or its assignee, may, in addition to the rights and remedies elsewhere set forth herein, and shall, upon the written request of the Owners of a majority in principal amount of the Bonds then Outstanding, and being indemnified to its satisfaction therefor, institute and prosecute an action or proceeding in a court of competent jurisdiction to compel the City to comply with the recommendations and requirements of this paragraph (d). If the City complies in all material respects with the reasonable recommendations of the consultant in respect to said rates, fees, charges and methods of operation or collection, the City will be deemed to have complied with the covenants contained in this Section 5.17 notwithstanding that Net Revenues shall be less than the amount required under this Section 5.17 for such Fiscal Year; provided, however, that such rates, fees, charges and methods of operation or collection shall produce Net Revenues equal to at least 100% of (i) the Debt Service Payments coming due and payable during such Fiscal Year, and (ii) all payments required with respect to Parity Obligations; provided further, that this sentence shall not be construed as in any way excusing the City from

taking any action or performing any duty required under this Indenture or be construed as constituting a waiver of any other Event of Default.

Section 5.18. Eminent Domain Proceeds. Any amounts received as awards as a result of the taking of all or any part of the Water System by the lawful exercise of eminent domain, at the election of the City (evidenced by a Written Certificate of the City filed with the Trustee) shall either (a) be used for the acquisition or construction of improvements and extension of the Water System, or (b) be paid to the Trustee to be applied to redeem the Bonds under Section 4.01(a) hereof or any Parity Obligations, in accordance with written instructions of the City filed with the Trustee.

Section 5.19 Continuing Disclosure to Owners The City and the Trustee shall comply with and carry out all of their respective duties under the Continuing Disclosure Agreement. Notwithstanding any other provisions of this Indenture, failure of the City or the Trustee to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; provided, however, that the Trustee shall, at the written direction of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the holders of at least 25% aggregate principal amount of Outstanding Bonds, but only to the extent indemnified for its fees and expenses, including those of its attorneys, or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Section 5.20. Rebate of Excess Investment Earnings to United States.

(a) Obligation to Calculate Excess Investment Earnings. The City shall calculate or cause to be calculated, and shall provide or cause to be provided written notice to the Trustee of, the excess investment earnings (as defined in the Code, “Excess Investment Earnings”) at such times and in such manner as may be required pursuant to the Code. The City shall inform the Trustee how frequently calculations are to be made, and shall ensure that a copy of all such calculations is given promptly to the Trustee.

(b) Rebate to United States. The City agrees to deposit with the Trustee, promptly upon the receipt of any calculations made pursuant to the preceding subsection (a), the amount of Excess Investment Earnings so calculated. The Trustee shall deposit all amounts paid to it for such purpose by the City in the Rebate Fund, which fund the Trustee hereby agrees to establish when required to deposit any funds therein and maintain so long as any Bonds are Outstanding. The Trustee shall pay to the United States of America from the amounts on deposit in the Rebate Fund such amounts as shall be identified pursuant to written notice filed with the Trustee by the City for such purpose from time to time. Payments to the United States of America shall be made to the address prescribed by the Code as the same may be from time to time in effect with such reports and statements as may be prescribed by the Code. Following payment in full to the United States of America of all amounts due and owing under this subsection (b) and under the Code, the Trustee shall withdraw from the Rebate Fund and transfer to the City all amounts remaining on deposit in the Rebate Fund.

(c) Investment Transactions. The City shall assure that Excess Investment Earnings are not paid or disbursed except as required in this Section 5.20. To that end the City

shall assure that investment transactions are on an arm's-length basis. In the event that Permitted Investments consist of certificates of deposit or investment contracts, investment in such Permitted Investments shall be made in accordance with the procedures described in the Code.

(d) Maintenance of Records. The City shall keep, and retain for a period of six (6) years following the retirement of the Bonds, records of the determinations made pursuant to this Section 5.20.

(e) Engagement of Professional Services. In order to provide for the administration of this Section 5.20, the City may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the City may deem appropriate.

(f) Modification of this Section. Any of the provisions of this Section 5.20 may be amended, modified or deleted in any manner whatsoever in the event that the City shall cause to be filed with the Trustee written directions making such amendment, modification or deletion, which written directions are accompanied by an opinion of Bond Counsel stating that such amendment, modification or deletion will not cause interest on the Bonds to be includable in gross income of the Bondowners for federal income tax purposes.

ARTICLE VI

DEFAULT AND LIMITATIONS OF LIABILITY

Section 6.01. Events of Default and Events of Mandatory Acceleration; Acceleration of Maturities. If one or more of the following Events of Default shall happen:

(a) default shall be made in the due and punctual payment by the City of any Debt Service Payment when and as the same shall become due and payable;

(b) default shall be made by the City in the performance of any of the agreements or covenants contained herein required to be performed by it, and such default shall have continued for a period of sixty (60) days after the City shall have been given notice in writing of such default by the Trustee;

(c) the City shall file a petition seeking arrangement or reorganization under federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property; or

(d) an event of default shall have occurred with respect to any Parity Obligations;

If an Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, subject to the provisions of Section 6.02, exercise any remedies available to the Trustee and the Bondowners in law or at equity.

The Trustee shall notify the City promptly of any default under Section 6.01(a) hereof. Upon the occurrence of an Event of Default hereunder, the Trustee may declare the principal and interest with respect to all such Bonds immediately due and payable and such principal and interest shall thereupon be due and payable immediately. The Trustee shall apply amounts on deposit in the funds and accounts in accordance with Section 6.07 hereof.

This provision, however, is subject to the condition that, except with respect to an Event of Default under subsection (c) above, if at any time after such Outstanding principal amount of the Bonds and the accrued interest thereon shall have been so declared due and payable and before the acceleration date or the date of any judgment or decree for the payment of the money due shall have been obtained or entered, the City shall deposit with the Trustee a sum sufficient to pay such amount due prior to such date and the accrued interest thereon, with interest on such overdue payments at the rate on such Bonds, and the reasonable fees and expenses of the Trustee, including those of its attorneys, and any and all other defaults known to the City (other than in the payment of such principal amount of the Bonds and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Trustee, by written notice to the City, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 6.02. Other Remedies of the Trustee. The Trustee may (subject to the receipt of indemnity as provided herein):

(a) by mandamus or other action or proceeding or suit at law or in equity enforce its rights against the City, or any board member, officer or employee thereof, and compel the City or any such board member, officer or employee to perform and carry out its or his or her duties under applicable law and the agreements and covenants contained herein required to be performed by it or him;

(b) by suit in equity enjoin any acts or things which are unlawful or violate the rights of the Trustee or the Bondowners hereunder;

(c) intervene in judicial proceedings that affect the Bonds or the security therefor or hereunder; or

(d) by suit in equity upon the happening of an Event of Default require the City and its officers and employees to account as the trustee of an express trust.

Section 6.03. Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee or the Owners shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No

delay or omission by the Trustee or the Owners to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee or the Owners by law or by this Article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or the Owners, the Trustee, the Owners and the City shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 6.04. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any other law.

Section 6.05. No Liability by the Trustee to the Owners. Except for the duty of the Trustee to make payments of principal, redemption premiums and interest with respect to the Bonds from moneys received from the City, the Trustee will not have any obligation or liability to the Owners with respect to the payment when due of the Debt Service Payments by the City, or with respect to the performance by the City of the other agreements and covenants required to be performed by it contained herein.

Section 6.06. Limitation on Owners' Right to Bring Suit. No Owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, under or with respect to this Indenture, or for the appointment of a receiver or trustee or for any other remedy hereunder, at law or in equity, unless:

- (1) such Owner has previously given written notice to the Trustee of a continuing Event of Default;
- (2) the owners of not less than a majority in principal amount of the Bonds Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;
- (3) such Owner or Owners have offered to the Trustee reasonable indemnity, satisfactory to the Trustee, against the costs, expenses and liabilities to be incurred in compliance with such request; and
- (4) the Trustee for sixty (60) days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding.

It being understood and intended that no one or more Owners shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the lien of this Indenture or the rights of any other Owners or to obtain or to seek to

obtain priority or preference over any other Owners or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all Bonds and Parity Obligations. Notwithstanding the foregoing, the Owner of any Bond shall have the right which is absolute and unconditional to receive payment of interest on such Bond when due in accordance with the terms thereof and hereof and the principal of such Bond at the stated maturity thereof and to institute suit for the enforcement of any such payment in accordance with the provisions of this Indenture and such rights shall not be impaired without the consent of such Owner.

Section 6.07. Application of Funds Upon Default. All monies received by the Trustee or by any receiver pursuant to any right given or action taken under the provisions of this Article VI, and any other funds then held by the Trustee, shall, after payment of the reasonable costs and fees of, and the reasonable fees, expenses, liabilities and advances incurred or made by the Trustee (including fees and expenses of its attorneys and advisors), be deposited in the Debt Service Account and all moneys so deposited during the continuance of an Event of Default (other than moneys for the payment of Bonds which have previously matured or otherwise become payable prior to such Event of Default or for the payment of interest due prior to such Event of Default), together with all moneys in the funds and accounts maintained by the Trustee under Article III hereof, shall be applied as follows:

(a) Unless the principal of all Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

First: To the payment to the persons entitled thereto of all installments of interest then due on the Bonds and any Parity Obligations, with interest on overdue installments, if lawful, at the rate per annum borne by the Bonds, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably according to the amounts due on such installment, to the persons entitled thereto without any discrimination or privilege; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any of the Bonds and any Parity Obligations which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), with interest on such Bonds at their rate from the respective dates upon which they became due, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full Bonds and any Parity Obligations due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds and any Parity Obligations, with interest on overdue interest and principal, as aforesaid, without preference or priority over interest or of interest over principal or of any installment of interest over any other installment of interest, or of any Bonds over any other Bonds or any Parity

Obligations, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

Whenever the Trustee shall apply such moneys (which shall not include the application of moneys upon the occurrence of any acceleration pursuant to the provisions hereof), it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which date such application is to commence and upon such date interest on the amounts of principal and interest to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and of the special record date in accordance with Article II hereof. The Trustee shall not be required to make payment to the Owner of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 6.08. Rights of the Owners of Parity Obligations. Notwithstanding anything in this Article VI to the contrary, it is hereby acknowledged and agreed that the rights of the Trustee and the Owners hereunder in and to the Net Revenues and the Water System shall be exercised on a parity and proportionate basis with the rights of the owners of any Parity Obligations and any fiduciary acting for the benefit of such owners. The provisions of this Article VI, and the provisions of any instruments authorizing the issuance of any Parity Obligations, shall be construed in accordance with the foregoing sentence.

ARTICLE VII

THE TRUSTEE

Section 7.01. Trustee; Duties, Removal and Resignation. By executing and delivering the Indenture, the Trustee accepts the duties and obligations of the Trustee provided in the Indenture, but only upon the terms and conditions set forth in the Indenture.

The City, in its sole discretion, or the Owners of a majority in aggregate principal amount of all Bonds Outstanding may, by thirty (30) days prior written request, remove the Trustee initially a party hereto, and any successor thereto, and in such event, or in the event the Trustee resigns, the City shall appoint a successor Trustee, but any such successor shall be a bank, national banking association or trust company in good standing doing business and having an office in Los Angeles or San Francisco, California, having (or if such bank, national banking association or trust company is a member of a bank holding company system, its bank holding company shall have) a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars (\$50,000,000) and subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of conditions so published.

The Trustee may at any time resign by giving written notice to the City and by giving to the Bond Owners notice by mailing a notice of such resignation to their addresses appearing in

the Bond Register. Upon receiving any such notice of resignation, the City shall promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event that the City does not appoint a successor Trustee within thirty (30) days following receipt of such notice of resignation, the resigning Trustee may petition at the expense of the City an appropriate court having jurisdiction to appoint a successor Trustee or to resign. Subject to the prior sentence, any resignation or removal of the Trustee shall not become effective until written acceptance of appointment by the successor Trustee under the Indenture.

Any Trustee which shall resign or be removed pursuant to this Section shall be entitled to compensation in accordance with Section 7.02 and to reimbursement for all reasonable and proper expenses and advances incurred and not previously reimbursed for its activities in connection with the Indenture and for any indemnification due pursuant to the Indenture and not previously paid. Any Trustee which resigns or is removed, upon payment of its unpaid compensation and expenses hereunder, shall fully discharge all the right, title and interest of the retiring Trustee and amounts on deposit hereunder shall vest in said successor Trustee, and such retiring Trustee shall promptly pay over, assign and deliver to the successor Trustee any money or other property on deposit pursuant hereto then held by such Trustee, and deliver any and all records, or copies thereof, in respect of the Trustee which it may have.

Section 7.02. Compensation of the Trustee. The City shall pay from time to time, upon receipt of a statement, to the Trustee reasonable compensation for the Trustee's services and shall reimburse the Trustee for all its reasonable advances and expenditures incurred by it in the exercise and performance of its powers and duties under the Indenture. The lien of the Trustee on amounts held by it under the Indenture for its services rendered under the Indenture shall be superior to the rights of the Bond Owners to receive scheduled payments of principal and interest with respect to their Bonds; provided that the Trustee shall have no lien on moneys in the Redemption Account.

The City shall hold harmless and indemnify the Trustee for all costs, claims, expenses and liabilities incurred by or asserted against the Trustee in the performance of its duties under this Indenture or any related document, including any such reasonable costs, claims, expenses (including legal fees and expenses) and liabilities incurred in the course of defending itself against any claims or actions or enforcing any remedies under this Indenture or any related document. Any such indemnity shall not extend to any costs, claims, expenses or liabilities adjudicated to have been caused by the negligence or willful misconduct of the Trustee. The indemnification of the Trustee under this Indenture shall extend to its directors, officers, employees and agents. The obligations of the City under this Section shall survive the payment of the Bonds and the discharge of this Indenture, and the resignation or removal of the Trustee.

Section 7.03. Protection to Trustee. The City shall indemnify, protect and hold the Trustee harmless and the Trustee shall incur no liability for acting upon any notice, resolution, consent, order, certificate, report, certificate or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee, in its discretion, may consult with counsel, who may be counsel to the City, with regard to legal questions, and the advice or opinion of such counsel, in the absence of negligence or willful misconduct on the part of the Trustee, shall be full and complete authorization and protection in

respect of any action taken or suffered by it under the Indenture in good faith in accordance therewith.

Whenever in the administration of its duties under the Indenture, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may, in the absence of negligence or willful misconduct on the part of the Trustee, be deemed to be conclusively proved and established by the certificate of an Authorized Officer of the City and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provisions of the Indenture upon the faith thereof, but in its discretion the Trustee may, in lieu thereof (but shall not be obligated to), accept other evidence of such matter.

The Trustee may in good faith buy, sell, own, hold and deal in any of the Bonds issued pursuant to the Indenture, and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party to the Indenture. The Trustee and its affiliates, either as sponsor, advisor, principal or agent, may also engage in or be interested in any financial or other transaction with the City, and may act as depository, trustee, or agent for any committee or body of Owners of Bonds or other obligations of the City as freely as if it were not Trustee under the Indenture.

The recitals, statements and representations contained in this Indenture or in the Bonds, save only the Trustee's authentication of the Bonds, shall be taken and construed as made by and on the part of the City, and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof. The Trustee shall not be deemed to make any representations with respect to the security afforded by this Indenture.

The Trustee may execute any of the trusts or powers hereof and perform the duties required of it under the Indenture by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty under the Indenture. The Trustee shall be fully reimbursed by the City for reasonable expenses incurred in connection with the performance of its obligations under the Indenture. Upon any default by, or misconduct of, any agent, attorney or receiver appointed by the Trustee, the Trustee shall fully pursue all remedies available to it against such attorney, agent or receiver, and the proceeds of the exercise of such remedies shall be used to reimburse the City for any loss it may have suffered as a result of the default or misconduct of such agent, attorney or receiver.

Before taking any remedial action hereunder the Trustee may require that a satisfactory indemnity bond or other indemnity satisfactory to the Trustee be furnished for the reimbursement of all reasonable expenses to which it may be put and to protect it against all liability which may be incurred in connection with the taking of such action, except liability which is adjudicated to have resulted from its negligence or willful misconduct; provided, however, the Trustee shall not seek such indemnity prior to making payments on the Bonds.

The Trustee, prior to the occurrence of an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, undertakes to perform only such duties as are specifically set forth in this Indenture. The Trustee shall, during the existence of

any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a reasonable person would exercise or use in the conduct of such person's own affairs.

The Trustee shall not be deemed to have knowledge of an Event of Default (except in connection with a failure of the City to make Debt Service Payments when due) until a Responsible Officer has actual knowledge thereof, or until notified in writing of such Event of Default.

The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

No provision of this Indenture or any other document related hereto shall require the Trustee to risk or advance its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of its rights hereunder.

The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

The Trustee shall not be liable for any action taken or not taken by it in accordance with the direction of a majority (or other percentage provided for herein) in aggregate principal amount of Bonds outstanding relating to the exercise of any right, power or remedy available to the Trustee.

The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty.

The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

The Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of *force majeure*. The term "*force majeure*" means an occurrence that is beyond the control of the Trustee and

could not have been avoided by exercising due care. *Force majeure* shall include but not be limited to acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

The Trustee's rights to immunities and protection from liability hereunder and its rights to payment of its fees and expenses shall survive its resignation or removal and final payment or defeasance of the Bonds. All indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, officers and employees of the Trustee.

Section 7.04. Payment Limited. All payments to be made by the Trustee under and pursuant to this Indenture shall be made only from the corpus, income and proceeds of the amounts on deposit pursuant hereto and only to the extent that the Trustee shall have received sufficient contribution, income and proceeds in accordance with the terms of this Indenture.

Section 7.05. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible under Section 7.01 hereof, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 7.06. Funds and Accounts. The Trustee may establish such funds and accounts as it reasonably deems necessary or appropriate to perform its obligations hereunder.

ARTICLE VIII

AMENDMENT OF OR SUPPLEMENT TO INDENTURE

Section 8.01. Amendment or Supplement by Consent of Owners. The Indenture may be amended in writing by agreement between the City and the Trustee, but no such amendment or supplement shall (i) reduce the rate of interest evidenced by the Bonds or extend the time of payment of such interest or reduce the amount of principal thereof or extend the Maturity Date thereof without the prior written consent of the Owner thereof, or (ii) reduce the percentage of Owners of Bonds whose consent is required for the execution of any amendment of or supplement to the Indenture, or (iii) modify any rights or obligations of the Trustee without its prior written consent thereto.

This Indenture and the rights and obligations of the City, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture which the City and the Trustee may enter into, but without the consent of any Bond Owners, if the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Bonds, including, without limitation, for any one or more of the following purposes:

(a) to add to the covenants and agreements of the City other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the City;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the City may deem necessary or desirable;

(c) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(d) to make such additions, as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds; or

(e) to authorize the issuance of Parity Obligations.

In the event of any such amendment or supplement, copies of such amendment or supplement and any other documents relating thereto shall be provided by the City to Moody's and S&P (provided such rating agencies are currently rating the Bonds, or any Parity Obligations) at least fifteen (15) days prior to the effective date thereof.

Section 8.02. Disqualified Bonds. Bonds owned or held by or for the account of the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in this Article VIII, and shall not be entitled to consent to or take any other action provided in this Article VIII, and the Trustee may adopt appropriate regulations to require each Owner, before his or her consent provided for herein shall be deemed effective, to reveal if the Bonds as to which such consent is given are disqualified as provided in this Section 8.02. Upon request of the Trustee, the City shall specify in a certificate to the Trustee those Bonds disqualified pursuant to this Section and the Trustee may conclusively rely on such certificate.

ARTICLE IX

DEFEASANCE

Section 9.01. Defeasance. Any Outstanding Bonds shall be paid and discharged in any one or more of the following ways:

(a) by paying or causing to be paid the principal of and interest on such Bonds Outstanding, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, before maturity, money which, together with the amounts which are then on deposit in the Payment Fund and available therefor, is fully sufficient to pay such Bonds, including all principal and interest; or

(c) by depositing with the Trustee, under an escrow deposit and trust agreement, cash, non-callable Federal Securities or pre-refunded non-callable municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively (or any combination thereof) (the “Defeasance Obligations”) in such amount as an Independent Certified Public Accountant shall determine will, together with the interest to accrue thereon and moneys then on deposit (or a pro rata share thereof) in the Payment Fund available therefor, together with the interest to accrue thereon, be fully sufficient to pay and discharge such Bonds (including all principal and interest) at or before their respective maturity dates.

In the event of a refunding as described in paragraph (c) above (i) the City shall cause to be delivered, on the deposit date and upon any reinvestment of the defeasance amount, a report of an Independent Certified Public Accountant verifying the sufficiency of the escrow established to pay such Bonds in full on the maturity or redemption date (the “Verification”), (ii) the escrow instructions shall provide that (A) substitution of a Defeasance Obligation shall not be permitted except with another Defeasance Obligation and upon delivery of a new Verification and (B) reinvestment of a Defeasance Obligation shall not be permitted except as contemplated by the original Verification or upon delivery of a new Verification, and (iii) there shall be delivered an opinion of nationally recognized bond counsel to the effect that such Bonds are no longer “Outstanding” under the Indenture. Each Verification and defeasance opinion shall be addressed to the City, the Trustee, the escrow agent, if any, and any other parties as are deemed appropriate by the City at the time of such refunding. In the event a forward purchase agreement will be employed in the refunding, such agreement shall be accompanied by such opinions of counsel.

Notwithstanding that some Bonds may not have been surrendered for payment, all obligations of the City and the Trustee under the Indenture with respect to such defeased Bonds shall cease and terminate, except only the obligation of the Trustee to pay or cause to be paid to the Owners of such Bonds all sums due thereon and the obligation of the City to indemnify and pay the Trustee in accordance with Sections 7.02 and 7.03 hereof.

Any funds held by the Trustee, at the time of one of the events described above in subsections (a), (b) or (c), which are not required for the payment to be made to Owners, or for payments to be made to the Trustee by the City, shall be paid over to the City pursuant to written instruction from an Authorized Officer of the City and delivery of a certificate of a certified public accountant that such funds are not required to be paid to the Owners.

Section 9.02. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or principal of the Bonds which remains unclaimed for the lesser of the period ending one day prior to the date such money would escheat to the State or two (2) years after the date when the payments evidenced and represented by such Bonds have become payable, if such money was held by the Trustee at such date, or for the lesser of the period ending one day prior to the date such money would escheat to the State or two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and principal evidenced and represented by such Bonds have become payable, the Trustee shall pay such amounts to the City as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the City for interest and principal represented by such Bonds; provided, however, that before being required to make any such payment to the City, the Trustee may, at the expense of the City, cause to be published once a week for two (2) successive weeks in a financial newspaper a notice that such money remains unclaimed and that after a date named in such notice, which date shall not be less than thirty (30) days after the date of the first publication of such notice, the balance of such money then unclaimed will be returned to the City.

ARTICLE X

MISCELLANEOUS

Section 10.01. Benefits of Indenture Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the City, the Trustee and the Owners any claim, remedy or right under or pursuant hereto, and any agreement, condition, covenant or term contained herein required to be observed or performed by or on behalf of the City shall be for the sole and exclusive benefit of the Trustee and the Owners.

Section 10.02. Successor Deemed Included in all References to Predecessor. Whenever either the City, the Trustee or any officer thereof is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the City, the Trustee or such officer, and all agreements, conditions, covenants and terms required hereby to be observed or performed by or on behalf of the City, the Trustee or any officer thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 10.03. Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys

appointed in writing. The fact and date of the execution by any Owner or his or her attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which she purports to act, that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee or the paying agent, as the case may be, may accept which it may deem sufficient.

Any declaration, request or other instrument in writing of the Owner of any Bond shall bind all future owners of such Bond with respect to anything done or suffered to be done by the City or the Trustee in good faith and in accordance therewith.

Section 10.04. Waiver of Personal Liability. No board member, officer or employee of the City shall be individually or personally liable for the payment of the interest or principal the Bonds, but nothing contained herein shall relieve any board member, officer or employee of the City from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 10.05. Acquisition of Bonds by the City. All Bonds acquired by the City, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

Section 10.06. Content of Certificates. Every Certificate of the City with respect to compliance with any agreement, condition, covenant or term contained herein shall include (a) a statement that the person or persons making or giving such certificate have read such agreement, condition, covenant or term and the definitions herein relating thereto; (b) a statement that, in the opinion of the signers they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (c) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with.

Any Certificate of the City may be based, insofar as it relates to legal matters, upon an opinion of counsel unless the person making or giving such certificate knows that the opinion of counsel with respect to the matters upon which such certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any opinion of counsel may be based, insofar as it relates to factual matters or information with respect to which is in the possession of the City, upon a representation by an officer or officers of the City unless the counsel executing such opinion of counsel knows that the representation with respect to the matters or upon which his or her opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

Section 10.07. Notice by Mail. Any notice required to be given hereunder by mail to any Owners of Bonds shall be given by mailing a copy of such notice, first class postage prepaid, to the Owners of such Bonds at their addresses appearing in the books required to be kept by the Trustee pursuant to the provisions of Section 2.07 not less than thirty (30) days nor more than sixty (60) days following the action or prior to the event concerning which notice thereof is required to be given unless this Indenture expressly provides a different provision; provided, that

receipt of any such notice shall not be a condition precedent to the effect of such notice and failure to receive any such notice shall not affect the validity of the proceedings taken in connection with the action or the event concerning which such notice was given.

Section 10.08. Funds. Any fund or account required to be established and maintained herein by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such funds shall at all times be maintained in accordance with industry practice and with due regard for the protection of the security of the Bonds and the rights of the owners.

Section 10.09. Investments.

(a) Amounts on deposit in any fund or account created pursuant to this Indenture shall be invested in Permitted Investments which will, as nearly as practicable, mature on or before the dates when such money is anticipated to be needed for disbursement hereunder, in accordance with such written directions as the City may from time to time provide to the Trustee. Investment directions shall be received at least two (2) Business Days prior to the date of making the investment. If no such direction has been received by the Trustee in sufficient time, in the judgment of the Trustee to comply with such instructions the Trustee may invest such amounts in Permitted Investments of the type described in paragraph (4) of the definition thereof; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received investment directions from the City specifying a specific money market fund and, if no such written investment directions is so received, the Trustee shall hold such moneys uninvested. The Trustee and any affiliates may act as sponsor, advisor, principal or agent in the acquisition or disposition of any such investment. The Trustee shall not be liable or responsible for any loss suffered in connection with any such investment made by it under the terms of and in accordance with this Section 10.09. The Trustee may sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment of the funds so invested, and the Trustee shall not be liable or responsible for any losses resulting from any such investment sold or presented for redemption. To the extent possible, the Trustee shall provide notice to the City prior to any such sale. Interest or profit received on such investments shall be deposited to the Payment Fund.

The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City will not receive confirmations to the extent permitted by law. The Trustee will furnish the City periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee hereunder.

The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate.

(b) In computing the amount in any fund or account, Permitted Investments shall be valued at market value, exclusive of accrued interest. Valuation shall occur as determined by the City, but not less often than annually.

(c) Except for investment agreements and repurchase agreements, if at any time after investment therein a Permitted Investment ceases to meet the criteria set forth in the definition of Permitted Investments and such obligation, aggregated with other non-conforming investments, exceeds ten percent (10%) of invested funds, such Permitted Investment shall be sold or liquidated upon the written direction of the City.

Section 10.10. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.11. Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms contained herein required to be observed or performed by or on the part of the City or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms shall be null and void and shall be deemed separable from the remaining agreements, conditions, covenants and terms hereof and shall in no way affect the validity hereof or of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them under any applicable provisions of law.

Section 10.12. California Law. This Indenture shall be construed and governed in accordance with the laws of the State of California.

Section 10.13. Notices. All written notices to be given hereunder shall be given by certified mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time.

If to the City: City of Corcoran
1033 Chittenden Avenue
Corcoran, CA 93212
Attention: City Manager

If to the Trustee: U.S. Bank National Association
One California Street, Suite 1000
San Francisco, CA 94111
Attn: Corporate Trust Services

Section 10.14. Effective Date. This Indenture shall become effective upon its execution and delivery.

Section 10.15. Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 10.16. Payments Due on Days that are not Business Days. In any case where the date fixed for payment of principal or interest on the Bonds or the date fixed for redemption of Bonds shall not be a Business Day, then payment of such principal or interest or redemption price shall be made on the next succeeding Business Day, with the same force and effect as if made on such non-Business Day and no interest shall accrue on such amounts from and after such non-Business Day.

IN WITNESS WHEREOF, the parties hereto have executed this Indenture by their officers thereunto duly authorized as of the day and year first written above.

**U.S. BANK NATIONAL ASSOCIATION, as
Trustee**

By: _____
Authorized Officer

CITY OF CORCORAN

By: _____
City Manager

**APPENDIX A
(FORM OF BOND)**

NO. _____

\$ _____

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA
CITY OF CORCORAN
WATER REVENUE REFUNDING BONDS
SERIES 2012A**

Rate of Interest

Maturity Date

Dated Date

CUSIP

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

DOLLARS

The City of Corcoran, a municipal corporation and public entity duly created and lawfully existing under the laws of the State of California (the "City"), for value received, hereby promises to pay (but only out of the Net Revenues hereinafter referred to) to the registered owner specified above or registered assigns on the maturity date specified above (subject to any right of prior redemption provided for) the principal sum specified above, together with interest thereon from the Interest Payment Date (defined below) next preceding the date of authentication hereof (unless such date of authentication is during the period commencing after the fifteenth day of the month preceding an Interest Payment Date (the "Record Date") through and including the next succeeding Interest Payment Date, in which event this Bond shall bear interest from such Interest Payment Date, or unless such date of authentication is on or prior to the first Record Date, in which event it shall bear interest from the Dated Date until the principal hereof shall have been paid at the interest rate per annum specified above, payable on January 1, 2013, and semiannually thereafter on July 1 and January 1 in each year (each, an "Interest Payment Date"); provided, however, that if on the date of authentication of this Bond, interest is then in default on this Bond, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment.

The principal of this Bond shall be payable in lawful money of the United States of America at the Principal Office (as provided in the Indenture, defined below) of U.S. Bank National Association (the "Trustee"), upon presentation and surrender of this Bond.

Payment of interest on this Bond due on or before the maturity or prior redemption thereof shall be made to the person in whose name such Bond is registered, as of the Record Date preceding the applicable Interest Payment Date, on the registration books kept by the Trustee at its Trust Office, such interest to be paid by check mailed by first class mail on such interest payment date to the registered owner at his or her address as it appears on such books, or, upon the written request from any Owner of Bonds aggregating, at least \$1,000,000, received on or prior to the applicable Record Date, by wire transfer to an account within the United

States. Interest on this Bond shall be payable in lawful money of the United States of America and shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

This Bond is one of a duly authorized issue of bonds of the City designed as its "City of Corcoran Water Revenue Refunding Bonds, Series 2012A" (the "Bonds"), in the aggregate principal amount of _____ Dollars (\$_____), all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, maturities and interest rates), and is issued under and pursuant to the provisions of an indenture of trust, dated as of September 1, 2012 (the "Indenture"), between the City and the Trustee.

The Bonds are issued to provide funds to refinance certain outstanding obligations of the City. The Bonds are limited obligations of the City and are payable, as to interest thereon and principal solely from Net Revenues (as defined in the Indenture). All the Bonds are equally and ratably secured in accordance with the terms and conditions of the Indenture by a pledge of the Net Revenues, which Net Revenues shall be held in trust for the security and payment of the interest on, principal of and redemption premiums, if any, on the Bonds as provided in the Indenture. Neither the faith and credit of the City, the State of California, nor any of its political subdivisions are pledged to the payment of the principal of or interest on the Bonds.

Copies of the Indenture are on file at the Principal Office of the Trustee. Reference is hereby made to the Indenture and to any and all amendments thereof and supplements thereto for a description of the agreements, conditions, covenants and terms securing the Bonds, for the nature, extent and manner of enforcement of such agreements, conditions, covenants and terms, for the rights and remedies of the Owners of the Bonds with respect thereto and for the other agreements, conditions, covenants and terms upon which the Bonds are executed and delivered thereunder.

To the extent and in the manner permitted by the terms of the Indenture, the provisions of the Indenture may be amended or supplemented in writing by the parties thereto (in certain instances without the consent of the Owners of Bonds), but no such amendment or supplement shall (i) reduce the rate of interest evidenced hereby or extend the time of payment of such interest or reduce the amount of principal hereof or extend the Maturity Date hereof without the prior written consent of the Owner hereof, or (ii) reduce the percentage of Owners of Bonds whose consent is required for the execution of any amendment of or supplement to the Indenture, or (iii) modify any rights or obligations of the Trustee without its prior written consent thereto.

The Bonds are authorized to be executed and delivered in the form of fully registered Bonds in denominations of five thousand dollars (\$5,000) or any integral multiple thereof.

This Bond is transferable or exchangeable by the Owner hereof in person or by the Owner's attorney duly authorized in writing, at the Principal Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender of this Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer or exchange in a form approved by the Trustee. Upon such transfer or exchange, a new Bond or Bonds of authorized denominations of the same Maturity Date and interest rate and in the same aggregate principal amount hereof will be executed and delivered by the City and authenticated by the Trustee to the Owner thereof in

exchange therefor. The Trustee shall require the payment by the Owner requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange. The Trustee may treat the Owner hereof as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the interest and principal and redemption premium, if any, evidenced by this Bond shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge liability evidenced by this Bond to the extent of the sum or sums so paid.

The Trustee shall not be obligated to make any such registration of transfer or exchange of Bonds during the fifteen (15) day period prior to the date on which notice of redemption must be mailed pursuant to the Indenture, or with respect to any Bond which has been selected for redemption pursuant to the Indenture (except any unredeemed portion thereof).

[REDEMPTION PROVISIONS TO COME]

As provided in the Indenture, notice of redemption hereof shall be mailed, first class postage prepaid, not less than thirty (30) nor more than forty-five (45) days prior to the redemption date, to the Owner of this Bond at such Owner's address as it appears in the registration books maintained by the Trustee, but failure to give any such notice or any defect therein shall not affect the validity of the proceedings for the redemption of this Bond. If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, the interest evidenced hereby shall cease to accrue from and after the date fixed for redemption.

The Trustee has no obligation or liability to the Owners of the Bonds for the payment of the interest or principal or redemption premiums, if any, on the Bonds; but rather the Trustee's sole obligations are to administer, for the benefit of the City and the Owners of the Bonds, the various funds established under the Indenture.

This Bond shall not be entitled to any benefit, protection or security under the Indenture or become valid or obligatory for any purpose until certificate of authentication and registration hereon endorsed shall have been manually executed and dated by the Trustee.

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

It is hereby certified that all acts and proceedings required by law necessary to make this Bond, when executed by the City, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal limited obligation of the City have been done and taken, and have been in all respects duly authorized.

IN WITNESS WHEREOF, the City of Corcoran has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of its Mayor and attested to by the manual or facsimile signature of its Secretary, and has caused this Bond to be dated as of the dated date set forth above.

CITY OF CORCORAN

[Seal]

By: _____
Mayor

ATTEST:

By: _____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Bonds described in the within mentioned Indenture which has been authenticated and registered on the date set forth below.

Date:

**U.S. BANK NATIONAL ASSOCIATION, as
Trustee**

By: _____
Authorized Signatory

ASSIGNMENT

For value received, the undersigned does hereby sell, assign and transfer unto _____ the within Bonds and does) hereby irrevocably constitute and appoint _____ attorney to transfer such Bond on the register of the Trustee, with full power of substitution in the premises.

Dated: _____

Signature: _____

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

Signature Guaranteed by: _____

Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

**CITY OF CORCORAN
WATER REVENUE REFUNDING BONDS
SERIES 2012A
[(BANK QUALIFIED)]**

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of September 1, 2012, is executed by the City of Corcoran (the “City”) and U.S. Bank National Association (the “Trustee”), as Trustee and Dissemination Agent in connection with the issuance of the above-entitled bonds (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of September 1, 2012 (the “Indenture”), between the City and the Trustee. The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters (as defined herein) in complying with S.E.C. Rule 15c2-12(b)(5).

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

“Annual Report” shall mean any Annual Reports provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Disclosure Representative” shall mean the City Manager or Finance Director of the City, or his or her designee, or such other officer or employee as the City shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Fiscal Year” shall mean the twelve month period beginning on July 1 of each year and ending on June 30 of the following year.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

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

“Repository” shall mean the MSRB.

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

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, annually not later than March 1 in each year following the end of the City’s Fiscal Year, commencing with the report for Fiscal Year ending June 30, 2012, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the City shall provide the Annual Report to the Dissemination Agent. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement. The information contained or incorporated in each Annual Report shall be for the Fiscal Year which ended on the preceding June 30. The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certifications of the City and shall have no liability, duty or obligation whatsoever to review any such Annual Report. Further, the Dissemination Agent shall have no liability for the contents of any such annual report.

(b) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repository by the date specified in subsection (a), the Dissemination Agent shall send a notice to the MSRB, in substantially the form attached as Attachment A.

(c) The Dissemination Agent shall:

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

(ii) provide notice to the City that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the most recent audited financial statements of the City prepared in accordance with generally accepted accounting principles promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. In addition, for years following the Fiscal Year ending June 30, 2013, the Annual Report shall contain an annual updating of the following tables and information contained in the Official Statement:

- (i) Service Accounts and Revenues (Table 4);
- (ii) Connection Fee Revenue (Table 10);
- (iii) Water Enterprise Fund Summary of Revenues and Expenses (Table 12);
- (iv) Water Enterprise Fund Pro Forma (for only the following year) (Table 13); and
- (v) Water Enterprise Fund Historical Audited Balance Sheets Statement of Net Assets (Table 14).

In addition to any of the information expressly required to be provided under this Section, the City shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Significant Events.

(a) The City shall give or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds not later than 10 business days after the occurrence of the event:

- 1. Principal and interest payment delinquencies;
- 2. Unscheduled draws on debt service reserves reflecting financial difficulties;
- 3. Unscheduled draws on credit enhancements reflecting financial difficulties;
- 4. Substitution of credit or liquidity providers, or their failure to perform;
- 5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- 6. Tender offers;
- 7. Defeasances;
- 8. Rating changes; or

9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

2. Modifications to rights of Bond holders;

3. Optional, unscheduled or contingent Bond calls;

4. Release, substitution, or sale of property securing repayment of the Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The City shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4, as provided in Section 4(b).

(d) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City shall determine if such event would be material under applicable federal securities laws.

(e) If the City learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

(f) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB. Notwithstanding the foregoing:

(i) Notice of the occurrence of a Listed Event described in subsections (a)(1), (4) or (5) shall be given by the Dissemination Agent to the extent it has knowledge thereof, unless the City gives the Dissemination Agent affirmative instructions not to disclose such occurrence; and

(ii) Notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of the affected Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty (30) days written notice to the City. If at any time there is no designated Dissemination Agent appointed by the City, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of the Dissemination Agent hereunder, the City shall be the Dissemination Agent and undertake or assume its obligations hereunder.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment requested by the City, provided the Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations), and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities law, acceptable to the City and the Dissemination Agent, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

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

Section 10. Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent may, and, at the request of any Participating Underwriter or the Owners of at least 25% of the aggregate principal amount of the outstanding Bonds, shall (but only to the extent funds in any amount satisfactory to the Dissemination Agent have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges whatsoever related thereto, including without limitation, fees and expenses of its attorneys), or any Bond owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Indenture and the sole remedy under this Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of the Dissemination Agent. The Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent shall be entitled to the protections and limitations afforded to the Trustee under said Indenture. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agree to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time and shall be reimbursed by the City all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not have any duty or obligation to review any information provided to it hereunder or shall be deemed to be acting in any fiduciary capacity for the City, the owners of the Bonds or any other party. The obligations of the City under this section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any document or any further act.

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

Section 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

CITY OF CORCORAN

By: _____
City Manager

U.S. BANK NATIONAL ASSOCIATION., as
Trustee and Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

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

Name of Issuer: City of Corcoran

Name of Issue: City of Corcoran Water Revenue Refunding Bonds, Series 2012A
[(Bank Qualified)]

Date of Issuance: September __, 2012

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

U.S. BANK NATIONAL ASSOCIATION, as
Dissemination Agent

By: _____
Authorized Officer

cc: City

ESCROW INSTRUCTIONS

from the

CITY OF CORCORAN

to

U.S. BANK NATIONAL ASSOCIATION, as Escrow Agent

Dated for reference purposes as of September 1, 2012

ESCROW INSTRUCTIONS

These Escrow Instructions, dated for reference purposes as of September 1, 2012 (the "Instructions"), are provided by the City of Corcoran (the "City") to U.S. Bank National Association, as escrow agent hereunder (the "Escrow Agent") and as trustee (the "2003 Trustee") pursuant to a Trust Agreement, dated as of July 1, 2003 (the "2003 Trust Agreement"), among the City, the Corcoran Joint Powers Finance Authority and the 2003 Trustee. The 2003 Trust Agreement was executed in connection with the execution and delivery of certain certificates of participation (the "2003 Certificates"), originally executed and delivered in the aggregate original principal amount of \$5,915,000, of which \$4,895,000 remains outstanding. The City and U.S. Bank National Association (the "2012 Trustee") have executed that certain Indenture of Trust, dated as of September 1, 2012 (the "2012 Indenture"), in connection with the issuance by the City of its Water Revenue Refunding Bonds, Series 2012A [(Bank Qualified)] (the "2012 Bonds").

RECITALS

A. Pursuant to the 2003 Trust Agreement, the 2003 Trustee executed and delivered the 2003 Certificates. Payment of principal of and interest on the 2003 Certificates is secured by Net Revenues (as defined in the 2003 Trust Agreement) and certain other funds made available as provided in the 2003 Trust Agreement.

B. The 2003 Trust Agreement provides that the 2003 Certificates are subject to prepayment prior to their due dates if there shall have been deposited with the Escrow Agent money in an amount which shall be sufficient to pay when due the 2003 Certificates until the maturity or prepayment date of the 2003 Certificates.

C. Pursuant to the 2012 Indenture, \$_____ aggregate principal amount of the 2012 Bonds have been issued by the City. A portion of the proceeds of the sale of the 2012 Bonds is being transferred to the Escrow Agent to be applied for the purpose of providing funds which will be sufficient, together with certain other available funds relating to the 2003 Certificates, to provide for the termination of the pledge of and lien created by the 2003 Trust Agreement.

I. Instructions to the Escrow Agent.

The City hereby directs and instructs the Escrow Agent as follows:

1.1 Escrow Fund. The Escrow Agent shall establish and hold in trust, separate and apart from other funds and accounts, a special account designated the "Escrow Fund." The Escrow Agent shall administer such account as provided in these Instructions. Amounts in the Escrow Fund are irrevocably pledged and shall be applied solely for the purposes set forth in these Instructions. The Escrow Fund shall be maintained by the Escrow Agent until all of the 2003 Certificates have been paid in accordance with their terms and these Instructions.

1.2 Deposits to the Escrow Fund; Transfer of Funds. The Escrow Agent shall deposit into the Escrow Fund proceeds of the 2012 Bonds transferred to it by the 2012 Trustee,

at the direction of the City, in the amount of \$_____, and shall transfer to the Escrow Fund the other amounts set forth in Schedule B hereto.

The Escrow Agent shall hold the amounts deposited into the Escrow Fund uninvested.

1.3 Payments with Respect to the 2003 Certificates.

A. The Escrow Agent shall transfer from the Escrow Fund, in immediately available funds, to the 2003 Trustee for deposit in the Installment Payment Fund created by the 2003 Trust Agreement, on _____, 2012, an amount sufficient to pay the prepayment price of all 2003 Certificates maturing on or after July 1, 2013. The City hereby irrevocably designates the 2003 Certificates maturing on or after July 1, 2013 for prior prepayment on _____, 2012, and hereby irrevocably instructs the Trustee to give the mailed notice of prepayment as required by the Trust Agreement and the notice of defeasance as provided in Section 1.6 hereof.

B. Transfers from the Escrow Fund shall be made only from the amounts on deposit in the Escrow Fund.

1.4 Release of Pledge. By its acceptance of these Instructions, the City acknowledges that the provisions of Section 14.01 of the 2003 Trust Agreement have been satisfied. Upon receipt of an opinion of Nossaman LLP, addressed to the Escrow Agent to the effect that upon making the deposits into the Escrow Fund the lien and pledge of the 2003 Trust Agreement, as it applies to the 2003 Certificates, was defeased, and the lien upon the Net Revenues is terminated in accordance with the terms of the 2003 Trust Agreement (the "Defeasance Opinion"), the Escrow Agent hereby acknowledges and confirms that as to the 2003 Certificates the lien established by the 2003 Trust Agreement is discharged and the pledge and lien upon the Net Revenues is terminated in accordance with the terms of the 2003 Trust Agreement.

1.5 Excess Funds to City. From and after _____, 2012, any remaining moneys on deposit in the Escrow Fund established and held pursuant to these Instructions, except for amounts held by the Escrow Agent to pay the registered owners of 2003 Certificates, after the payment of all amounts owed to the Escrow Agent under Section V hereof, shall, after payment of all fees and expenses of the Escrow Agent, be remitted by the Escrow Agent to the City without further claim therefor.

1.6 Notice of Defeasance. Upon the purchase of the Escrowed Securities and delivery of the Defeasance Opinion, the Escrow Agent shall mail a notice of defeasance of the 2003 Certificates to the owners thereof, which notice of defeasance shall be substantially in the form attached hereto as Schedule C.

II. Irrevocability.

These Instructions shall be irrevocable and may not be amended or modified unless for the purpose of (A) curing any ambiguity or omission relating to these Instructions or

of curing, correcting or supplementing any defective provision contained herein; (B) adding to or supplementing the rights of the owners of the 2003 Certificates; or (C) severing any portion of these Instructions deemed to be illegal and the Escrow Agent first shall have received an unqualified opinion from nationally recognized bond counsel to the effect that such amendment or modification is in compliance with the requirements of this Section II and would not, in and of itself, (a) cause the 2003 Certificates or the 2012 Bonds to become arbitrage bonds within the meaning of Section 148 of the Code and the regulations thereunder in effect at the time of such proposed amendment or modification or (b) adversely affect the conclusions expressed in the Defeasance Opinion.

Except as otherwise provided herein, the owners of the 2003 Certificates shall have an express lien on all funds and amounts on deposit in the Escrow Fund with the Escrow Agent in accordance with these Instructions until used and applied in accordance herewith.

III. Liability.

The liability of the Escrow Agent and the 2003 Trustee for the payment of moneys as hereinabove set forth respecting the payment of the debt service on, and the prepayment of, the 2003 Certificates shall be limited solely to the moneys on deposit with the Escrow Agent in the Escrow Fund pursuant to these Instructions and available for such purposes.

IV. [Reserved].

V. Fees.

The City shall pay to the Escrow Agent its fees for its services hereunder and reimburse the Escrow Agent for its reasonable expenses incurred hereunder. The Escrow Agent shall not have any lien whatsoever upon any of the moneys in the Escrow Fund, or otherwise deposited in accordance with these Instructions, for the payment of fees and expenses for services rendered by it hereunder.

The City covenants and agrees to indemnify and save the Escrow Agent and its officers, directors, agents and employees, harmless against any and all claims, losses, expenses (including reasonable attorney fees and disbursements) and liabilities which it may incur arising out of or in the exercise and performance of its duties hereunder, but excluding any and all claims, losses, expenses and liabilities which are due to the negligence or willful misconduct of the Escrow Agent, its officers, directors, or employees. The obligations of the City under this Section V shall survive the removal or resignation of the Escrow Agent and payment of the 2003 Certificates and the discharge of the Trust Agreement as it relates thereto.

VI. Defeasance.

Upon deposit of the amounts set forth in Section 1.2 hereof, all obligations of the City under the 2003 Trust Agreement and all security provided by the 2003 Trust Agreement for the 2003 Certificates shall cease and terminate, excepting only the obligations of the City to pay, or cause to be paid, principal of and premium, if any, and interest on the 2003 Certificates from the deposit made by the City pursuant to Section 1.2 hereof, and the City's obligation to

indemnify the Trustee pursuant to the 2003 Trust Agreement. In the event of a deficiency in the funds and amounts in the Escrow Fund for purposes of paying the debt service on the 2003 Certificates, the City shall make up such deficiency immediately upon receipt of written notice from the Escrow Agent.

VII. Termination.

These Instructions shall, except as set forth in Section V hereof, terminate and be of no further force and effect when all transfers required to be made by the Escrow Agent under the provisions hereof shall have been made, and all payments with respect to the 2003 Certificates shall have been effected.

VIII. Invalidity; Applicable Law.

If any one or more of the provisions of these Instructions should be determined by a court of competent jurisdiction to be contrary to law, such provisions shall be deemed and construed to be severable from the remaining provisions herein contained and shall in no way affect the validity of the remaining provisions of these Instructions. These Instructions shall be construed and governed in accordance with the laws of the State of California.

IX. Binding Effect; Successors.

These instructions shall be binding upon and shall inure to the benefit of the parties hereto and the owners of the 2003 Certificates and their respective successors and assigns. The owners of the 2003 Certificates shall have no lien whatsoever on moneys representing principal or interest on the investments held by the Escrow Agent in accordance with these Instructions. Whenever in these Instructions any party is named or referred to, such reference shall be deemed to include such party's successors or assigns, and all instructions contained in these Instructions to, by or on behalf of any party hereto shall bind and inure to the benefit of such party's successors and assigns whether so expressed or not.

X. Counterparts.

These Instructions may be executed, approved and acknowledged in several counterparts, all or any one of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

XI. Duties of the Escrow Agent; Protection.

The Escrow Agent shall perform only such duties as are specifically set forth in these Instructions.

The protections afforded the 2003 Trustee in Section 9.02 of the Trust Agreement shall apply to the Escrow Agent and such Section is incorporated herein by reference to apply to the Escrow Agent.

IN WITNESS WHEREOF, the City has issued these Instructions, and the Escrow Agent and the 2003 Trustee have acknowledged and accepted these Instructions.

CITY OF CORCORAN

By: _____
City Manager

U.S. BANK NATIONAL ASSOCIATION, as Escrow Agent and 2003 Trustee

By: _____
Authorized Officer

**SCHEDULE A
[RESERVED]**

SCHEDULE B
DESCRIPTION OF TRANSFERRED INVESTMENTS

- A. Transfer to Escrow Fund: \$_____;
- (i) From 2012 Bonds: \$_____;
 - (ii) From 2003 Certificates Reserve Fund: \$_____; and
 - (iii) From 2003 Certificates Installment Payment Fund: \$_____.
- .

**SCHEDULE C
NOTICE OF DEFEASANCE**

**Notice of Owners of Outstanding
City of Corcoran
(Kings County, California)
2003 Certificates of Participation
(Water System Project)**

NOTICE IS HEREBY GIVEN that the City of Corcoran (the "City") has on _____, 2012, from proceeds of sale of refunding obligations issued by the City and certain other available funds irrevocably set aside in an Escrow Fund created for such purpose and held by U.S. Bank National Association, as Escrow Agent (the "Escrow Agent"), pursuant to Escrow Instructions, dated as of September 1, 2012 (the "Escrow Instructions"), between the City and the Escrow Agent, moneys which shall be sufficient (a) to pay at maturity the principal amount, together with premium, due on the above referenced certificates of participation identified below (the "Certificates") and (b) to pay interest accrued but unpaid on all such Certificates to such maturity date or scheduled interest payment date. The moneys so deposited in the Escrow Fund (including the earnings derived from the investment thereof) are irrevocably pledged to the payment of principal price of and interest on the Certificates.

<u>Maturity Date</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP®</u>
2013	\$130,000	3.500	218364AL1
2014	140,000	3.500	218364AM9
2015	140,000	4.000	218364AN7
2016	145,000	4.000	218364AP2
2017	150,000	4.250	218364AQ0
2018	160,000	4.250	218364AR8
2023	910,000	4.200	218364AU9
2028	1,115,000	4.250	218364AX5
2035	2,005,000	4.250	218364AW7

Dated: _____, 2012

**U.S. BANK NATIONAL ASSOCIATION, as
Escrow Bank**

\$ _____
**CITY OF CORCORAN
WATER REVENUE REFUNDING BONDS
SERIES 2012A
[(BANK QUALIFIED)]**

PURCHASE CONTRACT

September ____, 2012

City of Corcoran
832 Whitley Avenue
Corcoran, CA 93212

Ladies and Gentlemen:

Mitsubishi UFJ Securities (USA) Inc. (the “Underwriter”) hereby offers to enter into this Purchase Contract with you, the City of Corcoran (the “City”), for the purchase by the Underwriter and the delivery by you of the Bonds specified below. The Bonds are being issued by the City for the purpose of (i) prepaying the City’s 2003 Certificates of Participation (Water System Project) (the “Prior Obligations”), and (ii) paying the costs of issuing the Bonds. This offer is made subject to acceptance by you prior to 11:59 p.m., Los Angeles time, on the date hereof. Upon such acceptance, this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon you and the Underwriter. All terms not defined herein shall have the meanings set forth in the Indenture (defined below).

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriter agrees to purchase from the City, and the City agrees to sell to the Underwriter, all (but not less than all) of the \$_____ aggregate principal amount of the City’s Water Revenue Refunding Bonds Series 2012A [(Bank Qualified)] (the “Bonds”), at the purchase price of \$_____ (being the principal amount of the Bonds, less an Underwriter’s discount in the amount of \$_____, and minus/ plus original issue discount/premium of \$_____).

The Bonds will have the maturities and bear interest at the rates set forth on Exhibit A hereto. The Bonds will be subject to redemption as set forth in the Official Statement herein described. The Bonds will be dated as described in the Official Statement. The Bonds will be issued in book-entry form only.

The City acknowledges and agrees that: (i) the primary role of the Underwriter is to purchase securities for resale to investors in an arms-length commercial transaction between the City and the Underwriter and that the Underwriter has financial and other interests that differ from those of the City, (ii) the Underwriter is not acting as a municipal advisor, financial advisor or fiduciary to the City or any other person or entity and has not assumed any advisory or fiduciary responsibility to the

City with respect to the transaction contemplated hereby and the discussions, undertakings and proceedings leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the City on other matters), (iii) the only obligations the Underwriter has to the City with respect to the transaction contemplated hereby expressly are set forth in this Purchase Contract, except as otherwise provided by applicable rules and regulations of the SEC or the rules of the MSRB, and (iv) the City has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate in connection with the transaction contemplated herein.

2. Authorizing Instruments and Law. The Bonds shall be issued pursuant to the provisions of a resolution (the “Resolution”) adopted by the City on August 20, 2012 authorizing the issuance of the Bonds. The Bonds are issued pursuant to an Indenture of Trust, dated as of September 1, 2012 (the “Indenture”), between the City and U.S. Bank National Association (the “Trustee”), and shall be as described in the Indenture.

The Bonds are limited obligations of the City payable primarily from and secured by certain revenues (the “Revenues”) pledged under the Indenture.

3. Offering the Bonds. The Underwriter agrees to offer all the Bonds to the public initially at the prices (or yields) set forth on the cover pages of the Official Statement of the City pertaining to the Bonds, dated September __, 2012 (the Official Statement, together with all appendices thereto, and with such changes therein and supplements thereto as are consented to in writing by the Underwriter, are herein called the “Official Statement”). Subsequent to the initial public offering of the Bonds, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices. “Public Offering” shall include an offering to a representative number of institutional investors or registered investment companies, regardless of the number of such investors to which the Bonds are sold.

4. Delivery of Official Statement on the Date Hereof. The City shall deliver to the Underwriter two (2) copies of the Official Statement manually executed on behalf of the City by an authorized representative. The City shall also deliver a sufficient number of copies of the Official Statement to enable the Underwriter to distribute a single copy of each Official Statement to any potential customer of the Underwriter requesting an Official Statement during the time period beginning when the Official Statement becomes available and ending on the End Date (defined below). The City shall deliver these copies to the Underwriter within seven (7) business days after the execution of this Purchase Contract and in sufficient time to accompany or precede any sales confirmation that requests payment from any customer of the Underwriter. The Underwriter shall inform the City in writing of the End Date, and covenants to file the Official Statement with the Municipal Securities Rulemaking Board (the “MSRB”) on a timely basis.

“End Date” as used herein is that date which is the earlier of:

(a) ninety (90) days after the end of the underwriting period, as defined in SEC Rule 15c2-12 adopted by the Securities and Exchange Commission on June 28, 1989 (“Rule 15c2-12”); or

(b) the time when the Official Statement becomes available from the MSRB, but in no event less than twenty-five (25) days after the underwriting period (as defined in Rule 15c2-12) ends.

The City has authorized the use of the Official Statement in connection with the public offering of the Bonds. The City also has consented to the use by the Underwriter prior to the date hereof of the Preliminary Official Statement dated September __, 2012, relating to the Bonds in connection with the public offering of the Bonds (which, together with all appendices thereto, is herein called the “Preliminary Official Statement”). Authorized officers of the City have certified to the Underwriter that such Preliminary Official Statement was deemed to be final as of its date for purposes of Rule 15c2-12, with the exception of certain final pricing and related information referred to in Rule 15c2-12. The Underwriter has distributed a copy of each Preliminary Official Statement to potential customers on request.

5. The Closing. At 9:00 A.M., California time, on September __, 2012, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the City and the Underwriter, the City will deliver (i) the Bonds in book-entry form through the facilities of The Depository Trust Company (“DTC”) in New York, New York, and (ii) the closing documents hereinafter mentioned at the offices of Nossaman LLP, Irvine, California, or another place to be mutually agreed upon by the City and the Underwriter. The Underwriter will accept such delivery from the City. The Underwriter will pay the purchase price of the Bonds as set forth in Section 1 hereof by wire transfer of immediately available funds. This payment and delivery, together with the delivery of the aforementioned documents, is herein called the “Closing.”

6. City Representations, Warranties and Covenants. The City represents, warrants and covenants to the Underwriter that:

(a) The City is a municipal corporation of the State of California (the “State”), duly organized and validly existing pursuant to the Constitution and laws of the State, and has all necessary power and authority to enter into and perform its duties under the Indenture, the Continuing Disclosure Agreement, dated as of September 1, 2012 (the “Continuing Disclosure Agreement”), by and between the City and the Trustee, the Escrow Instructions, dated as of September 1, 2012 (the “Escrow Instructions”), from the City to U.S. Bank National Association, as escrow agent for the Prior Obligations, the Official Statement and this Purchase Contract (collectively, the “City Documents”).

(b) The Bonds, when issued in accordance with the Indenture, will be legally valid and binding special obligations of the City, entitled to the benefits of the Indenture and enforceable in accordance with their terms, except as enforcement may be limited by bankruptcy,

insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally.

(c) To the best knowledge of the City, neither the execution and delivery of the City Documents, or the approval and execution of the Official Statement or this Purchase Contract, and compliance with the provisions on the City's part contained therein, nor the consummation of any other of the transactions herein and therein contemplated, nor the fulfillment of the terms hereof and thereof, materially conflicts with or constitutes a material breach of or default under nor materially contravenes any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, nor does any such execution, delivery, adoption or compliance result in the security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the City under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the City Documents.

(d) The City Documents have been duly authorized, executed and delivered by the City, and, assuming due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding agreements of the City enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if sought and by the limitations on legal remedies imposed on actions against cities in the State of California.

(e) Except as may be required under blue sky or other securities laws of any state, there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory agency having jurisdiction over the City required for the consummation by the City of the transactions contemplated by the Official Statement and this Purchase Contract.

(f) To the best of the knowledge of the City, there is, and on the Closing (as hereinafter defined) there will be, no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the City to restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the City Documents or the authority of the City to approve this Purchase Contract, or enter into the City Documents or contesting the powers of the City to enter into or perform its obligations under any of the foregoing or in any way contesting the powers of the City in connection with any action contemplated by this Purchase Contract or to restrain or enjoin the execution of, or, except as described in the Preliminary Official Statement and the Official Statement, the issuance or delivery of any of the Bonds, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, nor is there any basis for any such action, suit, proceeding or investigation.

(g) The Preliminary Official Statement provided to the Underwriter has been deemed final by the City, as required by Rule 15c2-12. As of the date thereof and at all times

subsequent thereto up to and including the End Date, the information relating to the City, the Bonds, the Water System and the City Documents contained in the Official Statement was and will be materially complete for its intended purposes. The information relating to the City, the Bonds, the Water System and the City Documents contained in the Official Statement is true and correct in all material respects and such information does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect.

(h) The City agrees to cooperate with the Underwriter in endeavoring to qualify the Bonds for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Underwriter may request; provided, however, that the City will not be required to execute a special or general consent to service of process in any jurisdiction in which it is not now so subject or to qualify to do business as a foreign corporation in any jurisdiction where it is not so qualified.

(i) By official action of the City prior to or concurrently with the execution hereof, the City has duly approved the distribution of the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in the City Documents and the consummation by it of all other transactions contemplated by the Official Statement and this Purchase Contract.

(j) To the best knowledge of the City, it is not in breach of or default under any material applicable law or administrative regulation of the State of California or the United States or any material applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject and in connection with which the City is obligated to make payments from its own funds, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument the consequence of which could be the materially and adversely affect the performance of the City under the City Documents.

(k) If between the date of this Purchase Contract and the End Date an event occurs, of which the City has knowledge, which might or would cause the information relating to the City, the Water System or the City's functions, duties and responsibilities contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading in any material respect, the City will notify the Underwriter, and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will cooperate with the Underwriter in the preparation of an amendment or supplement to the Official Statement in a form and in a manner approved by the Underwriter, provided all expenses thereby incurred will be paid for by the City.

(l) If the information relating to the Water System, the City, its functions, duties and responsibilities contained in the Official Statement is amended or supplemented

pursuant to the immediately preceding subparagraph, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date of the Closing, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading in any material respect.

(m) The City covenants that it will comply with all tax covenants relating to it in the City Documents, the Tax Certificate of the City and this Purchase Contract.

(n) Substantially all the proceeds from the sale of the Bonds (after deducting the expenses of issuance and sale of the Bonds paid for from such proceeds) will be used to refinance the Prior Obligations, and the City will not take or omit to take any action which action or omission will in any way cause the proceeds from the sale of the Bonds to be applied in a manner contrary to that provided in the Indenture, as amended from time to time.

(o) The City will deliver all opinions, certificates, letters and other instruments and documents reasonably required by the Underwriter and this Purchase Contract.

(p) Any certificate of the City delivered to the Underwriter shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein.

(q) As of the time of acceptance hereof and as of the Closing the City does not and will not have outstanding any indebtedness which is secured by a lien on the City's general fund except as disclosed in the Official Statement.

(r) Between the date of this Purchase Contract and the date of Closing, the City will not, without the prior written consent of the Underwriter, and except as disclosed in the Official Statement, offer or issue any certificates, notes or other obligations for borrowed money, or incur any material liabilities, direct or contingent, secured by a lien on the City's general fund.

(s) All authorizations, approvals, licenses, permits, consents and orders of or filings with any governmental authority, legislative body, board, agency or commission having jurisdiction in the matters which are required for the due authorization of, which would constitute a condition precedent to or the absence of which would adversely affect the due performance by the City of its obligations in connection with, the City Documents have been duly obtained or made, except as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds.

(t) The City has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that either the City is a bond issuer whose arbitrage certifications may not be relied upon.

7. RESERVED.

8. Closing Conditions. The Underwriter has entered into this Purchase Contract in reliance upon the representations, warranties and covenants herein and the performance by the City of its respective obligations hereunder, both as of the date hereof and as of the date of the Closing. The Underwriter's obligations hereunder are and shall be subject to the following additional conditions:

(a) Bring-Down Representation. The representations, warranties and covenants of the City contained herein shall be true and correct at the date hereof and at the time of the Closing, as if made on the date of the Closing.

(b) Executed Agreements and Performance Thereunder. At the time of the Closing:

(i) the City Documents shall be in full force and effect, and shall not have been amended, modified or supplemented except with the written consent of the Underwriter;

(ii) there shall be in full force and effect such resolutions (the "Authorizing Resolutions") as, in the opinion of Nossaman LLP ("Bond Counsel"), shall be necessary in connection with the transactions on the part of the City contemplated by this Purchase Contract, the Official Statement and the City Documents;

(iii) the City shall perform or have performed its obligations required as specified in the City Documents to be performed at or prior to Closing; and

(iv) the Official Statement shall not have been supplemented or amended, except pursuant to Paragraph 6(h), or as otherwise may have been agreed to in writing by the Underwriter.

(c) No Default. At the time of the Closing, no default shall have occurred or be existing under the City Documents and the City shall not be in default in the payment of principal or interest on any of its bonded indebtedness which default shall adversely impact the ability of the City to make payments on the Bonds.

(d) Termination Events. The Underwriter shall have the right to terminate this Purchase Contract, without liability therefor, by written notification to the City if at any time at or prior to the Closing:

(i) any event shall occur which causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading; or

(ii) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by an amendment to the

Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of the City Documents in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the President or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any Federal or state court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other Federal or State authority materially adversely affecting the Federal or State tax status of the City, or the interest on bonds or notes or obligations of the general character of the Bonds; or

(iii) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the States or a decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Bonds; or

(iv) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Indenture needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(v) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which restrictions materially adversely affect the Underwriter's ability to market the Bonds; or

(vi) a general banking moratorium shall have been established by federal or State authorities; or

(vii) the United States has become engaged in hostilities which have resulted in a declaration of war or a national emergency or there has occurred any other outbreak of hostilities or a national or international calamity or crisis, financial or otherwise, the effect of

such outbreak, calamity or crisis on the financial markets of the United States, being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Bonds (it being acknowledged by the Underwriter that as of the date hereof no such event is occurring); or

(viii) the commencement of any action, suit or proceeding described in Paragraphs 6(f) hereof which, in the judgment of the Underwriter, materially adversely affects the market price of the Bonds; or

(ix) there shall be in force a general suspension of trading on the New York Stock Exchange; or

(x) an event described in paragraph (k) of Section 6 hereof shall have occurred which, in the reasonable professional judgment of the Underwriter, requires the preparation and publication of a supplement or amendment to the Official Statement; or

(xi) any rating or credit outlook of the Bonds by a national rating agency shall have been withdrawn or downgraded.

(e) Closing Documents. At or prior to the Closing, the Underwriter shall receive with respect to the Bonds (unless the context otherwise indicates) the following documents:

(1) Bond Opinion. The approving opinion of Bond Counsel dated the date of the Closing and substantially in the form included as APPENDIX D to the Official Statement, together with a letter from such counsel, dated the date of the Closing and addressed to the Underwriter to the effect that the foregoing opinion may be relied upon by the Underwriter to the same extent as if such opinion was addressed to them.

(2) Supplemental Opinion. A supplemental opinion or opinions of Bond Counsel addressed to the Underwriter, in substantially the form and to the following effect:

(a) The statements and information contained in the Official Statement on the cover page and under the captions “INTRODUCTION,” “THE BONDS” (except for the information under the captions “Book-Entry Only System”), “SECURITY FOR THE BONDS” and “TAX MATTERS,” and in APPENDICES A and E, are true and accurate in all material respects; and

(b) The Bonds are exempt from registration under the Securities Act of 1933, as amended (the “1933 Act”), and the Indenture is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended;

(c) upon issuance of the Bonds and the deposit of proceeds in the escrow fund established under the Escrow Instructions, that the Prior Obligations have been defeased and are no longer outstanding.

(3) City Attorney Opinion. An opinion of the City Attorney, dated as of the Closing and addressed to Bond Counsel and the Underwriter, in form and substance acceptable to Bond Counsel and counsel for the Underwriter, to the following effect:

(i) the City is a political subdivision and municipal corporation, duly organized and validly existing under the Constitution and the laws of the State of California;

(ii) the preparation and distribution of the Preliminary Official Statement and the Official Statement and this Purchase Contract have been duly approved by the City;

(iii) the resolution of the City approving and authorizing the execution and delivery of the Official Statement and the City Documents has been duly adopted at a meeting of the governing body of the City which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and such resolution is in full force and effect and has not been amended, modified or rescinded;

(iv) except as disclosed in the Official Statement, to the best knowledge of the attorneys working on this matter, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or, to the best knowledge of such counsel, threatened against or affecting the City, which would adversely impact the City's ability to complete the transactions described in and contemplated by the Official Statement, to restrain or enjoin any of the transactions referred to herein or contemplated hereby or in any way contesting or affecting the validity of the City Documents, or the transactions described in the Official Statement;

(v) except as disclosed in the Official Statement, to the best knowledge of the attorneys working on this matter, the execution and delivery of the City Documents and the approval of the Official Statement, and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the City a breach of or default under any agreement or other instrument to which the City is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the City is subject;

(vi) the City Documents have been duly authorized, executed and delivered by the City, and, assuming due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding agreements of the City enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if sought and by the limitations on legal remedies imposed on actions against cities in the State of California;

(vii) no authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California

is required for the valid authorization, execution and delivery of the City Documents and the approval of the Official Statement; and

(viii) nothing has come to his attention which would lead him to believe that the information relating to the City and the Water System contained in the Official Statement contains an untrue statement or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(4) Trustee/Escrow Agent Counsel Opinion. The opinion of counsel to the Trustee and Escrow Agent, dated the date of the Closing, addressed to Bond Counsel and the Underwriter, in form and substance acceptable to counsel for the Underwriter substantially to the following effect:

(i) The Trustee/Escrow Agent is a national banking association duly organized and validly existing under the laws of the United States.

(ii) The Trustee/Escrow Agent has duly authorized the execution and delivery of the Indenture, Escrow Instructions and the Continuing Disclosure Agreement.

(iii) The Indenture, Escrow Instructions and the Continuing Disclosure Agreement have been duly entered into and delivered by the Trustee and Escrow Agent and assuming due, valid and binding authorization, execution and delivery by the other parties thereto, constitute the legal, valid and binding obligations of the Trustee and Escrow Agent enforceable against the Trustee and Escrow Agent in accordance with their respective terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally, or by general principles of equity.

(iv) acceptance by the Trustee and Escrow Agent of the duties and obligations under the Indenture, Escrow Instructions and the Continuing Disclosure Agreement and compliance with provisions thereof will not conflict with or constitute a breach of or default under any law or administrative regulation to which the Trustee and Escrow Agent are subject.

(v) All approvals, consents and orders of any governmental authority or agency having jurisdiction in the matter which would constitute a condition precedent to the performance by the Trustee and Escrow Agent of their duties and obligations under the Indenture, Escrow Instructions and the Continuing Disclosure Agreement have been obtained and are in full force and effect.

(5) Disclosure Counsel Opinion. An opinion, dated the date of the Closing addressed to the City and the Underwriter, of Nossaman LLP, disclosure counsel, to the effect that based upon their participation in the preparation of the Official Statement as Disclosure Counsel to the City and without having undertaken to determine independently the accuracy or completeness of the contents in the Official Statement, such counsel has no reason to believe that the Official Statement, as of its date and as of the Closing Date (except for the

financial statements and the other financial and statistical data included therein and the information included therein relating to The Depository Trust Company and the book-entry system (as such terms are defined in the Official Statement), and in the Appendices thereto as to all of which no opinion or belief need be expressed) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(6) City Certificate. A certificate, dated the date of Closing, signed by a duly authorized official of the City satisfactory in form and substance to the Underwriter, (a) confirming as of such date the representations and warranties of the City contained in this Purchase Contract; (b) certifying that the City has complied with all agreements, covenants and conditions to be complied with by the City at or prior to the Closing under the City Documents; (c) certifying that to the best of such official's knowledge, no event affecting the City has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing the statements or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect; and (d) certifying that the City has authorized and consented to the inclusion in the Official Statement of the City's financial report and accountant's opinion for the year ended June 30, 2009, and no further consent of any party is required for such inclusion.

(7) Trustee's Certificate. A Certificate of the Trustee, dated the date of Closing, addressed to the City and the Underwriter, in form and substance acceptable to counsel for the Underwriter to the following effect:

(i) The Trustee is duly organized and existing as a national banking association in good standing under the laws of the United States, having the full power and authority to accept and perform its duties under the Indenture and the Continuing Disclosure Agreement;

(ii) Subject to the provisions of the Indenture, the Trustee will apply the proceeds from the Bonds to the purposes specified in the Indenture; and

(iii) The Trustee has duly authorized and executed the Indenture and the Continuing Disclosure Agreement.

(8) Escrow Agent's Certificate. A Certificate of the Escrow Agent, dated the date of Closing, addressed to the City and the Underwriter, in form and substance acceptable to counsel for the Underwriter to the following effect:

(i) The Escrow Agent is duly organized and existing as a national banking association in good standing under the laws of the United States, having the full power and authority to accept and perform its duties under the Escrow Agreement;

(ii) Subject to the provisions of the Escrow Agreement, the Escrow Agent will apply the proceeds from the Bonds to the purposes specified in the Escrow Agreement; and

(iii) The Escrow Agent has duly authorized and executed the Escrow Agreement.

(9) Transcripts. Two transcripts of all proceedings relating to the authorization and issuance of the Bonds.

(10) Official Statement. The Official Statement and each supplement or amendment, if any, thereto, executed on behalf of the City by a duly authorized officer of the City.

(11) Documents. An original executed copy of each of the City Documents.

(12) City Resolution. Two copies certified by the Clerk or Assistant Clerk of the City, of each resolution of the City relating to the City Documents, the actions contemplated thereby, provided that such resolutions may be contained in the transcripts provided pursuant to Paragraph 8(e)(11) above.

(13) IRS Form 8038-G. Evidence that the federal tax information form 8038-G has been prepared for filing.

(14) Nonarbitrage Certificate. A tax and nonarbitrage certificate in form satisfactory to Bond Counsel.

(15) Rating. Evidence as of the Closing satisfactory to the Underwriter that the Bonds shall have been rated “___,” by Standard & Poor’s and that such rating has not been revoked or downgraded.

(16) CDIAC Statement. A copy of the Notice of Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 53583 of the Government Code and Section 8855(g) of the Government Code.

(17) Additional Documents. Such additional certificates, instruments and other documents as the Underwriter may reasonably deem necessary.

If the City shall be unable to satisfy the conditions contained in this Purchase Contract, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract may be terminated by the Underwriter, and none of the Underwriter or the City shall be under further obligation hereunder.

9. [Reserved].

10. Expenses. The Underwriter shall be under no obligation to pay, and the City shall pay or cause to be paid, the expenses incident to the performance of the obligations of the City hereunder including but not limited to:

(a) the costs of the preparation and printing, or other reproduction (for distribution on or prior to the date hereof) of the City Documents and the cost of preparing, printing, issuing and delivering the Bonds;

(b) the fees and disbursements of any counsel, financial advisors, accountants or other experts or consultants retained by the City;

(c) the fees and disbursements of Bond Counsel and Disclosure Counsel;

(d) the cost of preparation and printing the Preliminary Official Statement and any supplements and amendments thereto and the cost of preparation and printing of the Official Statement, including a reasonable number of copies thereof for distribution by the Underwriter;

(e) charges of rating agencies for the rating of the Bonds;

(f) the cost of printing of the City Documents; and

(g) the expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds, including any advertising expenses.

The Underwriter shall pay: (i) the cost of preparation and printing of any “blue sky” filings; (ii) all advertising expenses and “blue sky” filing fees in connection with the public offering of the Bonds; (iii) fees, if any, payable to the California Debt and Investment Advisory Commission, the MSRB, the fees associated with obtaining CUSIP numbers for the Bonds, and fees of the Public Securities Association and the California Public Securities Association in connection with the execution and delivery of the Bonds; and (iv) all other expenses incurred by them in connection with the public offering of the Bonds not outlined in (a) through (g) above, including the fees and disbursements of Underwriter’s Counsel.

11. Notice. Any notice or other communication to be given to the Underwriter may be given by delivering the same to Mitsubishi UFJ Securities (USA) Inc., 400 California Street, 11th Floor, San Francisco, CA 94104. Any notice or other communication to be given to the City pursuant to this Purchase Contract may be given by delivering the same in writing to such entity, at the addresses set forth on the cover page hereof.

12. Entire Agreement. This Purchase Contract, when accepted by the City, shall constitute the entire agreement between the City and the Underwriter and is made solely for the benefit of the City and the Underwriter (including the successors or assigns of any Underwriter). No other person shall acquire or have any right hereunder by virtue hereof, except as provided herein. All the City’s representations, warranties and agreements in this Purchase Contract shall remain operative and in full force and effect, regardless of any investigation made by or on

behalf of the Underwriter, until the earlier of (a) delivery of and payment for the Bonds hereunder, and (b) any termination of this Purchase Contract.

13. Counterparts. This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

14. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

15. State of California Law Governs. The validity, interpretation and performance of the City Documents shall be governed by the laws of the State.

16. No Assignment. The rights and obligations created by this Purchase Contract shall not be subject to assignment by the Underwriter or the City without the prior written consent of the other parties hereto.

17. Definitions. Terms not otherwise defined herein shall have the same meaning as when used in the Indenture.

MITSUBISHI UFJ SECURITIES (USA) INC., as
Underwriter

By: _____
Title: _____

Accepted as of the date first stated above:

CITY OF CORCORAN

By: _____
Title: _____
Time of Execution: _____

EXHIBIT A

Maturity Date
(July 1)

Principal
Amount

Interest
Rate

Yield

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2012**NEW ISSUE - FULL BOOK ENTRY ONLY****RATING:
(See "RATING" herein)**

In the opinion of Nossaman LLP, Irvine, California, Bond Counsel, based on existing statutes, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes, and is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. In the further opinion of Bond Counsel, interest on the Bonds is, under existing law, exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. [The City has designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.] See "TAX MATTERS" herein.

\$ _____^{*}
CITY OF CORCORAN
WATER REVENUE REFUNDING BONDS
SERIES 2012A
[(BANK QUALIFIED)]

Dated: Date of Delivery

Due: July 1, as shown on inside cover

The Bonds are being issued pursuant to an Indenture of Trust, dated as of September 1, 2012 (the "Indenture") between the City of Corcoran (the "City") and U.S. Bank National Association, San Francisco, California (the "Trustee"), and will be secured as described herein. The Bonds are being issued (i) to provide funds to refinance certain obligations of the City, and (ii) to pay certain costs of issuing the Bonds. Definitions of certain capitalized terms herein are contained in APPENDIX A hereto, and are incorporated herein by reference.

The Bonds will be issued in book-entry form, initially registered in the name of Cede & Co., New York, New York, as nominee of The Depository Trust Company ("DTC"), New York, New York. Interest on the Bonds will be payable on July 1 and January 1 of each year, commencing January 1, 2013, and principal of the Bonds will be paid on the dates set forth in the Maturity Schedule on inside cover hereof. Purchasers will not receive certificates representing their interest in the Bonds. Individual purchases will be in principal amounts of \$5,000 or in any integral multiples of \$5,000. Payments of principal and interest will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds.

Payment of principal of and interest on the Bonds (the "Debt Service Payments") are payable from Net Revenues of the City's water system. The Debt Service Payments are a special limited obligation of the City, payable from and secured by a pledge of and first lien on all Net Revenues, subject to the parity lien, if any, of any Parity Obligations as provided for in

^{*} Preliminary, subject to change.

the Indenture (as described herein). **The City is not funding a debt service reserve account for the Bonds.**

The Bonds are subject to optional redemption, mandatory sinking fund redemption and extraordinary redemption prior to maturity as set forth herein. See “THE BONDS -- Redemption of the Bonds” herein.

THE BONDS ARE LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM AND SECURED SOLELY BY THE NET REVENUES PLEDGED THEREFOR IN THE INDENTURE AND ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE OR LIEN UPON ANY PROPERTY OF THE CITY, OR ANY OF THE CITY’S INCOME OR RECEIPTS, EXCEPT THE NET REVENUES. THE BONDS ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS AND NEITHER THE FAITH AND CREDIT OF THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS ARE PLEDGED TO THE PAYMENT OF THE BONDS, AND THE CITY IS NOT OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION THEREFOR. NEITHER THE BONDS NOR THE OBLIGATION TO MAKE DEBT SERVICE PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

This cover page contains information for general reference only. It is not a summary of the security or terms of this issue. Investors must read the entire Official Statement, including the section entitled “RISK FACTORS,” for a discussion of special factors which should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Bonds. Capitalized terms used on this cover page and not otherwise defined shall have the meanings set forth herein.

The Bonds are offered when, as and if sold and issued, subject to the approval as to their legality by Nossaman LLP, Irvine, California, Bond Counsel. Certain legal matters will be passed upon for the City by its general counsel, and by Nossaman LLP, Irvine, California, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, _____. It is anticipated that the Bonds in book-entry form, will be available for delivery through the facilities of DTC in New York, New York, on or about _____, 2012.

MITSUBISHI UFJ SECURITIES

Date:

MATURITY SCHEDULE*

Maturity Date (<u>July 1</u>)	Principal <u>Amount</u>	Interest <u>Rate</u>	Price or <u>Yield</u>	<u>CUSIP</u>[®]
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* Preliminary, subject to change.

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CITY OF CORCORAN

CITY COUNCIL

Raymond Lerma, *Mayor*
Jim Wadsworth, *Vice-Mayor*
Toni Baltierra, *Councilmember*
Sid Palmerin, *Councilmember*
Jerry Robertson, *Councilmember*

CITY EXECUTIVE STAFF

Kindon Meik, *City Manager*
Joyce Venegas, *Finance Director*
Michael Farley, *City Attorney*
Steve Kroeker, *Public Works Director*
Lorraine Lopez, *City Clerk*

SPECIAL SERVICES

Bond/Disclosure Counsel
Nossaman LLP
Irvine, California

Financial Advisor
p2 Capital Advisors
Napa, California

Trustee/Escrow Agent
U.S. Bank National Association
San Francisco, California

No dealer, broker, salesperson or other person has been authorized by the City of Corcoran (the "City") or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been obtained from the City and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities under 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. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there have not been any changes in the affairs of the City since the date hereof. All summaries of the 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. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF. THE PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

TABLE OF CONTENTS

INTRODUCTION	3
General	3
The City	3
Purpose	3
Security for the Bonds	4
No Debt Service Reserve Account	5
Risk Factors	5
Limited Obligations	5
Forward-Looking Statements	5
Summaries Not Definitive	6
THE REFUNDING PLAN	6
CONTINUING DISCLOSURE	6
THE BONDS	7
Description of the Bonds	7
Redemption of the Bonds	7
Issuance of Parity Obligations	9
Book-Entry Only System	10
ESTIMATED SOURCES AND USES OF FUNDS	11
DEBT SERVICE	11
SECURITY FOR THE BONDS	11
General	11
Pledge of Net Revenues	12
Debt Service Payments	13
Rate Covenant	13
No Debt Service Reserve Account	14
Application of Gross Revenues	14
Rate Stabilization Fund	15
THE WATER SYSTEM OF THE CITY	16
The Water Utility	16
Land Use Projections	16
Future Water System Improvements	16
Water Supply and Transmission	16
Water Treatment	18
Distribution System	19
Recent Projects and Accomplishments	19
Environmental Issues and Regulatory Requirements	19
Active Water Accounts	20
Largest Users	21
Water System Budgets and Budgetary Accounting	22
Billing and Collection Procedures	23
Water Rates	23
Connection Fees	25
WATER SYSTEM FINANCIAL INFORMATION	26
Financial Statements	26
Enterprise Accounting	26
Revenues and Expenses	27
Pro Forma Cash Flow	29
Historical Fund Balances	30

OFFICIAL STATEMENT

\$ _____ *

**CITY OF CORCORAN
WATER REVENUE REFUNDING BONDS
SERIES 2012A
[(BANK QUALIFIED)]**

INTRODUCTION

General

The purpose of this Official Statement of the City of Corcoran (the "City") is to furnish information regarding the issuance and sale of \$ _____* principal amount of City of Corcoran Water Revenue Refunding Bonds, Series 2012A (the "Bonds") pursuant to the provisions of an Indenture of Trust, dated as of September 1, 2012 (the "Indenture") between the City and U.S. Bank National Association (the "Trustee"). The Bonds will be issued pursuant to the provisions of Articles 10 and 11, Chapter 3, Part 1, Division 2, Title 5 (commencing with Section 53570) of the California Government Code, as amended (the "Bond Law"), and a resolution of the City adopted August 20, 2012 (the "Resolution").

The City

The City of Corcoran lies in Kings County and is located on California Hwy 43, 178 miles north of Los Angeles, 230 miles south of both San Francisco and Sacramento. The City, which covers approximately 5.8 square miles, was incorporated August 11, 1914 and is a general law city.

The City operates a public water system serving the City (the "Water System"), several small developments in unincorporated areas of the County adjacent to the City, and two California State Prisons located within the City limits. The Water System currently serves a total population of 23,621 through 3,266 service connections. In calendar year 2011, the Water System produced approximately 2,094 million gallons of water.

For other information concerning the City and the Water System, see "THE WATER SYSTEM OF THE CITY" and "WATER SYSTEM FINANCIAL INFORMATION" herein. For other selected demographic and economic information, see "APPENDIX B - GENERAL INFORMATION REGARDING THE CITY OF CORCORAN AND KINGS COUNTY" hereto. A copy of the audited financial statements of the City for the year ended June 30, 2011 is attached hereto as APPENDIX C.

Purpose

The Bonds are being issued by the City to (i) together with other available funds of the City, prepay the City's obligations under an Installment Sale Agreement, dated as of July 1, 2003, (the "Installment Sale Agreement") with the Corcoran Joint Powers Finance Authority (the "Authority"), which obligations are evidenced by the 2003 Certificates of Participation (Water System Project), executed and delivered in the original principal amount of \$5,915,000, of which \$4,895,000 is currently outstanding (the "Prior Obligations"), and (ii) pay certain costs of

* Preliminary, subject to change.

issuance of the Bonds (including expenses incurred in connection with the refunding of the Prior Obligations). See “THE REFUNDING PLAN” and “ESTIMATED SOURCES AND USES OF FUNDS” herein. The Prior Obligations were executed and delivered to finance certain capital improvements to the Water System and to refund an installment payment obligation of the City related to certificates of participation delivered by the Authority in 1994. See “THE WATER SYSTEM OF THE CITY” and “WATER SYSTEM FINANCIAL INFORMATION” herein for a description of the Water System. **The City is not funding a debt service reserve account for the Bonds.**

Security for the Bonds

The Bonds are payable from, and secured by a lien on, the Net Revenues (as described in “SECURITY FOR THE BONDS - General” herein), and from certain interest and other income derived from certain funds and accounts held under the Indenture. Under the Indenture, the City has irrevocably pledged all Net Revenues to the payment of the Debt Service Payments, subject to the terms and conditions of the Indenture. Net Revenues are held in the Debt Service Fund of the City under the Indenture. See “SECURITY FOR THE BONDS” herein.

The City is authorized to issue additional Parity Obligations secured by the Net Revenues with a lien on a parity basis with the lien of the Bonds, provided it complies with certain provisions in the Indenture. Payment of the Debt Service Payments is on a parity with the obligation of the City to pay installment payments securing the City’s Variable Rate Demand 2008 Refunding Certificates of Participation (Water System Project) (the “2008 Certificates”), payments under a Reimbursement Agreement, dated as of March 1, 2008, by and among the City, the Authority and Union Bank of California and certain payments under a swap agreement related to the 2008 Certificates (collectively with the 2008 Certificates, the “Existing Parity Obligations”).

In connection with the 2008 Certificates, the City has entered into an ISDA Master Agreement, along with a Schedule to the Master Agreement, a Confirmation and a Credit Support Annex thereto, each dated as of October 20, 2005, as amended by an Amended and Restated Confirmation initially amended and restated as of July 1, 2007, and further amended and restated as of March 27, 2008, an amended and Restated Credit Support Annex dated as of March 27, 2008, and an Amended and Restated Schedule to the Master Agreement dated as of March 27, 2008, with Piper Jaffray Financial Products Inc. (the “Swap Provider”), along with the Replacement Swap Agreement deemed to be entered into pursuant to the Replacement Swap Undertaking dated as of October 20, 2005 among the Swap Provider, the City and Morgan Stanley Capital Services, Inc. (the “Replacement Swap Provider”) (collectively, the “Swap Documents”). Payments under the Swap Documents (other than Settlement Amounts, as defined in the Swap Documents) are secured by a lien on Net Revenues on parity with the lien of the Bonds. See “SECURITY FOR THE BONDS – Pledge of Net Revenues” herein for a description of the payments due under the Swap Documents.

See also “THE BONDS – Issuance of Parity Obligations” herein for a description of the conditions upon which the City may issue additional obligations with a lien on parity with the lien on Net Revenues.

Pursuant to the Indenture, the City has covenanted to fix, prescribe and collect certain rates and charges for service provided by the Water System. See “SECURITY FOR THE BONDS - Rate Covenant” herein.

No Debt Service Reserve Account

The City is not funding a debt service reserve account for the Bonds, and a debt service reserve fund is no longer established for the 2008 Certificates. In the event of a failure by the City to pay Debt Service Payments when due, no other source of funds will be available to make such payments while the Trustee pursues available remedies under the Indenture.

Risk Factors

There can be no assurance that the local demand for the services provided by the Water System will be maintained at levels described in this Official Statement, or that the City's expenses for operating and maintaining the Water System will be consistent with the levels described in this Official Statement. Changes in technology, decreased demand, new regulatory requirements, increases in the cost of energy or other expenses would reduce Net Revenues, and could require substantial increases in rates or charges in order to comply with the rate covenant. Such rate increases could increase the likelihood of nonpayment, and could also further decrease demand.

See "RISK FACTORS" herein for a discussion of special factors which should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Bonds, including a discussion of the impact of Proposition 218, Constitutional limits on fees and charges, seismic considerations, limitation on remedies and changes in law.

Limited Obligations

THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE BONDS IS A LIMITED OBLIGATION OF THE CITY AND IS NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE OR LIEN UPON, ANY PROPERTY OF THE CITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE NET REVENUES PLEDGED UNDER THE INDENTURE. THE FULL FAITH AND CREDIT OF THE CITY IS NOT PLEDGED FOR THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE BONDS AND NO TAX OR OTHER SOURCE OF FUNDS, OTHER THAN THE NET REVENUES AND CERTAIN OTHER AMOUNTS ON DEPOSIT UNDER THE INDENTURE, ARE PLEDGED TO PAY THE INTEREST ON OR PRINCIPAL OF THE BONDS. THE PAYMENT OF THE PRINCIPAL OF OR INTEREST WITH RESPECT TO THE BONDS DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF FOR WHICH ANY SUCH ENTITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH ANY SUCH ENTITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Forward-Looking Statements

This Official Statement contains forward-looking statements, including (i) statements containing projections of Net Revenues and other financial items, (ii) statements of future economic performance of the Water System, and (iii) statements of the assumptions underlying or relating to statements described in (i) and (ii) above, (collectively, the "Forward-Looking Statements"). All statements other than statements of historical facts included in this Official Statement, including without limitation statements under "THE WATER SYSTEM OF THE CITY," "WATER SYSTEM FINANCIAL INFORMATION" and "SECURITY FOR THE BONDS" regarding the financial position, capital resources and status of the City and the Water System are Forward-Looking Statements. Although the City believes that the expectations reflected in

such Forward-Looking Statements are reasonable, no assurance can be given that such expectations will prove to be correct. Important factors which could cause actual results to differ materially from expectations of the City (collectively, the “Cautionary Statements”) are disclosed in this Official Statement. All Forward-Looking Statements attributable to the City are expressly qualified in their entirety by the Cautionary Statements.

Summaries Not Definitive

Definitions of certain capitalized terms herein are contained in APPENDIX A hereto, and are incorporated herein by reference. Definitions of certain terms used in this Official Statement, and the summaries of and references contained herein to the Indenture, the Bonds, the Continuing Disclosure Agreement, statutes and other documents do not purport to be comprehensive or definitive and are qualified by reference to each such document, instrument or statute.

Copies of the documents described herein will be available at the office of the City, 832 Whitley Avenue, Corcoran, CA 93212.

THE REFUNDING PLAN

The City is selling the Bonds, in part, to provide moneys (together with other funds relating to the Prior Obligations) necessary to prepay and defease the Prior Obligations. A portion of the proceeds of the Bonds, along with certain remaining funds from the Prior Obligations will be used on the Closing Date to establish an escrow fund (the “Escrow Fund”) for the Prior Obligations, to be held in trust by U.S. Bank National Association, acting as escrow agent for the Prior Obligations (the “Escrow Agent”) under Escrow Instructions between the Authority and the Escrow Agent, dated as of September 1, 2012 (the “Escrow Instructions”). Proceeds deposited into the Escrow Fund will be held in cash, uninvested, and will be used by the Escrow Agent to prepay the outstanding Prior Obligations maturing on or after July 1, 2013 on _____, 2012, at a redemption price equal to 101% of the principal amount thereof as specified in the Escrow Instructions. Upon deposit of such proceeds and other moneys into the Escrow Fund, the Prior Obligations will no longer be deemed outstanding.

The moneys and securities held by the Escrow Agent are pledged to the payment of the Prior Obligations. Moneys deposited in the Escrow Fund are not available to pay principal of or interest on the Bonds.

CONTINUING DISCLOSURE

The City has covenanted, pursuant to a Continuing Disclosure Agreement, dated as of September 1, 2012, for the benefit of holders and beneficial owners of the Bonds to provide, or cause to be provided, certain financial information and operating data relating to the City by not later than March 1 in each year following the end of the City’s Fiscal Year (which currently would be June 30), commencing with the report for the Fiscal Year ended June 30, 2012 (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and notices of material events will be filed by the City with the Municipal Securities Rulemaking Board (the “MSRB”). The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized below in “APPENDIX E.” These covenants have been made in order to assist the Underwriter in

complying with S.E.C. Rule 15c2-12(b)(5) (the “Rule”). The City has not failed to fully comply with respect to its previous undertakings with respect to the Rule over the past 5 years.

THE BONDS

Description of the Bonds

The Bonds shall be delivered in the form of fully registered Bonds, without coupons, in denominations of \$5,000 or any integral multiple thereof, and shall be dated the date of initial delivery thereof. The Bonds will mature on the dates and in the amounts set forth on the front cover of this Official Statement. The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). So long as DTC, or Cede & Co. as its nominee, is the registered owner of all Bonds, all payments on the Bonds will be made directly to DTC, and disbursement of such payments to the DTC Participants (defined below) will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (defined below) will be the responsibility of the DTC Participants, as more fully described hereinafter. See “Book-Entry Only System” below.

Interest on the Bonds shall be payable on July 1 and January 1 of each year, commencing January 1, 2013, and continuing to and including the date of maturity or prior redemption, whichever is earlier. Principal of the Bonds shall become payable on July 1 in each of the years and in the amounts set forth on the inside cover page of this Official Statement. Principal and premium, if any, of the Bonds shall be payable upon presentation and surrender thereof at the corporate trust office of the Trustee in San Francisco, California. Interest on the Bonds shall be based on a 360-day year composed of twelve 30-day months and shall be payable by check from the Trustee mailed on each Interest Payment Date by first class mail to the registered Owners as of the close of business on the 15th day of the calendar month (whether or not such day is a Business Day) preceding an Interest Payment Date (the “Record Date”) at their addresses shown on the registration books maintained by the Trustee. Upon the written request from any Owner of Bonds aggregating at least \$1,000,000 in principal amount, received on or prior to the fifteenth day of the month preceding an applicable Interest Payment Date, by wire in Federal Reserve funds to an account within the United States on the Interest Payment Date, with regard to which such payment is made. See “Book-Entry Only System” below for a description of how interest and principal will be paid while the Book-Entry System is in effect.

Redemption of the Bonds *

Extraordinary Casualty Redemption. The Bonds are subject to redemption, in whole or in part on any date, from the Net Proceeds of insurance or condemnation with respect to the Water System, which Net Proceeds are deposited in the Payment Fund and credited towards the prepayment of the Debt Service Payments, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

Optional Redemption. The Bonds maturing on or before July 1, 20___, are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing

* To be confirmed.

* Preliminary, subject to change.

on or after July 1, 20____, are subject to optional redemption on any date on or after July 1, 20____, in whole or in part, at the option of the City, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest to the redemption date, without a premium.

Sinking Fund Redemption of Bonds. The Bonds maturing July 1, 20____ shall be subject to mandatory sinking fund redemption in part, by lot, commencing on July 1, 20____, from mandatory sinking fund payments set aside in the Payment Fund, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, in the aggregate respective principal amounts and on the dates set forth below; provided, however, that if some but not all of such Bonds have been redeemed pursuant to subsection (a) or (b) above, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of such Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the City (notice of which determination shall be given by the City to the Trustee):

Redemption Dates (July 1)	<u>Amount</u>
--------------------------------------	----------------------

Purchase in Lieu of Redemption. In lieu, or partially in lieu, of such call and redemption, moneys of the City may be used to purchase Outstanding Bonds prior to the selection of Bonds for redemption by the Trustee, at public or private sale as and when and at such prices as the City may in its discretion determine but only at prices (including brokerage or other expenses) of not more than par plus applicable accrued interest and redemption premiums, and any accrued interest payable upon the purchase of Bonds may be paid from the amount in the Payment Fund for payment of interest on the following Interest Payment Date.

Selection of Bonds for Redemption. In the event that part, but not all, of the Bonds are to be redeemed, the Bonds to be redeemed shall be selected by the Trustee among maturities as designated in writing by the City and by lot within a maturity; provided, however, that, as shall be set forth in a Certificate of the City, the Bonds may be redeemed by any maturity or maturities selected by the City, and by lot within a maturity. For the purpose of the selection described in this Section, all Bonds registered in the name of the same Owner shall be aggregated and treated as a single Bond held by such Owner. Notwithstanding any of the foregoing, in any such partial redemption the Trustee shall call the Bonds in integral multiples of \$5,000. In the event of a redemption for which the Trustee does not have monies available to redeem the entire amount scheduled for redemption, the Trustee shall redeem Bonds of the applicable maturity or maturities by lot up to a principal amount equal to the available monies.

Notice of Redemption; Rescission. The Trustee shall give notice (the "Redemption Notice"), at the expense of the City, of the redemption of the Bonds. Such Redemption Notice shall specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of any

paying agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) if less than all the Bonds of a maturity are to be redeemed, the certificate numbers of the Bonds to be redeemed and, in the case of any Bond to be redeemed in part only, the amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price, together with interest accrued to the redemption date, and that from and after such date interest with respect thereto shall cease to accrue and be payable. Neither failure to receive any Redemption Notice nor any defect in such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of such Bonds.

The City shall have 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 shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The City and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Effect of Redemption. If, on said redemption date, moneys sufficient for the redemption of all the Bonds to be redeemed, together with interest to said redemption date shall be held by the Trustee so as to be available therefor on such redemption date, and, if notice of redemption thereof shall have been given as aforesaid, then, from and after said redemption date, interest with respect to the portion of Bonds to be redeemed shall cease to accrue and become payable. If said moneys shall not be so available on said redemption date, interest with respect to such portion of Bonds shall continue to be payable until paid at the same rates as they would have been payable had they not been called for redemption.

Issuance of Parity Obligations

The City has covenanted in the Indenture that, except for bonds issued to fully or partially refund the Bonds or Parity Obligations, the City will not issue or incur any Parity Obligations unless:

(i) The City is not in default under the terms of the Indenture;

(ii) Net Revenues (exclusive of transfers to the Revenue Fund from the Rate Stabilization Fund, should one be established), calculated on sound accounting principles, as shown by the books of the City for the latest Fiscal Year or any more recent twelve (12) month period selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which instrument such Parity Obligation is issued or incurred, as shown by the books of the City, plus, at the option of the City, the additional allowance described below, shall have amounted to at least 1.20 times the sum of the Debt Service Payments coming due and payable in any future Fiscal Year and the annual debt service for such Fiscal Year on all Parity Obligations outstanding immediately subsequent to the incurring of such additional obligations in the Fiscal Year in which such sum is the greatest;

Either or both of the following items may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (b)(ii): an allowance for earnings

arising from any increase in the charges made for service from the Water System which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year or 12-month period, was not in effect, in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or 12-month period, as shown by a certificate of the City.

In order to maintain the parity relationship of the Debt Service Payments to all Parity Obligations permitted hereunder, the City has covenanted in the Indenture that all payments in the nature of principal and interest with respect to any Parity Obligations, except with respect to Governmental Loans, will be structured to occur semi-annually on the Due Dates and in each year as such payments are due with respect to the Debt Service Payments, and to otherwise structure the terms of such Parity Obligations to ensure that they are in all respects payable on a parity with the Debt Service Payments and not prior thereto; provided that the City will not make a payment on such Governmental Loan to the extent it would have the effect of causing the City to fail to pay Debt Service Payments on a timely basis. In such event, the City will make Debt Service Payments and payments on such Governmental Loan on a pro rata basis.

(c) If interest on any Parity Obligation is reasonably anticipated to be reimbursed to or on behalf of the City by the United States of America, then interest payments with respect to such Parity Obligations will be excluded by the amount of such interest reasonably anticipated to be paid or reimbursed by the United States of America, and such reimbursements will not be included as Gross Revenues for purposes of the coverage calculations required in subsection (b)(ii) above.

Subordinate Obligations. Notwithstanding the foregoing, nothing in the Indenture will be construed as prohibiting the issuance by the City of subordinated debt secured by Net Revenues.

Book-Entry Only System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX F - BOOK ENTRY PROVISIONS" herein.

Neither the City nor the Trustee can and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium with respect to the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the City nor the Trustee are responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds received from the sale of the Bonds and other available funds are to be applied as follows:

Sources of Funds:

Principal Amount of Bonds	\$
Net Original Issue [Discount] [Premium]	
Amount Relating to Prior Obligations	
TOTAL SOURCES	

Uses of Funds:

Transfer to Escrow Agent ⁽¹⁾
Costs of Issuance ⁽²⁾
TOTAL USES

(1) See "THE REFUNDING PLAN" above.

(2) Includes fees of Bond Counsel, Disclosure Counsel and Trustee, Underwriter's discount and other costs of issuing the Bonds.

DEBT SERVICE

The following illustrates the annual debt service for the Bonds as of July 1 of each year.

Period Ending (July 1)	<u>Principal</u>	<u>Interest</u>	Total <u>Debt Service</u>
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TOTALS

SECURITY FOR THE BONDS

General

THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE BONDS IS A LIMITED OBLIGATION OF THE CITY AND IS NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE OR LIEN UPON, ANY PROPERTY OF THE CITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE NET REVENUES PLEDGED UNDER THE INDENTURE. THE FULL FAITH AND CREDIT OF THE CITY IS NOT PLEDGED FOR THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE BONDS AND NO TAX OR OTHER SOURCE OF FUNDS, OTHER THAN THE NET REVENUES AND CERTAIN OTHER AMOUNTS ON DEPOSIT UNDER THE INDENTURE, ARE PLEDGED TO PAY THE INTEREST ON OR PRINCIPAL OF THE BONDS. THE PAYMENT OF THE PRINCIPAL OF

OR INTEREST WITH RESPECT TO THE BONDS DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF FOR WHICH ANY SUCH ENTITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH ANY SUCH ENTITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Pledge of Net Revenues

The Bonds are secured by a pledge of the Net Revenues received by the City from the operation of the Water System, as those terms are defined below and upon all money and securities on deposit in certain accounts under the Indenture. The obligation of the City to make Debt Service Payments from Net Revenues is absolute and unconditional, and until such time as all Debt Service Payments shall have been fully paid and the Bonds are no longer Outstanding (or provision for the payment thereof shall have been made), the City will not, under any circumstances, discontinue, abate or suspend any payment due under the Indenture when due, whether or not the Water System is operating or operable or has been completed, or whether or not the Water System is condemned, damaged, destroyed or seized or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset, counterclaim, defense, recoupment, abatement, suspension, deferment or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement or covenant contained in the Indenture for any cause whatsoever.

All Net Revenues are irrevocably pledged by the City to the payment of Debt Service Payments and debt service on Parity Obligations (including payments securing the Existing Parity Obligations) as provided in the Indenture, and the Net Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Net Revenues, there may be apportioned such sums for such purposes as are expressly permitted by the Indenture, including payment of debt service on any Parity Obligations. This pledge shall constitute a first lien on the Net Revenues for the payment of the Debt Service Payments and debt service on any Parity Obligations in accordance with the Indenture. **The Bonds are not secured by a direct lien on the Water System or any other property of the City.**

In the Indenture, the City covenants that, so long as any Bonds are outstanding, the City will not issue or incur any obligations payable from Gross Revenues or Net Revenues superior to the payment of the Debt Service Payments or Parity Obligations. The City is authorized to issue additional Parity Obligations secured by Net Revenues with a lien on a parity basis with the lien of the Bonds, provided it complies with certain provisions in the Indenture. See "THE BONDS – Issuance of Parity Obligations" herein. The City is also authorized to issue subordinate debt secured by Net Revenues.

"Net Revenues" are, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Expenses becoming payable during such period.

"Operation and Maintenance Expenses" means the reasonable and necessary costs and expenses paid by the City to maintain and operate the Water System, including but not limited to (a) costs of acquisition of water to be supplied by the Water System, (b) costs of electricity and other forms of energy supplied to the Water System, (c) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and

preserve the Water System in good repair and working order, and (d) the reasonable administrative costs of the City attributable to the operation and maintenance of the Water System. Operation and Maintenance Expenses do not include (i) debt service payable on obligations incurred by the City with respect to the Water System, including but not limited to the Debt Service Payments and any Parity Obligations, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

“Gross Revenues” means all gross charges (including surcharges, if any) received for, and all other gross income and receipts derived by the City from, the ownership and operation of the Water System or otherwise arising from the Water System, including but not limited to (a) connection charges, (b) investment earnings on amounts held in the Water Fund or in any other fund established with respect to the Water System, and (c) rental income related to the Water System. Gross Revenues does not include (i) refundable deposits made to establish credit, (ii) the proceeds of any ad valorem property taxes, and (iii) the proceeds of any special assessments or special taxes levied upon real property within any improvement district served by the City for the purpose of paying special assessment bonds or special tax obligations of the City relating to the Water System. Gross Revenues shall also include interest with respect to any Parity Obligations reimbursed to or on behalf of the City by the United States of America, and shall include and including moneys in the Rate Stabilization Fund that have been designated and pledged as “Gross Revenues” for a Fiscal Year pursuant to the Indenture.

Debt Service Payments

The Indenture requires the City to pay all Debt Service Payments directly to the Trustee on the applicable Due Date. The City is required to pay Debt Service Payments without offset or deduction of any kind. “Due Date” means the fifteenth (15) day of the month prior to an Interest Payment Date. See APPENDIX A hereto. See also “Pledge of Net Revenues” above.

The City’s obligation to make Debt Service Payments is a special obligation of the City payable solely from the Net Revenues and other funds provided for in the Indenture. Neither the Bonds nor the obligation of the City to make Debt Service Payments constitutes a debt of the City or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction or an obligation for which the City or the State of California is obligated to levy or pledge any form of taxation or for which the City or the State of California has levied or pledged any form of taxation.

Rate Covenant

The City has covenanted in the Indenture that it shall fix, prescribe, revise and collect such rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues sufficient to pay the following amounts in the following order of priority:

- (i) All Operation and Maintenance Expenses estimated by the City to become due and payable in such Fiscal Year;
- (ii) All Debt Service Payments and all payments of principal of and interest on any Parity Obligations as they become due and payable during such Fiscal Year, without preference or priority; and

(iii) All payments required to meet any other obligations of the City which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues during such Fiscal Year.

In addition, the City shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year (exclusive of transfers to the Revenue Fund from the Rate Stabilization Fund, should one be established) which are sufficient to yield Net Revenues which are at least equal to 120% of the amount described in the preceding clause (b) for such Fiscal Year.

For purposes of calculating the interest on any Outstanding Parity Obligations, if interest on any Parity Obligations is reasonably anticipated to be reimbursed to or on behalf of the City by the United States of America, then interest on such Parity Obligations shall be excluded to the extent such interest is reasonably anticipated to be paid or reimbursed by the United States of America, and such reimbursements will not be included as Gross Revenues for purposes of the coverage calculations set forth above.

No Debt Service Reserve Account

The City is not funding a debt service reserve account for the Bonds, and a debt service reserve fund is no longer established for the 2008 Certificates. In the event of a failure by the City to pay Debt Service Payments when due, no other source of funds will be available to make such payments while the Trustee pursues available remedies under the Indenture.

Application of Gross Revenues

Payments from Revenue Fund. The City has covenanted that all Gross Revenues, when and as received, will be received and held by the City in trust for the benefit of Bondholders and payments with respect to Parity Obligations, and will be deposited by the City immediately upon receipt in the Revenue Fund, which the City has covenanted in the Indenture to establish and maintain throughout the term of the Bonds. All Gross Revenues shall be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the City.

All Gross Revenues in the Revenue Fund shall be set aside by the City and applied in the following order of priority:

(1) **Operation and Maintenance Expenses.** To the City's Water Fund, amounts sufficient for the payment of the estimated Operation and Maintenance Expenses during the current calendar month and the succeeding calendar month to the extent such amounts are to be paid from Gross Revenues.

(2) **Debt Service Payments.** For deposit in the Payment Fund, amounts sufficient to satisfy the funding requirements of such fund (including amounts sufficient to provide for the Debt Service Payments and payments of principal and interest due on Parity Obligations).

(3) **Reserve Funds.** To any reserve fund or account established for any Parity Obligations, upon the occurrence of any deficiency therein, one-sixth of the aggregate amount of each un-replenished prior withdrawal and the full amount of any deficiency due to

the required valuations of the investments in such reserve fund or account until the balance in such reserve fund or account is at least equal to the amount required to be on deposit in such fund or account.

(4) **Rebate Funds.** To any excess earnings or rebate fund or account established for any Parity Obligations (including the Excess Earnings Fund established for the Bonds) such amounts at such times as shall be required pursuant to the document creating such fund or account.

(5) **Subordinate Obligations.** In each calendar month, the City shall make any required transfer or deposit for the payments of any obligation with a lien on, or payable from Net Revenues junior to the lien thereon of the Parity Obligations.

(6) **General Expenditures.** Any moneys remaining in the Revenue Fund after the above transfers may be transferred and deposited in such other funds or accounts of the City and used for any lawful purpose, including transfer to the Rate Stabilization Fund.

Payment of Debt Service Payments. On or before each Due Date, the City shall withdraw from the Debt Service Fund held by the City an amount sufficient to the aggregate amount of the Debt Service Payments coming due on the next succeeding Interest Payment Date, and transfer the same to the Trustee for deposit into the Payment Fund on the following dates and in the following amounts:

(1) Interest Component. On or before the fifteenth day of each June and December, an amount which is equal to the amount to become due on such Bonds on the next succeeding Interest Payment Date; provided, however, that the City may be entitled to certain credits on such payments to the extent funds for such purpose are on deposit in the Payment Fund.

(2) Principal Component. On or before the fifteenth day of June of each year, an amount which, together with any moneys already on deposit with the Trustee and available to make such payment, is not less than the entire amount of the next succeeding maturing principal or mandatory sinking account payment coming due on the Bonds after such date; provided, however, that the City may be entitled to certain credits on such payments to the extent funds for such purpose are on deposit in the Payment Fund.

Rate Stabilization Fund

The City may maintain and hold a Rate Stabilization Fund. From time to time the City may deposit in the Rate Stabilization Fund from surplus Net Revenues such amounts as the City shall determine, provided that deposits with respect to any Fiscal Year may be made at any time during such Fiscal Year and until (but not after) the day which is sixty (60) days following the end of such Fiscal Year. The City may withdraw amounts from the Rate Stabilization Fund for inclusion in Gross Revenues for any Fiscal Year, or for any other lawful purpose of the Water System, such withdrawals to be made at any time during such Fiscal Year and until (but not after) the day which is sixty (60) days after the end of such Fiscal Year. All interest or other earnings upon deposits in the Rate Stabilization Fund may be withdrawn therefrom and accounted for as Gross Revenues.

THE WATER SYSTEM OF THE CITY

The Water Utility

The City operates a public water system serving the City, several small developments in unincorporated areas of the County adjacent to the City, and two California State Prisons located within the City limits. The Water System currently serves a total population of 23,621 through 3,266 service connections. In calendar year 2011, the Water System produced approximately 2,094 million gallons of water.

The Water System was started in 1905 by the privately owned Corcoran Water and Gas Company. The City was incorporated in 1914 and purchased the Water System in 1916. Various Water System facilities have been constructed and abandoned since that time. The California Department of Health Services issued the first water supply permit to the City in 1956, and the current permit was issued in 2011. The current operating permit does not expire, but remains in place until another significant change is made to the Water Treatment Plant which would call for a review of its operations, which could require a new permit.

The management of the Water System is the responsibility of the City's Public Works Department, for both construction and the maintenance and operation, and the Public Works Director has responsibility for the Department and the division. The Chief Plant Operator has the responsibility for the daily maintenance and operations of the Water Division. These responsibilities include the operation and maintenance of the treatment facility, groundwater wells, booster pump stations, storage tanks, meter reading for the Water System and customer service activities. There are six full-time operators assigned to this division.

The City Finance Department is responsible for billing and collecting all water bills.

Land Use Projections

The City is responsible for land use policy for most of the area served by the Water System (as the Water System also serves portions of unincorporated areas of Kern County). A condition of new or in-fill development is that the developer provide infrastructure sufficient to provide water service for each lot in the proposed development. Currently, there are 10 homes in various stages of planning but no homes are planned for construction in the next year. The City anticipates servicing these customers from the purchase of additional supplies from its resources described in "Water Supply and Transmission" below.

Future Water System Improvements

While the City has an ongoing capital improvement plan with respect to repair and replacement of facilities as needed, it does not anticipate any new major capital improvements in the next five years. The City is required under current State law to install water meters on all municipal and industrial service connections located within its service area on or before January 1, 2025.

Water Supply and Transmission

Groundwater is the sole source of water supply for the Water System. The City operates a well field northeast of the City, with nine wells that range in depth from less than 500 feet to over 1,000 feet, both above and below the Corcoran Clay - a major subsurface

confining clay layer in the San Joaquin Valley. The wells have a total estimated pumping capacity of between 4,628 and 6,807 million gallons a year, depending on the level of groundwater. Groundwater levels in the City tend to go down in dry years and rebound in wet years. All nine wells are fitted with vertical turbine line shaft pumps operating with constant speed motors. Each well has a centrifugal Lakos sand separator for removal of sand prior to leaving the individual well site. Raw water is conveyed from the nine wells through three transmission systems to a raw water storage tank at the Water Treatment Plant (defined below).

The production of each individual well varies from year to year as the City actively manages the contribution of each well to total water production to ensure long-term water quality and flow. A summary of the production capacity for each of the nine wells is shown in the table below. The City's total water production for calendar year 2011 was approximately 2,094 million gallons, or 45.2% of total well capacity during a dry year. Over the past 10 years, the City has extracted, on the average, approximately 2,306 million gallons a year through the 9 wells.

While the aquifer utilized as the pumping resource by the City (the Tulare Lake Subbasin) is generally recognized as being in overdraft, since it has not legally been designated as such (i.e., it has not been adjudicated) there are currently no pumping limitations in place. Since rainfall has minimal impact on the groundwater levels in the basin, recharge occurs primarily from run-off from the Sierra Nevada Mountains, agricultural irrigation within the basin and reclaimed wastewater. In 2000 the City prepared an urban water management plan (the "UWMP"), as required by the California Water Code, which was updated in April 2007. While the UWMP determined that the City should be able to meet its groundwater pumping requirements into the foreseeable future, it recognized the need for developing recharge capabilities. The City is currently producing the update to the UWMP, a draft of which is expected to be completed by October, 2012.

Depending on the growth of the City, the City believes it has sufficient water or will be able to acquire water sufficient to supply the demand on the Water System. The existing water supplies are shown in the table below. The City is currently repairing or replacing Wells 8A and 9A which were damaged due to subsidence in the area, and the City expects both wells to be online by September, 2012.

**TABLE 1
CITY OF CORCORAN
EXISTING WELL CAPACITY
(Millions of Gallons per Year)**

<u>Well</u>	<u>Dry Year</u>	<u>Normal Year</u>
1A	411	604
2A	304	447
3A	393	578
4A	465	683
6A	500	736
7A	411	604
8A ⁽¹⁾	858	1,261
9A ⁽¹⁾	894	1,314
10A	<u>393</u>	<u>578</u>
Total	4,628	6,807

Source: City of Corcoran

(1) Estimated, based on replaced or repaired condition.

Total water production for the last six calendar years, and an estimate for 2012, is shown in the following table below.

**TABLE 2
CITY OF CORCORAN
ANNUAL WATER PRODUCTION
(2006-2012)**

<u>Year (June 30)</u>	<u>Total Production⁽¹⁾</u>
2006	2,400
2007	2,449
2008	2,358
2009	2,390
2010	2,146
2011	2,094
2012 ⁽²⁾	2,100

Source: City of Corcoran

(1) Millions of gallons.

(2) Estimated.

Water Treatment

The City's water treatment facilities (the "Water Treatment Plant") has a capacity of 21.5 million gallons per day (MGD) and a net production capacity of approximately 19.4 MGD, or approximately 29.5% of the average daily demand of the Water System in 2011. The Water Treatment Plant uses oxidation followed by enhanced coagulation filtration through multi-media filters. Raw water arriving at the Water Treatment Plant is first directed to a 500,000

gallon raw water mixing and blending tank. Next, water flows to a 24" diameter inline static mixer where chemicals are added, followed by rapid mixing. Sodium hypochloride is used for oxidation, and ferric chloride and a polymer filter aide are used for coagulation. Six 2,500 gpm filter feed pumps then pump the water mixture through five dual-cell horizontal pressure filter vessels with anthracite and Greensand Plus filter media. Filters are cleaned with a backwash system including a 3,500 backwash pump, two 300,000 gallon backwash reclaim tanks, and three 250 gpm backwash reclaim pumps. The current operating permit does not expire, but remains in place until another significant change is made to the Water Treatment Plant which would call for a review of its operations, which could require a new permit (e.g., if another filter unit was added, or if the City had to start treating for other contaminants).. SCADA and Programmable Logic Control systems monitor and control the treatment plant systems, filter systems, waste systems, and the nine City wells.

The Water Treatment Plant is designed to accommodate additional facilities as required for long-term future capacity needs. The City currently estimates that the current capacity of the Water Treatment Plant should be sufficient to meet the City's needs through 2020 or longer, depending on growth in the City.

Distribution System

The distribution system is currently composed of a looped system being fed through four (4) 16" water mains, seven (7) booster pumps and five (5) water storage tanks at various locations that provide 4.8 million gallons of treated water storage. The City's existing storage capacity provides the Water System with approximately 84% of the average daily demand in the City (based on average daily use of 5.7 MGD). The average daily use ranged from a low of 3.562 MGD to a high of 8.885 MGD in 2011. All of the City booster station have stand-by emergency power and are controlled and monitored by the SCADA system located at the water treatment plant.

Recent Projects and Accomplishments

The City has recently completed the following improvements to the Water System.

- Addition of new water filter unit at Water Treatment Plant raising capacity from 18 MGD to 22.5 MGD
- Four original filter units have been rebuilt and upgraded per the manufacturer's new specifications
- Two Solar Lease Projects expected to generate approximately \$100,000 of additional Gross Revenues per year within the next 3-5 years
- Addition of a new water filter pressure vessel along with the associated equipment and controls increasing the Water Treatment Plant's number of filter units from five (5) to six (6) units and it's treatment capacity from 18 MGD to 21.5 MGD (gross).

Environmental Issues and Regulatory Requirements

Environmental Issues. The primary environmental issue impacting the Water System concerns arsenic. Arsenic concentrations in the City's production wells range from 6 to 35

parts per billion (ppb), which is higher than the Federal Standard of 10 ppb that was mandated in 2006. When raw water from all wells is blended together as it reaches the Water Treatment Plant, and this blended raw water averages 22 to 25 ppb of arsenic, though it can be higher at times. The City constructed the Water Treatment Plant in order to meet this new standard. The Water Treatment Plant was completed in October 2006, and the City reports that its arsenic levels in its treated water delivered to customers average below 3 ppb, which is below the Federal arsenic standard. The City anticipates that the Water System would also be able to meet a more stringent State standard, if one is ever adopted.

Regulatory Requirements. The California Department of Health Services regulates the Water System. The City believes it is in compliance with applicable regulations and requirements.

The kind and degree of water treatment which is also effected through the Water System is regulated, to a large extent, by the federal government. Clean water standards set forth in the Safe Drinking Water Act and the Environmental Protection Act continue to set standards for the operations of the Water System and to mandate its use of technology. In the event that the California Department of Health Services or the Federal government, either acting through the Environmental Protection Agency or by adoption of additional legislation, should impose stricter quality standards upon the Water System, its expenses would increase accordingly and rates and charges would have to be increased to offset those expenses. It is not possible to predict the direction which State and federal regulation will take with respect to water treatment.

Active Water Accounts

Service connections in the Water System range in diameter from 5/8-inch to 8-inches. Approximately 51% of all residences are billed a flat rate, while the other 49% are billed on a metered rate. Meters are installed on all new accounts, and the City is required under current State law to install water meters on all municipal and industrial service connections located within its service area on or before January 1, 2025. The City currently projects that service connections will increase by no more than 10 to 15 connections a year for next four or five years. A summary of active water services is shown in the following table.

**TABLE 3
CITY OF CORCORAN
ACTIVE WATER SERVICES
(As of June 30)**

<u>Year (June 30)</u>	<u>Total Connections</u>
2002	2,910
2003	2,934
2004	3,041
2005	3,095
2006	3,123
2007	3,159
2008	3,123
2009	3,249
2010	3,188
2011	3,279
2012	3,238

Source: City of Corcoran Water Department.

The majority of the City's water accounts are primarily residential, but commercial accounts represent a significant proportion of Revenues. Residential users comprise approximately 93.2% of Water System connections and approximately 51.5% of total Revenues. A summary of accounts and Revenues as of June 30, 2012 by customer class is shown in the following table.

**TABLE 4
CITY OF CORCORAN
SERVICE ACCOUNTS AND REVENUES
(as of June 30, 2012)**

<u>Category</u>	<u>Accounts</u>	<u>Percent</u>	<u>Revenues</u>	<u>Percent</u>
Single Family Residential	3,017	93.2%	\$2,231,396	51.5%
Commercial	172	5.3	1,468,874	33.9
Multi-Family	41	1.3	543,753	12.6
Industrial	<u>8</u>	<u>0.2</u>	<u>86,872</u>	<u>2.0</u>
Total	3,238	100.0%	\$4,330,895	100.0%

Source: City of Corcoran Water Department.

Largest Users

The following table shows the top ten water users in the City based on revenue generated during Fiscal Year 2011/12. The top ten water users accounted for 40.0% of total Revenues in Fiscal Year 2011/12 with the top two users accounting for approximately 27% of total Revenues.

**TABLE 5
CITY OF CORCORAN
TEN LARGEST CUSTOMERS
(Fiscal Year 2011/12)**

<u>Account Name</u>	<u>Revenue</u>	<u>Percent</u>
Corcoran State Prison	\$655,183	15.13%
CA Substance Abuse Treatment Facility	519,158	11.99
J.G. Boswell Company	120,461	2.78
Willowlakes Apartments	112,637	2.60
Corcoran Unified School District	108,779	2.51
King Estates	59,247	1.37
Kings Manor Apartments	43,961	1.01
Whitley Garden Apartments	43,909	1.01
Whitley Manor	37,725	0.87
Avalon Family Apartments	<u>32,153</u>	<u>0.74</u>
Total Top 10	\$1,733,213	40.01%
All Other Accounts	<u>2,597,682</u>	<u>59.99</u>
Total All Accounts	\$4,330,895	100.00%

Source: City of Corcoran.

The Corcoran State Prison opened in 1988, and currently houses approximately 4,800 inmates at various security levels, including a 75-bed acute care hospital. The prison, located on 942 acres, currently has a staff of approximately 2,300. The California Substance Abuse Treatment Facility, which is a prison with a treatment facility incorporated within, opened in 1997, and currently houses approximately 5,555 inmates. The facility, located on 280 acres, currently has a staff of approximately 1,900. See "RISK FACTORS – Concentration of Customers" herein.

Water System Budgets and Budgetary Accounting

The City Council has the responsibility for adoption of the City's budget. Budgets are adopted for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by motion during each Fiscal Year. The City Manager is authorized to transfer funds from one major expenditure category to another within the same department and fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council. The level at which expenditures may not legally exceed appropriations is therefore established at the department level. Budgeted amounts may be transferred between departments with department head approval.

On or before the first day in April of each year, all departments of the City submit requests for appropriations to the City's manager so that a budget may be prepared on or by May 15, the proposed budget is presented to the City's Council for review. The council holds public hearings and a final budget must be prepared and adopted no later than June 30. The budget for Fiscal Year 2012/13 was adopted by the City Council on June 18, 2012.

Billing and Collection Procedures

Billing Procedure. All accounts are billed on a monthly basis, in arrears. Bills are mailed out on the last working day of the month and customers are given until the 15th of the month to pay; after the 15th a \$2.00 late charge is added to the balance due. If an account becomes 45 days past due, a shut off notice is mailed to the customer and an additional \$10 late charge is added to the account. Kings Credit Services is used to assist with collection of accounts where customers have moved out and left a balance.

Collection of Charges. For the last five Fiscal Years the City's collection rate has ranged between 98% and 99%. The City's collection history for the last five Fiscal Years is set forth below.

**TABLE 6
CITY OF CORCORAN
COLLECTION HISTORY
(Fiscal Years 2007/08-2011/12)**

	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>
Billings	\$3,621,786	\$4,158,390	\$4,677,211	\$4,470,558	\$4,458,630
Credits & Collections	3,539,272	4,096,043	4,634,427	4,385,219	4,428,263
Collection Rate (%)	97.7%	98.5%	99.1%	98.1%	99.3%

Source: City of Corcoran.

Water Rates

General. In accordance with California law, the City may, from time to time, fix, alter or change fixed monthly system access fees, commodity charges and other fees related to the Water System. The City has the authority to establish charges for water service without the approval of any other governmental agency. It can terminate service to delinquent customers, require full payment of delinquent accounts, and impose reconnection fees to resume service. Neither the City nor the Water System is subject to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body in connection with the establishment of charges and fees related to the Water System.

The City staff periodically determines the accuracy of the Water System rate structure after full consideration of expected operations, maintenance and capital costs. In accordance with City policy, operating surpluses may be added Water System unrestricted reserves, or returned to ratepayers through mitigation of future rate increases.

See "RISKS FACTORS- Proposition 218" herein for a discussion of the treatment of the City's rates and charges in light of Proposition 218.

Historical and Current Rates Increases. The following table sets forth a seven-year history of water rate increases. Since Fiscal Year 2000/01 the City has had a average annual water rate increase of 10.2%. The City has not had a water rate increase since Fiscal Year 2008/09.

TABLE 7
CITY OF CORCORAN
HISTORIC WATER RATE INCREASES FOR ALL CUSTOMER CLASSES
(Fiscal Years 2005/06-2011/12)

<u>Fiscal Year</u>	<u>Percent Increase</u>
2005/06	--
2006/07	24.0%
2007/08	16.0
2008/09	16.0
2009/10	0.0
2010/11	0.0
2011/12	0.0

Source: City of Corcoran Department of Finance.

In 2003, the City adopted an ordinance allowing rates to increase automatically each year by the higher of 3% or the change in the Consumer Price Index. Pursuant to a resolution adopted on October 12, 2005, annual increases in water rates of 16-24% per year over a four year period were approved for January 1, 2006, 2007, 2008 and 2009. Beginning in 2010, rate increases reverted to the inflationary increase, although since Fiscal Year 2008/09 no increase has been implemented. The current water rate structure is set forth below.

TABLE 8
CITY OF CORCORAN
WATER SYSTEM RATES
(As of June 30, 2012)

<u>Description</u>	<u>Per Month</u>
Flat Rates	
Single family residences	
Up to 4,000 sq. ft	\$41.57
41 to 50 feet in width or 4,001 – 5,000 sq. ft	47.00
Greater than 50 feet in width or 5,000 sq. ft.	47.00 plus \$0.97 per
additional 100	sq. ft.
Churches	32.17
Multifamily Dwellings	41.57
Corcoran Unified School District	8,737.45
Metered Rates	
First 600 cubic feet	\$41.57
Each additional 100 cubic feet	1.11

Source: City of Corcoran.

The bulk of the City's water sales revenue is derived from residential services. Approximately 51% of all residences are billed a flat rate, while the other 49% are billed on a metered rate. Meters are installed on all new accounts, and the City is required under current

State law to install water meters on all municipal and industrial service connections located within its service area on or before January 1, 2025. The two State prisons also pay metered water rates.

Connection Fees

The City has established connection charges pursuant to Ordinance 587 and Resolution No. 2262 effective September 11, 2006. The table below summarizes the current connection charges, which in Fiscal Year 2011/12 totaled approximately \$12,000.

**TABLE 9
CITY OF CORCORAN
CONNECTION FEES
(As of January 1, 2012)**

<u>Description</u> ⁽¹⁾	<u>Amount</u>
1-inch	\$1,163
1.5-inch	2,186

Source: City of Corcoran.

(1) Rate schedule includes fees for meters up to 4 inches.

The following table below sets forth the historical annual revenues from connection fees.

**TABLE 10
CITY OF CORCORAN
CONNECTION FEE REVENUE
(FISCAL YEARS 2005/6-2011/12)**

<u>Fiscal Year</u>	<u>Amount</u>
2005/06	\$55,076
2006/07	117,975
2007/08	64,454
2008/09	73,758
2009/10	48,846
2010/11	7,719
2011/12 ⁽¹⁾	12,753

Source: City of Corcoran.

(1) Unaudited,

The following table sets forth a comparison of average monthly bill for a single family residential unit with a 1-inch meter in the City to those of surrounding communities (utilizing 1,600 cubic feet of water per month). Previous rate increases by the City have enabled it to fund its major capital needs and maximize operating efficiency.

**TABLE 11
CITY OF CORCORAN
MONTHLY BILL COMPARISON⁽¹⁾
(As of July 1, 2010)**

<u>Community</u>	<u>Monthly Residential Bill</u>
Corcoran	\$52.67
Avenal	51.43
Hanford	17.18
Lemoore	21.30
Tulare	11.50
Visalia	43.91

Source: City of Corcoran.

(1) Includes monthly meter, CIP and commodity charges.

The City anticipates reviewing its rates periodically, and raising rates as future needs of the Water System demand.

WATER SYSTEM FINANCIAL INFORMATION

Financial Statements

Attached as APPENDIX C are the audited financial statements of the City (the "Financial Statements") for Fiscal Year 2010/11, which include financial statements for the Water System, prepared by the City Department of Finance and audited by Price Page & Company Accountancy Corporation (the "Auditor").

The Auditor's letter concludes that all the Financial Statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Financial Statements should be read in their entirety. The City has not requested nor did the City obtain permission from the Auditor to include the Financial Statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the City. In addition, the Auditor has not reviewed this Official Statement.

Enterprise Accounting

The Water System is accounted for as an enterprise fund with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned,

expenses incurred or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The City uses the accrual basis of accounting for its “proprietary funds,” including the Water System enterprise fund. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred. The “measurement focus” used to identify which transactions and events should be recorded in the respective funds is the flow of all economic resources measurement focus. All assets and liabilities associated with the operations of each respective fund are included in the balance sheet. Fund equity (net total assets) consists of contributed capital and retained earnings. In accordance with Governmental Accounting Standard Board (GASB) Statement No. 20, entitled “Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,” the City applies all GASB Opinions and Accounting Research Bulletins issued on or before November 30, 1989.

See “APPENDIX C” for a more complete summary of the City’s accounting policies.

Revenues and Expenses

A five-year summary of revenues and expenditures for the City’s Water Utility Fund is presented in the table below.

TABLE 12
CITY OF CORCORAN
Water Enterprise Fund
Summary of Revenues and Expenses
2008 - 2011 (audited) and 2012 (unaudited)

	2008	2009	2010	2011	2012 ⁽¹⁾
REVENUES					
Charges for Service	\$3,603,179	\$4,136,297	\$4,546,130	\$4,384,999	\$4,399,891
Connection Fees	(259)	175	140	3,959	12,753
Interest Income	227,147	129,254	40,745	44,745	38,514
Rental Income	43,278	14,426	45,915	36,618	49,210
Other Income	69,161	74,040	216	3,495	--
Capital Contributions	--	--	48,846	7,719	--
Operating Transfers In ⁽²⁾	--	2,000,000	--	--	--
<i>Total Operating Revenues</i>	3,942,506	6,354,192	4,681,992	4,481,535	4,500,368
EXPENSES⁽³⁾					
Personnel Services	334,880	360,136	383,177	396,288	395,477
Maintenance & Supplies	1,725,496	1,953,160	1,720,409	1,536,348	1,285,055
Administration & Allocated Costs	205,499	232,578	241,461	229,582	219,453
<i>Total Operating Expenses</i>	2,265,875	2,545,874	2,345,047	2,162,218	1,899,985
<i>Net Revenue</i>	\$1,676,631	\$3,808,318	\$2,336,945	\$2,319,317	\$2,600,383
DEBT SERVICE					
2003 Certificates	\$332,683	\$335,289	\$332,558	\$ 334,470	\$ 334,220
2008 Certificates ⁽⁴⁾	0	724,278	750,078	1,093,107	1,192,501
<i>Total Debt Service</i>	\$332,683	\$1,059,567	\$1,082,636	\$1,427,577	\$1,526,721
DEBT SERVICE COVERAGE	5.04	3.59	2.16	1.62	1.70

Source: City of Corcoran Finance Department.

(1) Estimated, unaudited.

(2) Represents one time transfer of surplus general fund moneys to Water Fund. Funds subsequently loaned to City's redevelopment agency.

(3) Excludes depreciation.

(4) Excludes amounts paid with capitalized interest.

Pro Forma Cash Flow

The table below presents a four-year projected summary of revenues and expenses of the Water System, together with corresponding coverage ratios. The projections are based on City estimates. No assurance can be made that these projections will be met. [See “RISKS FACTORS”.]

**TABLE 13
CITY OF CORCORAN
Water Enterprise Fund
Pro Forma Cashflow**

	Estimated 2012/13	2013/14	2014/15	2015/16	2016/17
Revenues:					
Water Sales ⁽¹⁾					
Service Fees					
Other Revenues/Interest					
Total Revenues					
Expenses:					
Personnel					
Utility					
Maintenance and Supplies					
Admin & Allocated Costs					
Total Operating Expenses					
Net Revenues Pledged					
Davis Grunsky Loan ⁽²⁾					
2003 Certificates					
2008 Certificates ⁽³⁾					
Total Debt Service					
DS Coverage					
Revenues Available for Other Purposes of the Enterprise					

(1) Water Sales reflect rate increases as follows:

(2) Loan obtained from the State in 1974 for water system improvements; loan repayment is not secured by a pledge of Water System revenues, however the City makes payments from such revenues.

(3) 2008 Certificate debt service is net of capitalized interest.

Source: City of Corcoran Finance Department.

Historical Fund Balances

The following table sets forth the statement of net assets for the Water Fund for the last three audited Fiscal Years.

TABLE 14
CITY OF CORCORAN
Water Enterprise Fund
Historical Audited Balance Sheets Statement of Net Assets
Fiscal Years 2008 - 2011

ASSETS	2008-09	2009-10	2010-11
CURRENT ASSETS:			
Cash and Investments:			
Unrestricted	\$5,759,083	\$4,376,294	\$4,789,027
Restricted	69,706	69,706	69,706
Cash with fiscal agent – restricted	1,903,136	2,317,206	2,350,823
Receivables:			
Accounts, net	532,450	562,474	--
Interest	20,966	--	--
Other	30	--	3,616
Due from Other Funds	440,000	380,000	--
Unamortized bond issuance cost	169,768	163,421	157,075
Unamortized bond discount	158,942	--	--
TOTAL CURRENT ASSETS	9,054,081	7,869,101	8,015,335
NONCURRENT ASSETS:			
Advances to other funds	--	2,000,000	2,380,000
Deferred outflow of resources	--	3,028,881	2,451,257
Capital Assets:			
Nondepreciable			
Nondepreciable	737,730	737,730	737,730
Depreciable, net of accumulated depreciation	24,800,103	23,844,065	23,094,821
TOTAL NONCURRENT ASSETS	25,537,833	29,610,676	28,663,808
TOTAL ASSETS	34,591,914	37,479,777	36,679,143
LIABILITIES			
CURRENT LIABILITIES:			
Accounts Payable	441,966	276,269	245,502
Interest payable	226,439	272,368	274,760
Due to other funds	54,668	56,262	54,130
Compensated Absences	10,481	7,906	10,174
Notes Payable	55,721	59,953	58,339
Certificates of Participation	525,000	530,000	545,000
TOTAL CURRENT LIABILITIES	1,314,275	1,199,758	1,187,905
NON-CURRENT LIABILITIES:			
Compensated Absences	969	2,012	3,843
Certificates of participation	23,510,454	23,285,636	22,779,764
Notes Payable	562,124	505,250	446,911
Derivative instrument liability	--	3,028,881	2,451,257
TOTAL NONCURRENT LIABILITIES	24,073,547	26,821,779	25,681,775
TOTAL LIABILITIES	25,387,822	28,021,537	26,869,680
NET ASSETS			
Invested in capital assets, net of related debt	884,534	766,159	2,537
Restricted Cash for Debt Service	1,972,842	2,386,912	2,420,529
Unrestricted	6,346,716	6,305,169	7,386,397
TOTAL NET ASSETS	\$9,204,092	\$9,458,240	\$9,809,463

Source: City of Corcoran.

RISK FACTORS

The following factors, along with other information in this Official Statement, should be considered by potential investors in evaluating the risks in the purchase of the Bonds.

Water System Demand and Growth

There can be no assurance that the local demand for the services provided by the Water System will be maintained at levels described in this Official Statement under the heading "THE WATER SYSTEM OF THE CITY" and "WATER SYSTEM FINANCIAL INFORMATION." Reduction in the level of demand could require an increase in rates or charges in order to produce Net Revenues sufficient to comply with the City's rate covenant in the Indenture. Such rate increases could increase the likelihood of nonpayment, and could also further decrease demand. There can be no assurance that any other entity with regulatory authority over the Water System will not adopt further restrictions on operation of the Water System.

Water System Expenses

There can be no assurance that the City's expenses for the Water System will be consistent with the levels described in this Official Statement. Changes in technology, new regulatory requirements, increases in the cost of energy or other expenses would reduce Net Revenues, and could require substantial increases in rates or charges in order to comply with the rate covenant. Such rate increases could increase the likelihood of nonpayment, and could also decrease demand.

Concentration of Customers

The generation of Net Revenues is concentrated with certain major users in the City. The ten largest customers accounted for approximately 40% of Revenues in Fiscal Year 2011/12, with the top two users accounting for approximately 27% of total Revenues. Accordingly, the generation of Net Revenues which secure payment of the Bonds would be adversely affected by any decline in use by these customers. The City cannot predict if any of these customers will reduce water usage in the future. Economic factors could adversely affect the water usage by the commercial and agricultural production customers.

in addition, State budget issues could impact the operations of the two largest customers. While the City expects the prisoner population of the Corcoran State Prison and the California Substance Abuse Treatment Facility to be reduced over time as prison overcrowding efforts are undertaken by the State, the City is not aware of any efforts to close either facility.

Parity Obligations

Although the City has covenanted not to issue additional obligations payable from Net Revenues senior to the Debt Service Payments, the Indenture permits the issuance by the City of certain indebtedness which may have a lien upon the Net Revenues which is on a parity basis to the lien which secures the Debt Service Payments, if certain coverage tests are met (see "THE BONDS – Issuance of Parity Obligations" herein). These coverage tests

* To be confirmed.

involve, to some extent, projections of Net Revenues. If such indebtedness is issued or incurred, the debt service coverage for the Debt Service Payments securing the Bonds will be diluted below what it otherwise would be subject to under the coverage tests. Moreover, there is no assurance that the assumptions which form the basis of such projections, if any, will be actually realized subsequent to the date of such projections. If such assumptions are not realized, the amount of future Net Revenues may be less than projected, and the actual amount of Net Revenues may be insufficient to provide for the payment of the Debt Service Payments and such additional indebtedness.

Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 also extends the initiative power to reducing or repealing any local taxes, assessments, fees and charges. This extension of the initiative power is not limited to taxes, assessments, fees and charges imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees or charges, except those which are pledged to the repayment of debt. If such a repeal or reduction in City fees or charges were to occur, and it was held that any such taxes, assessments, fees or charges were not pledged to any debt repayment, the City’s ability to make Debt Service Payments could be adversely affected.

In addition, while the matter is not free from doubt, Proposition 218 imposed restrictions on the levy of charges for “property-related services.” In July 2006 the California Supreme Court confirmed that a public agency’s charges for ongoing water delivery are “fees and charges” within the meaning of Proposition 218. As a result, voters within the boundaries of the City could adopt an initiative measure that reduced or repealed water rates and charges levied by the City, although it is not clear (and has not been determined by State courts) whether such action would be enforceable where such fees and charges are pledged to the repayment of indebtedness.

The City believes that its fees for water service will not be adversely affected by the application of the procedural requirements of Proposition 218, and that Proposition 218 would not have any immediate adverse effect on its ability to operate its Water System. However, there can be no assurance of the availability of remedies to protect fully the interest of the holders of the Bonds.

Constitutional Limit on Appropriations, Fees and Charges

If a portion of the Water System rates or connection charges were determined by a court to exceed the reasonable costs of providing service, any fee which the City charges may be considered to be a “special tax,” which under Articles XIII A or XIII D of the California Constitution must be authorized by a two-thirds vote of the affected electorate. This requirement is applicable to the City’s rates for service provided by the Water System. The reasonable cost of service provided by the Water System has been determined by the State Controller to include depreciation and allowance for the cost of capital improvements. In addition, the State courts have determined that fees such as connection fees (capacity charges) will not be special taxes if they approximate the reasonable cost of constructing Water System improvements contemplated by the local agency imposing the fee. Such court

determinations have been codified in the Government Code of the State of California (Section 66000 *et seq.*).

Under Article XIII B of the California Constitution, state and local government entities have an annual “appropriations limit” which limits their ability to spend certain moneys called “appropriations subject to limitation,” which consists of tax revenues, certain state subventions and certain other moneys, including user charges to the extent they exceed the costs reasonably borne by the entity in providing the service for which it is levying the charge. In general terms, the “appropriations limit” is to be based on certain Fiscal Year 1978/79 expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population and services provided by these entities. Among other provisions of Article XIII B, if an entity’s revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

The City is of the opinion that the rates and use charges imposed by the City in connection with the Water System do not exceed the costs it reasonably bears in providing such services.

Limited Recourse on Default

If the City defaults on its obligation to make Debt Service Payments, the Trustee has the right to accelerate the total unpaid principal amounts of the Debt Service Payments. However, in the event of a default and such acceleration there can be no assurance that the City will have sufficient Net Revenues to pay the accelerated Debt Service Payments.

No Debt Service Reserve Account

The City is not funding a debt service reserve account for the Bonds, and a debt service reserve fund is no longer established for the 2008 Certificates. In the event of a failure by the City to pay Debt Service Payments when due, no other source of funds will be available to make such payments while the Trustee pursues available remedies under the Indenture.

Limitations on Remedies Available; Bankruptcy

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

No Obligation to Tax

The obligation of the City to pay the Debt Service Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for

which the City has levied or pledged any form of taxation. The obligation of the City to pay Debt Service Payments does not constitute a debt or indebtedness of the State or any of its political subdivisions, within the meaning of any constitutional or statutory debt limitation or restriction.

Change in Law

In addition to the other limitations described herein, the State electorate or Legislature could adopt a constitutional or legislative property tax decrease or an initiative with the effect of reducing revenues payable to or collected by the City. There is no assurance that the State electorate or Legislature will not at some future time approve additional limitations that could have the effect of reducing the Net Revenues and adversely affecting the security of the Bonds.

Geologic, Topographic and Climatic Conditions

The value of the Water System, and the ability to generate Gross Revenues, is contingent upon the ability of the City to deliver water to its customers. The financial stability of the City can be adversely affected by a variety of factors, particularly those which may affect infrastructure and other public improvements and private improvements 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 and floods) and climatic conditions (such as droughts and tornadoes). The City is in an active geological area.

Engineering standards require that some of these factors be taken into account, to a limited extent, in the design of improvements, including the Water System. Some of these factors may also be taken into account, to a limited extent, in the design of other infrastructure and public improvements neither designed nor subject to design approval by the City. Design criteria in any of these circumstances are established upon the basis of a variety of considerations and may change, leaving previously-designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria reflect a balance at the time of protection and the future costs of lack of protection, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should it occur. Conditions may occur which may result in damage to improvements in varying degrees, and such damage may entail significant repair or replacement costs, and there can be no assurance that such repair or replacement will occur. Under any of these circumstances, the public and private improvements within the City in general may well depreciate or disappear, notwithstanding the establishment of design criteria for any such condition.

Interruption of delivery of water for any reason will not alter the legal obligation of the City to pay Debt Service Payments. However, a reduction in the availability of water could materially adversely affect the Gross Revenues.

Impact of State Budget

The State is currently projected to continue to experience budgetary shortfalls in the current and future Fiscal Years. The City cannot predict what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures. It is therefore anticipated that there will be additional future legislation which

addresses this situation. The City cannot predict what measures may be proposed or implemented for the current Fiscal Year or in the future. Given the magnitude of the State's budgetary deficit, it is possible that future legislation will impact revenues of local agencies. These developments at the State level will most likely adversely affect local governments. However, since the City does not allocate any portion of the *ad valorem* property tax levy to the Water System, it does not currently anticipate that the State budget problems will materially adversely impact the operation of the City's water operations.*

Secondary Market for Bonds

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

Loss of Tax Exemption

As discussed in this Official Statement under the caption "TAX MATTERS," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of future acts or omissions of the City or authority in violation of their respective covenants in the Indenture. Should such an event of taxability occur, the Bonds are not subject to a special redemption and will remain outstanding until maturity or until prepaid under one of the other redemption provisions contained in the Indenture.

IRS Audit of Tax-Exempt Issues

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

TAX MATTERS

General

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes. Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that it is included in adjusted current earnings for purposes of the federal alternative minimum tax imposed on individuals and corporations. The opinions described in the preceding sentences assume the accuracy of certain representations and compliance by the City with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal

* To be confirmed.

income tax purposes retroactive to the date of issuance of the Bonds. The City will covenant to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds. Bond Counsel is of the opinion that under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is exempt from State of California personal income taxes.

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend upon such owners' particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The new reporting requirement does not in and of itself affect or alter the excludability of interest on the Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is greater than the amount payable at maturity thereof, then the excess of the tax basis of a purchaser of such Bond (other than a purchaser who holds such Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) over the principal amount of such Bond constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes.

Under the Code, original issue discount is excludable from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each such Bond and the basis of such Bond acquired at such initial offering price by an initial purchaser of each such Bond will be increased by the amount of such accrued discount. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase such Bonds after the initial offering of a substantial amount thereof. Owners who do not purchase such Bonds in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such Bonds. All holders of such Bonds should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition to the extent that calculation of such loss is based on accrued original issue discount.

Under the Code, original issue premium is amortized for federal income tax purposes over the term of such a Bond based on the purchaser's yield to maturity in such Bonds, except that in the case of such a Bond callable prior to its stated maturity, the amortization period and the yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Bond. A purchaser of such a Bond is required to decrease his or her adjusted basis in such Bond by the amount of bond premium attributable to each taxable year in which such purchaser holds such Bond. The amount of bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of such Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of bond premium attributable to each taxable year and the effect of bond premium on the sale or other disposition of such a Bond, and with respect to the state and local tax consequences of owning and disposing of such a Bond.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the various state legislatures that, if enacted, could alter or amend federal and state tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Form of Opinion

The form of Bond Counsel's anticipated opinion is included as APPENDIX D. The statutes, regulations, rulings, and court decisions on which such opinion will be based are subject to change.

[BANK QUALIFIED

The City has designated the Bonds "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and, in the case of certain financial institutions (within the meaning of Section 265(b)(3) of the Code), a deduction is allowed for 80% of that portion of such financial institutions' interest expense allocable to interest with respect to the Bonds.]

NO LITIGATION

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the issuance or delivery of the Bonds or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the City taken with respect to any of the foregoing. The City is not aware of any litigation pending or threatened questioning the

existence or powers of the City or the ability of the City to pay principal or interest on the Bonds.

Although the City is subject to a number of lawsuits in the ordinary conduct of its affairs, there are no claims or actions, threatened or pending, which, if determined against the City, either individually or in the aggregate, would have a material adverse effect on the financial conditions of the City or the Revenue Fund.

RATING

[Standard & Poor's Ratings Service, a Standard & Poor's Financial Services LLC business ("Standard & Poor's")] has assigned its municipal bond rating of "____" to the Bonds as of the Closing Date.

The rating reflects only the views of such organization, and an explanation of the significance of such rating may be obtained from [Standard & Poor's]. There is no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by [Standard & Poor's], if, in the judgment of [Standard & Poor's] rating agency, circumstances so warrant. The City undertakes no responsibility to oppose any downward revision or withdrawal of any rating obtained. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

PROFESSIONAL FEES

In connection with the issuance of the Bonds, fees payable to Nossaman LLP as Bond Counsel and Disclosure Counsel, and U.S. Bank National Association, as Trustee, are contingent upon the issuance of the Bonds. Although it is serving as Bond Counsel and Disclosure Counsel to the City in connection with the issuance of the Bonds, Bond Counsel represents the Underwriter in connection with other financings and matters unrelated to the Bonds.

FINANCIAL ADVISOR

The City has retained p2 Capital Advisors, Napa, California, as Financial Advisor for the sale of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. p2 Capital Advisors is an independent advisory firm and is not engaged in the business of underwriting, trading, or distributing municipal or other public securities.

CERTAIN LEGAL MATTERS

Upon the delivery of the Bonds, Nossaman LLP, Irvine, California, Bond Counsel, will issue its opinion approving the validity of the Bonds, the form of which opinion is set forth in APPENDIX D hereto. Certain legal matters will be passed upon for the City by its general counsel, and by Nossaman LLP, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by _____.

UNDERWRITING

The City has agreed to sell the Bonds Mitsubishi UFJ Securities (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Bonds at a purchase price of \$_____ (the principal amount of the Bonds, [less net original issue discount] [plus original issue premium] of \$_____ and less an underwriting discount of \$_____). The obligations of the Underwriter are subject to certain conditions precedent, and it will be obligated to purchase all such Bonds if any such Bonds are purchased. The Underwriter intends to offer the Bonds to the public initially at the prices and/or yield set forth on the cover page of this Official Statement, which prices or yields may subsequently change without any requirement of prior notice.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers. In reoffering Bonds to the public, the Underwriter may overallocate or effect transactions which stabilize or maintain the market prices for Bonds at levels above those which might otherwise prevail. Such stabilization, if commenced, may be discontinued at any time.

ADDITIONAL INFORMATION

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or Owners of any of the Bonds.

The execution and delivery of this Official Statement have been authorized by the members of the City.

CITY OF CORCORAN

By: _____
City Manager

APPENDIX A
SUMMARY OF THE INDENTURE

APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF CORCORAN AND KINGS COUNTY

The following information concerning the City of Corcoran and Kings County are included only for the purpose of supplying general information regarding the area of the City. The Bonds are not a debt of the County, the State or any of its political subdivisions, and neither the County, the State nor any of its political subdivisions is liable therefor.

General Description and Background

Kings County is located in the south central portion of the San Joaquin Valley. Kings County is home to the Lemoore Naval Air Station and three California State Correctional facilities, two in Corcoran and one in Avenal. The county has four incorporated communities, Avenal, Hanford, Lemoore, and Corcoran.

The City of Corcoran lies in Kings County and is located on California Hwy 43, 178 miles north of Los Angeles, 230 miles south of both San Francisco and Sacramento. The City, which covers approximately 5.8 square miles, was incorporated August 11, 1914 and is a general law city.

Population

The following table lists population figures for the County and the State for the last five calendar years.

**CITY OF CORCORAN, KINGS COUNTY AND STATE OF CALIFORNIA
Population Estimates
Calendar Years 2008 through 2012
(as of January 1)**

Calendar Year	City of Corcoran	Kings County	State of California
2008	25,283	151,106	36,704,375
2009	25,108	151,816	36,966,713
2010	24,748	152,717	37,223,900
2011	24,059	152,533	37,427,946
2012	23,621	152,419	37,678,563

Source: State Department of Finance.

Employment and Industry

The following table shows the average annual estimated numbers of wage and salary workers by industry for Kings County for the years 2007 through 2011 (the latest year for which such information is available). Figures do not include proprietors, the self-employed, unpaid volunteers or family workers, domestic workers in households, and persons in labor management disputes.

HANFORD-CORCORAN MSA
Kings County
Civilian Labor Force, Employment and Unemployment
Calendar Years 2007 through 2011
Annual Averages

	2007	2008	2009	2010	2011
Civilian Labor Force ⁽¹⁾	57,400	58,800	60,500	61,400	61,100
Employment	52,400	52,600	51,800	51,300	51,200
Unemployment	5,100	6,200	8,800	10,100	9,900
Unemployment Rate	8.7%	10.5%	14.5%	16.5%	16.1%
Wage and Salary Employment: ⁽²⁾					
Agriculture	9,300	6,700	6,500	6,600	6,000
Natural Resources, Mining, Construction	1,300	1,100	900	900	900
Manufacturing	4,300	5,100	4,300	4,100	4,100
Wholesale Trade	600	600	600	500	500
Retail Trade	4,200	4,100	3,900	3,900	4,000
Trans., Warehousing and Utilities	800	900	800	800	800
Information	300	300	300	200	200
Finance and Insurance	1,100	1,100	1,000	900	1,000
Real Estate and Rental and Leasing	500				
Professional and Business Services	1,100	1,200	1,400	1,700	1,200
Educational and Health Services	3,900	4,400	4,500	4,500	4,900
Leisure and Hospitality	2,800	2,700	2,700	2,700	2,900
Other Services	600	600	500	500	500
Federal Government	1,200	1,100	1,200	1,200	1,200
State Government	5,900	6,300	6,300	6,000	5,900
Local Government	7,600	8,100	8,200	7,800	7,700
Total, All Industries ⁽³⁾	45,500	44,300	43,100	42,300	41,800

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

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

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Major Employers

The table below lists the largest manufacturing and non-manufacturing employers within the County as of January 2012:

KINGS COUNTY Major Employers

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Adventist Health Physicians	Hanford	Physicians and Surgeons
Adventist Medical Ctr-Hanford	Hanford	Hospital
Badasci & Wood Transport	Lemoore	Trucking
California State Prison	Corcoran	State Govt-Correctional Institutions
Central Valley Meat Co Inc	Hanford	Meat Packers (Mfrs)
Con Agra Foods	Hanford	Food Brokers (Whol)
Del Monte Foods Co	Hanford	Canned Specialties (Manufacturers)
Hanford Community Medical Ctr	Hanford	Hospitals
Hotel At Tachi Palace	Lemoore	Casinos
J G Boswell Co	Corcoran	Cotton Goods-Manufacturers
Kings County Government Ctr	Hanford	Government Offices-County
Kings County Sheriff's Office	Hanford	Sheriff
Kmart	Lemoore	Department Stores
Lemoore High School	Lemoore	Schools
Leprino Foods Co	Lemoore	Cheese Processors (Mfrs)
Nichols Farms	Hanford	Farm
Pioneer Union Elementary Schl	Hanford	School
Sentinel	Hanford	Newspaper
Us Naval Air Station	Lemoore	Federal Government-National Security
Us Naval Hospital	Lemoore	Hospitals
Wal-Mart Supercenter	Hanford	Department Stores
Warmerdam Packing	Hanford	Fruits & Vegetables-Growers & Shippers
West Hills College-Lemoore	Lemoore	College

Source: State of California Employment Development Department.

Personal Income

The United States Department of Commerce, Bureau of Economic Analysis (the "BEA") produces economic accounts statistics that enable government and business decision-makers, researchers, and the public to follow and understand the performance of the national economy.

The BEA defines "personal income" as income received by persons from all sources, including income received from participation in production as well as from government and business transfer payments. Personal income represents the sum of compensation of employees (received), supplements to wages and salaries, proprietors' income with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj), rental income of persons with CCAdj, personal income receipts on assets, and personal current transfer receipts, less contributions for government social insurance. Per capita personal income is calculated as the personal income divided by the resident population based upon the Census Bureau's annual midyear population estimates.

The table below presents the latest available personal income for the County, the State and the United States for the calendar years 2006 through 2010 (the latest date for which such information is available).

KINGS COUNTY PERSONAL INCOME (Calendar Years 2006 Through 2010)

<u>Year and Area</u>	<u>Personal Income (millions)</u>	<u>Per Capita Personal Income (dollars)</u>
2010		
County	\$4,070	\$26,575
State	1,587,403	42,514
United States	12,353,577	39,937
2009		
County	3,801	24,961
State	1,526,531	41,301
United States	11,916,773	38,846
2008		
County	4,004	26,339
State	1,610,697	44,003
United States	12,451,660	40,947
2007		
County	3,950	26,265
State	1,566,400	43,211
United States	11,900,562	39,506
2006		
County	3,500	26,696
State	1,495,533	41,518
United States	11,256,516	37,725

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

Commercial Activity

During calendar year 2010, total taxable transactions in the City were reported to be \$79,706,000, a 12.24% increase over the total taxable transactions of \$71,012,000 that were reported in the City during calendar year 2009. Summaries of historic taxable sales within the City during the past five years for which data is available and the 1st quarter of 2011 are shown in the following table. Annual figures are not yet available for 2011.

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

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2006	102	\$62,274	165	\$94,698
2007	96	77,798	162	110,770
2008	104	65,769	170	133,879
2009	100	34,570	161	71,012
2010	103	37,682	167	79,706
2011	103	9,587 ⁽¹⁾	165	17,180 ⁽¹⁾

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

(1) Represents 1st Quarter of 2012 only. Annual figures for 2012 is not yet available.

During calendar year 2010, total taxable transactions in the County were reported to be \$1,188,331,000, a 1.14% increase over the total taxable transactions of \$1,174,981,000 that were reported in the County during calendar year 2009. Summaries of historic taxable sales within the County during the past five years for which data is available and the 1st quarter of 2011 are shown in the following table. Annual figures are not yet available for 2011.

**KINGS COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2006	1,110	\$953,048	2,153	\$1,303,907
2007	1,118	969,042	2,178	1,328,747
2008	1,140	921,899	2,144	1,389,409
2009	1,333	787,342	1,998	1,174,981
2010	1,408	817,260	2,082	1,188,331
2011	1,378	206,523 ⁽¹⁾	2,028	293,482 ⁽¹⁾

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

(1) Represents 1st Quarter of 2012 only. Annual figures for 2012 is not yet available.

Construction Activity

The following tables show a five year summary from calendar year 2007 to 2011 and the 1st Quarter of 2012 of the valuation of building permits issued in the City and the County.

CITY OF CORCORAN Total Building Permit Valuations (Valuations in Thousands)

Permit Valuation	2007	2008	2009	2010	2011	2012 ⁽¹⁾
New Single-family	\$10,170	\$4,661	\$6,086	\$3,372	\$1,709	0
New Multi-family	11,640	0	0	0	0	0
Res. Alterations/Additions	620	661	706	615	758	\$17
Total Residential	\$22,431	\$5,322	\$6,793	\$3,988	\$2,468	\$17
New Commercial	0	0	0	0	0	0
New Industrial	0	0	0	0	0	0
New Other	\$581	\$192	\$2,364	\$3,955	\$422	\$22
Com. Alterations/Additions	192	727	1,051	972	454	0
Total Nonresidential	\$773	\$920	\$3,415	\$4,928	\$877	\$22
New Dwelling Units						
Single Family	67	35	43	22	11	0
Multiple Family	125	0	0	0	0	0
TOTAL	192	35	43	22	11	0

Source: California Homebuilding Foundation.

(1) Data through March 2012.

KINGS COUNTY Total Building Permit Valuations (Valuations in Thousands)

Permit Valuation	2007	2008	2009	2010	2011	2012 ⁽¹⁾
New Single-family	\$79,622	\$37,135	\$28,763	\$26,007	\$18,734	\$9,131
New Multi-family	13,518	9,164	0	10,694	6,126	0
Res. Alterations/Additions	7,590	5,061	5,420	5,581	6,082	1,000
Total Residential	\$100,730	51,360	\$34,183	\$42,282	\$30,942	\$10,131
New Commercial	\$12,485	\$13,968	\$9,629	\$4,144	\$3,325	\$4,820
New Industrial	9,549	0	0	992	1,756	0
New Other	16,977	9,950	14,898	10,751	8,630	1,122
Com. Alterations/Additions	13,510	16,326	11,012	36,070	11,234	2,145
Total Nonresidential	\$52,521	\$40,244	\$35,539	\$51,957	\$24,945	\$8,087
New Dwelling Units						
Single Family	491	241	188	169	115	55
Multiple Family	151	137	0	72	80	0
TOTAL	642	378	188	241	195	55

Source: California Homebuilding Foundation.

(1) Data through March 2012.

Transportation

Transportation includes rail services by Burlington Northern Santa Fe Mainline Railway and Amtrak. Airports within 30 miles include Corcoran Private Airport, Hanford Municipal Airport and the Visalia Municipal Airport. Public transportation is provided by Corcoran Dial-A-Ride and Kings Area Rural Transit. Highways 41 and 43 connect with State Highway 99 and 198. Corcoran is 15 miles west of Highway 99 and 18 miles south of Highway 198 on Highway 43.

APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR 2010/11

APPENDIX D
FORM OF FINAL OPINION OF BOND COUNSEL

APPENDIX E
FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX F

BOOK ENTRY PROVISIONS

The information concerning DTC set forth herein has been supplied by DTC, and the City assumes no responsibility for the accuracy thereof.

Unless a successor securities depository is designated pursuant to the Indenture, DTC will act as Securities Depository for the Bonds. The Bonds will be issued as fully-registered securities, registered in the name of Cede & Co., DTC's partnership nominee, or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond 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 and Its Participants. 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.

Purchase of Ownership Interests. Purchases of the 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 the 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 securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices and Other Communications. 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. **THE CITY AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS.**

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

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

Redemption Proceeds. Payments of principal and interest with respect to 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 on interest payment dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the interest payment date. 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 nor its nominee, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC is the responsibility of 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.

THE TRUSTEE AND THE CITY SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, ANY BENEFICIAL OWNER OR ANY OTHER PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE BONDS UNDER OR THROUGH DTC OR ANY DTC PARTICIPANT, OR ANY OTHER PERSON WHICH IS NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING AN OWNER OF BONDS, WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF

ANY AMOUNT IN RESPECT OF THE PRINCIPAL OF, AND PREMIUM, IF ANY, OR INTEREST WITH RESPECT TO THE BONDS; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO OWNER OF THE BONDS UNDER THE INDENTURE; THE SELECTION BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; ANY CONSENT OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE BONDS; OR ANY OTHER PROCEDURES OR OBLIGATIONS OF DTC UNDER THE BOOK-ENTRY SYSTEM.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS (EXCEPT FOR THE MATTERS UNDER THE CAPTION "TAX MATTERS" HEREIN)

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

Discontinuance of Book-Entry System. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered as described in the Indenture.

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

RESOLUTION NO. 2647

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CORCORAN PROVIDING FOR THE REMARKETING OF THE CITY'S VARIABLE RATE DEMAND 2008 REFUNDING CERTIFICATES OF PARTICIPATION, AUTHORIZING A FIRST AMENDMENT TO TRUST AGREEMENT, FIRST AMENDMENT TO INSTALLMENT SALE AGREEMENT, REMARKETING AGREEMENT, REMARKETING MEMORANDUM AND PROVIDING OTHER MATTERS PROPERLY RELATING THERETO

WHEREAS, the City of Corcoran (the "City") is a municipal corporation duly organized and validly existing under and by the virtue of the Constitution and laws of the State of California; and

WHEREAS, the City has previously caused to be executed and delivered its Variable Rate Demand 2008 Refunding Certificates of Participation (Water System Project) in the original principal amount of \$19,900,000 (the "2008 Certificates"); and

WHEREAS, the 2008 Certificates were authorized and executed pursuant to a Trust Agreement, dated as of March 1, 2008 (the "Original Trust Agreement"), among the City, the Corcoran Joint Powers Finance Authority (the "Authority") and U.S. Bank National Association, as trustee (the "Trustee"); and

WHEREAS, the City and the Authority have previously entered into an Installment Sale Agreement, dated as of March 1, 2008 (the "Original Installment Sale Agreement"), whereby the Authority has agreed to sell certain water system improvements (the "Project") to the City and the City has agreed to purchase the Project from the Authority; and

WHEREAS, the 2008 Certificates are supported by a Letter of Credit (the "Letter of Credit") and a Reimbursement Agreement, dated as of March 1, 2008 (the "Reimbursement Agreement"), by and among the Authority, the City and Union Bank of California, N.A. (the "Bank"); and

WHEREAS, the City has entered into a interest rate swap agreement (the "Swap") with Piper Jaffray Financial Products, Inc. (the "Swap Counterparty") and a Replacement Swap Undertaking with Morgan Stanley Capital Services Inc.; and

WHEREAS, the City now desires to extend the expiration date of the Letter of Credit to March 26, 2016 and to amend certain provisions of the (i) Original Trust Agreement, pursuant to a First Amendment to Trust Agreement, dated as of September 1, 2012 (the "First Amendment to Trust Agreement"), by and among the City, Authority and Trustee and (ii) Original Installment Sale Agreement, pursuant to a First Amendment to Installment Sale Agreement, dated as of September 1, 2012 (the "First Amendment to Installment Sale Agreement"), by and between the City and Authority; and

WHEREAS, in connection with the extension of the Letter of Credit expiration date and amendments to the Original Trust Agreement and Original Installment Sale Agreement, there has been prepared a Remarketing Memorandum (the “Remarketing Memorandum”) to be used and distributed by the remarketing agent for the 2008 Certificates; and

WHEREAS, the City has determined to appoint Mitsubishi UFJ Securities (the “Remarketing Agent”) as remarketing agent for the 2008 Certificates by entering into a Remarketing Agreement, dated as of September 1, 2012 (the “Remarketing Agreement”), between the City and Remarketing Agent; and

WHEREAS, the proposed forms of the First Amendment to Trust Agreement, First Amendment to Installment Sale Agreement, Remarketing Memorandum and Remarketing Agreement have been prepared and submitted to the City; and

WHEREAS, the City has duly considered such transactions, including, without limitation, the First Amendment to Trust Agreement, First Amendment to Installment Sale Agreement, Remarketing Memorandum and Remarketing Agreement, and wishes at this time to approve said transactions in the public interests of the City.

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

Section 1. Approval of First Amendment to Trust Agreement. The City hereby approves the First Amendment to Trust Agreement in substantially the form on file with the City Clerk together with any additions thereto or changes therein deemed necessary or advisable by the Mayor, the City Manager, the Finance Director, or their authorized representatives (collectively, the “Authorized Officers”), upon consultation with City Counsel and Nossaman LLP (“Special Counsel”), whose execution thereof shall be conclusive evidence of the approval of any such additions and changes.

Section 2. Approval of First Amendment to Installment Sale Agreement. The City hereby approves the First Amendment to Installment Sale Agreement in substantially the form on file with the City Clerk together with such additions thereto or changes therein deemed necessary or advisable by an Authorized Officer, upon consultation with City Counsel and Special Counsel, whose execution thereof shall be conclusive evidence of the approval of any such additions and changes.

Section 3. Approval of Remarketing Agreement. The City hereby approves the Remarketing Agreement in substantially the form on file with the City Clerk together with such additions thereto or changes therein deemed necessary or advisable by an Authorized Officer, upon consultation with City Counsel and Special Counsel, whose execution thereof shall be conclusive evidence of the approval of any such additions and changes.

Section 4. Remarketing Memorandum. The City hereby approves the Remarketing Memorandum in substantially the form on file with the City Clerk together with such additions thereto or changes therein deemed necessary or advisable by an Authorized Officer, upon consultation with City Counsel and Special Counsel. Distribution of such Remarketing Memorandum to prospective purchasers of the 2008 Certificates is hereby approved. Each of the

Authorized Officers are hereby authorized to execute the Remarketing Memorandum, on behalf of the City, including as it may be modified by such additions thereto and changes therein as the Authorized Officers shall deem necessary, desirable or appropriate, and the execution of the Remarketing Memorandum by the Authorized Officers shall be conclusive evidence of the approval of any such additions and changes.

Section 5. Letter of Credit and Reimbursement Agreement. The City hereby approves the extension of the Letter of Credit expiration date and in connection therewith, approves such documentation as is necessary or appropriate to accomplish such purpose, including but not limited to a new, amended or supplemented Letter of Credit or Reimbursement Agreement, each in such form as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof provided that the facility fee related to the Letter of Credit does not exceed 85 bppa, payable quarterly in arrears.

Section 6. Swap. The City hereby approves any amendments necessary or appropriate to the Swap documentation in order to provide for the transactions contemplated in this Resolution including, but not limited to, a new, amended or supplemented Master Agreement, Schedules thereto, and Credit Support Annex, each in such form as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. Official Action. All approvals, consents, directions, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution, whether before or after the execution and delivery of such documents, (including, without limitation, any amendment of any of the documents authorized by this Resolution or other agreement related thereto, and any of the foregoing that may be necessary or desirable in connection with the extension of the Letter of Credit expiration date or the remarketing of the 2008 Certificates) or any similar action may be given or taken by an Authorized Officer, without further authorization or direction by the City, and each Authorized Officer is hereby authorized and directed to give any such approval, consent, direction, notice, order, request, or other action and to execute such documents and take any such action which such Authorized Officer may deem necessary or desirable to further the purposes of this Resolution.

Section 8. Effective Date. This Resolution shall take effect immediately upon adoption.

* * * * *

I, the undersigned City Clerk of the City of Corcoran, hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted by the City Council of the City at a meeting thereof on the 20th day of August, 2012, by the following vote of the members thereof:

AYES:

NOES:

ABSTAINED:

ABSENT:

Mayor

ATTESTED:

City Clerk

FIRST AMENDMENT TO TRUST AGREEMENT

Dated as of September 1, 2012

by and among

**U.S. BANK NATIONAL ASSOCIATION
as Trustee,**

the

CORCORAN JOINT POWERS FINANCE AUTHORITY

and the

CITY OF CORCORAN

**\$19,900,000 (Original Amount)
Variable Rate Demand
2008 Refunding Certificates of Participation
(Water System Project)**

FIRST AMENDMENT TO TRUST AGREEMENT

This FIRST AMENDMENT TO TRUST AGREEMENT, made and entered into as of September 1, 2012 (the “Amended Trust Agreement”), among U.S. BANK NATIONAL ASSOCIATION, a national banking association, duly organized and existing under and by virtue of the laws of the United States of America, as trustee (the “Trustee”), the CORCORAN JOINT POWERS FINANCE AUTHORITY, a joint powers authority organized and existing under the laws of the State of California, as seller under the Installment Sale Agreement (as defined herein) (the “Authority”), and the CITY OF CORCORAN, a municipal corporation and political subdivision organized and existing under the laws of the State of California, as purchaser under said Installment Sale Agreement (the “City”);

WITNESSETH

WHEREAS, the City and the Authority have previously entered into an installment sale agreement, dated as of March 1, 2008 (the “Installment Sale Agreement”), whereby the Authority has agreed to sell certain water system improvements (the “Project”) to the City and the City has agreed to purchase the Project from the Authority; and

WHEREAS, the City, the Trustee and the Authority have previously entered into a trust agreement, dated as of March 1, 2008 (the “Trust Agreement”), whereby the Trustee has executed and delivered variable rate certificates of participation (the “Certificates”), each evidencing a direct, undivided fractional interest in the Installment Payments to be made by the City pursuant to the Installment Sale Agreement; and

WHEREAS, in connection with the remarketing of the Certificates, the City, the Authority and the Trustee desire to enter into this Amended Trust Agreement, pursuant to the provisions of Section 7.03(vii)(3) of the Trust Agreement, in order to amend certain provisions of the Trust Agreement,;

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

SECTION 1. Section 1.01 of the Trust Agreement is hereby amended to include the following defined terms:

“Bonds” means the \$_____ principal amount of the City of Corcoran Water Revenue Refunding Bonds, Series 2012A.

“First Amendment to Installment Sale Agreement” means the First Amendment to Installment Sale Agreement, dated as of September 1, 2012, between the City and the Authority, amending certain provisions of the Installment Sale Agreement.

“Governmental Loan” means a loan from the State or the United States of America, acting through any of its agencies, to finance improvements to the Water System, and

the obligation of the City to make payments to the State or the United States of America under the loan agreement memorializing said loan on a parity basis with the payment of Installment Payments.

“Rate Stabilization Fund” means the fund of that name established by the City pursuant to the First Amendment to Installment Sale Agreement.

SECTION 2. The following definitions contained in Section 1.01 of the Trust Agreement are hereby amended to read as follows:

“Gross Revenues” means all gross charges (including surcharges, if any) received for, and all other gross income and receipts derived by the City from, the ownership and operation of the Water System or otherwise arising from the Water System, including but not limited to (a) connection charges, (b) investment earnings on amounts held in the Water Fund or in any other fund established with respect to the Water System, and (c) rental income related to the Water System. Gross Revenues does not include (i) refundable deposits made to establish credit, (ii) the proceeds of any *ad valorem* property taxes, and (iii) the proceeds of any special assessments or special taxes levied upon real property within any improvement district served by the City for the purpose of paying special assessment bonds or special tax obligations of the City relating to the Water System. Gross Revenues shall also include interest with respect to any Parity Debt reimbursed to or on behalf of the City by the United States of America, and shall include and including moneys in the Rate Stabilization Fund that have been designated and pledged as “Gross Revenues” for a Fiscal Year pursuant to the First Amendment to Installment Sale Agreement.

“Parity Debt” means the Bonds, the Reimbursement Agreement and the Swap Agreement (only to the extent of Swap Periodic Payments) and indebtedness or other obligations (including leases and installment sale agreements) hereafter issued or incurred and secured by a pledge of and lien on Net Revenues equally and ratably with the Installment Payments pursuant to Section 4.08 of the Installment Sale Agreement.

The definition of “Permitted Investments” is amended to include the following:

(l) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of California, as it may be amended.

(m) The County of Kings Pooled Treasury Portfolio.

SECTION 3. The definitions of “Qualified Reserve Fund Credit Instrument,” “Reserve Requirement” and “2008 Reserve Account” are hereby deleted from Section 1.01 of the Trust Agreement.

SECTION 4. Sections 3.04 and 5.10, and all other references to “Qualified Reserve Fund Credit Instrument,” “Reserve Requirement” or “2008 Reserve Account,” are hereby deleted from the Trust Agreement.

SECTION 5. The table of mandatory prepayments set forth Section 4.01(b) of the Trust Agreement is hereby amended to read as follows:

<u>(July 1)</u>	<u>Principal Amount</u>	<u>(July 1)</u>	<u>Principal Amount</u>
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SECTION 6. This Amended Trust Agreement shall be construed and governed in accordance with the laws of the State.

SECTION 7. This Amended Trust Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement. This Amended Trust Agreement shall become effective upon its execution and delivery, and shall terminate as set forth in the Trust Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have executed this Amended Trust Agreement as of the date and year first above written.

**CORCORAN JOINT POWERS FINANCE
AUTHORITY**

By: _____
Executive Director

CITY OF CORCORAN

By: _____
City Manager

**U.S. BANK NATIONAL ASSOCIATION, as
Trustee**

By: _____
Authorized Signatory

Approved:

UNION BANK, N.A., as Credit Provider

By: _____
Authorized Signatory

FIRST AMENDMENT TO INSTALLMENT SALE AGREEMENT

Dated as of September 1, 2012

between the

CORCORAN JOINT POWERS FINANCE AUTHORITY

and the

CITY OF CORCORAN

**\$19,900,000 (Original Amount)
Variable Rate Demand
2008 Refunding Certificates of Participation
(Water System Project)**

FIRST AMENDMENT TO INSTALLMENT SALE AGREEMENT

THIS FIRST AMENDMENT TO INSTALLMENT SALE AGREEMENT, dated as of September 1, 2012 (the "Amended Installment Sale Agreement"), between the CORCORAN JOINT POWERS FINANCE AUTHORITY, a joint powers authority organized and existing under the laws of the State of California, as seller (the "Authority"), and the CITY OF CORCORAN, CALIFORNIA, a municipal corporation and political subdivision organized and existing under the laws of the State of California, as purchaser (the "City");

WITNESSETH:

WHEREAS, the City and the Authority have previously entered into an installment sale agreement, dated as of March 1, 2008 (the "Installment Sale Agreement"), whereby the Authority agreed to sell certain water system improvements (the "Project") to the City and the City agreed to purchase the Project from the Authority; and

WHEREAS, the City, U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America (the "Trustee") and the Authority have previously entered into a trust agreement, dated as of March 1, 2008 (the "Trust Agreement"), whereby the Trustee has executed and delivered certificates of participation (the "Certificates"), each evidencing a direct, undivided fractional interest in the Installment Payments to be made by the City pursuant to the Installment Sale Agreement; and

WHEREAS, in connection with the remarketing of the Certificates, the City and the Authority desire to enter into this Amended Installment Sale Agreement, pursuant to the provisions of Section 7.03(vii)(3) of the Trust Agreement and Section 8.03 of the Installment Sale Agreement, in order to amend certain provisions of the Installment Sale Agreement;

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. All references to the Trust Agreement in the Installment Sale Agreement shall refer to the Trust Agreement, as amended by the First Amendment to Trust Agreement, dated as of September 1, 2012 (the "Amended Trust Agreement"), among the City, the Authority and the Trustee.

SECTION 2. Sections 4.06(b)(2) and 4.10, and all other references to "Qualified Reserve Fund Credit Instrument," "Reserve Requirement" or "2008 Reserve Account," are hereby deleted from the Installment Sale Agreement.

SECTION 3. The following Section 4.10 is hereby added to the Installment Sale Agreement:

"Section 4.10. Rate Stabilization Fund. The City may maintain and hold a separate fund to be known as the "Rate Stabilization Fund." From time to time the City may

deposit in the Rate Stabilization Fund from Net Revenues remaining as provided in Section 4.06(c), such amounts as the City shall determine, provided that deposits with respect to any Fiscal Year may be made at any time during such Fiscal Year and until (but not after) the day which is sixty (60) days following the end of such Fiscal Year. The City may withdraw amounts from the Rate Stabilization Fund for inclusion in Gross Revenues for any Fiscal Year, or for any other lawful purpose of the Water System, such withdrawals to be made at any time during such Fiscal Year and until (but not after) the day which is sixty (60) days after the end of such Fiscal Year. All interest or other earnings upon deposits in the Rate Stabilization Fund may be withdrawn therefrom and accounted for as Gross Revenues. Notwithstanding the foregoing, no deposit of Net Revenues to the Rate Stabilization Fund may be made to the extent such Net Revenues were included in a City certificate or an independent consultant's report submitted in accordance with this Indenture or any Parity Obligations and withdrawal of the Net Revenues to be deposited in the Rate Stabilization Fund from the Net Revenues employed in rendering said City certificate or independent consultant's report would cause noncompliance with provisions of this Installment Sale Agreement."

SECTION 4. The provisions of Section 4.07 of the Installment Sale Agreement is hereby amended to read as follows:

"Section 4.07. Rate Covenant.

(a) The City hereby covenants that it shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues sufficient to pay the following amounts in the following order of priority:

(i) All Operation and Maintenance Expenses estimated by the City to become due and payable in such Fiscal Year;

(ii) All Installment Payments and all payments of principal of and interest on any Parity Debt as they become due and payable during such Fiscal Year, without preference or priority; and

(iii) All payments required to meet any other obligations of the City which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues during such Fiscal Year.

In addition, the City shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year (exclusive of transfers to the Revenue Fund from the Rate Stabilization Fund, should one be established) which are sufficient to yield Net Revenues which are at least equal to 120% of the amount described in the preceding clause (b) for such Fiscal Year.

(b) For purposes of calculating the interest on any Outstanding Parity Debt, if interest on any Parity Obligations is reasonably anticipated to be reimbursed to or on behalf of

the City by the United States of America, then interest on such Parity Debt shall be excluded to the extent such interest is reasonably anticipated to be paid or reimbursed by the United States of America, and such reimbursements will not be included as Gross Revenues for purposes of the coverage calculations set forth in (a) above.

(c) If, in any Fiscal Year, charges for the services and facilities of the Water System which, after allowances for contingencies and error in the estimates, shall produce Gross Revenues insufficient to meet the covenant set forth in paragraph (a), the City covenants and agrees to employ an independent consultant to make recommendations as to a revision of the rates, fees and charges of the Water System or the methods of operation of the Water System that will result in producing Net Revenues in the amount specified in paragraph (a) of this Section 4.07. Copies of the recommendations of such consultant shall be filed with the Trustee and the Bank.

(d) The City covenants and agrees that it shall, promptly upon its receipt of such recommendations from such consultant, subject to applicable requirements or restrictions imposed by law, and subject to a good faith determination of the City Council that such recommendations, in whole or in part, are in the best interests of the City, revise its rates, fees and charges or its methods of operation or collections and shall take such other action as shall be in conformity with such recommendations. In the event that the City fails to comply with such recommendations, subject to the applicable requirements or restrictions imposed by law and to the determination of the City Council of the City that such recommendations are in the best interests of the City, or its assignee, may, in addition to the rights and remedies elsewhere set forth herein, and shall, upon the written request of the Bank or the Owners of a majority in principal amount of the Certificates then Outstanding, and being indemnified to its satisfaction therefor, institute and prosecute an action or proceeding in a court of competent jurisdiction to compel the City to comply with the recommendations and requirements of this paragraph (d). If the City complies in all material respects with the reasonable recommendations of the consultant in respect to said rates, fees, charges and methods of operation or collection, the City will be deemed to have complied with the covenants contained in this Section 4.07 notwithstanding that Net Revenues shall be less than the amount required under this Section 4.07 for such Fiscal Year; provided, however, that such rates, fees, charges and methods of operation or collection shall produce Net Revenues equal to at least 100% of (i) the Installment Payments coming due and payable during such Fiscal Year, and (ii) all payments required with respect to Parity Debt; provided further, that this sentence shall not be construed as in any way excusing the City from taking any action or performing any duty required under this Installment Sale Agreement or be construed as constituting a waiver of any other Event of Default.”

SECTION 5. The provisions of Section 4.08 of the Installment Sale Agreement is hereby amended to read as follows:

“Section 4.08. Limitations on future Obligations Secured by Net Revenues.

(a) No Obligations Superior to Installment Payments. In order to protect further the availability of the Net Revenues and the security for the Installment Payments and any Parity Debt, the City hereby agrees that the City shall not, so long as any Certificates are

outstanding, issue or incur any obligations payable from Gross Revenues or Net Revenues superior to the Installment Payments or such Parity Debt. The City may issue or incur Subordinate Debt as provided herein.

(b) Parity Debt. The City further covenants that, except for Parity Debt issued to fully or partially refund the Certificates or Parity Debt, the City shall not issue or incur any Parity Debt unless:

(i) The City is not in default under the terms of this Installment Sale Agreement;

(ii) Net Revenues (exclusive of transfers to the Revenue Fund from the Rate Stabilization Fund, should one be established), calculated on sound accounting principles, as shown by the books of the City for the latest Fiscal Year or any more recent twelve (12) month period selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which instrument such Parity Obligation is issued or incurred, as shown by the books of the City, plus, at the option of the City, the additional allowance described below, shall have amounted to at least 1.20 times the sum of the Installment Payments coming due and payable in any future Fiscal Year and the annual debt service for such Fiscal Year on all Parity Debt outstanding immediately subsequent to the incurring of such additional obligations in the Fiscal Year in which such sum is the greatest;

Either or both of the following items may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (b)(ii): an allowance for earnings arising from any increase in the charges made for service from the Water System which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year or 12-month period, was not in effect, in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or 12-month period, as shown by a certificate of the City.

In order to maintain the parity relationship of the Installment Payments to all Parity Debt permitted hereunder, the City covenants that all payments in the nature of principal and interest with respect to any Parity Debt, except with respect to Governmental Loans, will be structured to occur semi-annually on the Due Dates and in each year as such payments are due with respect to the Installment Payments, and to otherwise structure the terms of such Parity Debt to ensure that they are in all respects payable on a parity with the Installment Payments and not prior thereto; provided that the City shall not make a payment on such Governmental Loan to the extent it would have the effect of causing the City to fail to pay Installment Payments on a timely basis. In such event, the City shall make Installment Payments and payments on such Governmental Loan on a pro rata basis.

(c) Reimbursement of Interest. If interest on any Parity Obligation is reasonably anticipated to be reimbursed to or on behalf of the City by the United States of America, then interest payments with respect to such Parity Debt shall be excluded by the amount of such interest reasonably anticipated to be paid or reimbursed by the United States of

America, and such reimbursements will not be included as Gross Revenues for purposes of the coverage calculations required in subsection (b)(ii) above.

(d) Calculating Debt Service on Parity Debt. Debt service on Parity Debt shall be calculated as set forth below:

(i) In determining the debt service on Parity Debt for which interest is calculated at a variable interest rate, such Parity Debt shall be assumed to bear interest at a rate equal to the greater of (i) the actual rate on the date of calculation, or if the Parity Debt is not yet outstanding, the initial rate (if established and binding), (ii) if the Parity Debt has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (x) if interest on the Parity Debt is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently published The Bond Buyer Bond Revenue Index (or comparable index if no longer published) plus fifty (50) basis points, or (y) if interest is not so excludable, the interest rate on direct U.S. Treasury Debts with comparable maturities, plus fifty (50) basis points.

(ii) In determining the debt service equivalent payment on any interest rate swap agreement which constitutes Parity Debt, such payments shall be treated on a net basis, including counterparty payments. For such purposes, the variable amount under the swap shall be assumed to be equal to 110% of the greater of (a) the then current effective interest rate under such interest rate swap agreement, or (b) the average interest rate under such interest rate swap agreement during the past 12 months.

(e) Subordinate Obligations. The City may issue bonds or other obligations secured by a lien on Gross Revenues or Net Revenues which is subordinate to the lien established under this Indenture, upon such terms and in such principal amounts as the City may determine.

SECTION 6. This Amended Installment Sale Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 7. This Amended Installment Sale Agreement shall be governed by and construed in accordance with the laws of the State of California. This Amended Installment Sale Agreement shall become effective upon its execution and delivery, and shall terminate as set forth in the Installment Sale Agreement.

IN WITNESS WHEREOF, the parties have executed this Amended Installment Sale Agreement as of the date and year first above written.

**CORCORAN JOINT POWERS FINANCE
AUTHORITY**

By: _____
Executive Director

CITY OF CORCORAN

By: _____
City Manager

Approved:

UNION BANK, N.A., as Credit Provider

By: _____
Authorized Signatory

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Authorized Signatory

\$19,900,000 (Original Amount)
VARIABLE RATE DEMAND 2008 REFUNDING CERTIFICATES OF PARTICIPATION
(Water System Project)
Evidencing and Representing Proportionate Interests of the
Registered Owners Thereof in Installment Payments to be Made by the
CITY OF CORCORAN
to the
CORCORAN JOINT POWERS FINANCE AUTHORITY

REMARKETING AGREEMENT

THIS REMARKETING AGREEMENT (this "Agreement"), dated as of September 1, 2012, is made by and between the **CITY OF CORCORAN** (the "City") and **MITSUBISHI UFJ SECURITIES (USA), INC.**, as Remarketing Agent (the "Agent"), in connection with the offering and sale from time to time in the secondary market of Variable Rate Demand 2008 Refunding Certificates of Participation (Water System Project) (the "Certificates"). This Agreement is effective as of the date hereof, it being acknowledged that the City and the Corcoran Joint Powers Finance Authority (the "Authority") has terminated its remarketing agreement with E.J. De La Rosa and Co. dated as of March 1, 2008 with respect to the Certificates, which termination is effective as of the date hereof.

Section 1. Definitions. Unless a different meaning clearly appears from the context, all words and terms used in this Agreement shall have the respective meanings assigned to such terms in the Trust Agreement, dated as of March 1, 2008 , among the Authority and U.S. Bank National Association, as Trustee (the "Trustee") and amended by the First Amendment to Trust Agreement, dated as of September 1, 2012 (collectively as amended, the "Trust Agreement"), among the City, Authority and Trustee.

Section 2. Acceptance of Appointment; Representations and Warranties of the Agent.

(a) The City hereby appoints the Agent as exclusive Remarketing Agent for the Certificates , and the Agent hereby accepts such appointment and agrees to perform the duties and covenants of the Remarketing Agent set forth herein and in the Trust Agreement.

(b) The Agent hereby certifies that it is a member of the National Association of Securities Dealers and is authorized by law and has the capacity to perform all the duties and responsibilities imposed upon it as Agent set forth herein and in the Trust Agreement.

(c) The Agent has full power and authority to execute and deliver this Agreement and to take all actions required or permitted to be take by the Agent by or under, and to perform and observe covenants and agreements on its part contained in, this Agreement and the Trust Agreement.

(d) The Agent represents and warrants to the City that this Agreement (assuming due authorization, execution and delivery by the City) constitutes the valid and binding obligation of the Agent enforceable against the Agent in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium, liquidation, reorganization and other similar laws affecting creditors' rights generally and to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(e) It shall be a condition of the Agent's obligations hereunder that there does not exist an Event of Default under Section 9.01 of the Installment Sale Agreement, dated as of March 1, 2008, by and between the City and Authority and amended by the First Amendment to Installment Sale Agreement, dated as of September 1, 2012, by and between the City and Authority or under the Trust Agreement or the Credit Facility.

Section 3. Representations and Warranties of the City. The City represents and warrants to the Agent that:

(a) This Agreement (assuming due authorization, execution and delivery by the Agent) constitutes the valid and binding obligation of the City, enforceable against the City in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium, liquidation, reorganization and other similar laws affecting creditors' rights generally and to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(b) The City has all requisite power and authority to perform its obligations under the Trust Agreement, and has all requisite power and authority to enter into, execute, deliver and perform its obligations under this Remarketing Agreement and to approve the Reoffering Statement (as defined below).

(c) The Reoffering Statement does not include any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements therein in the light of the circumstances under which they were made, not misleading in any material respect. The City authorizes the Reoffering Statement to be used by the Agent in connection with the offering and sale from time to time of the Certificates in the secondary market.

Section 4. Certain Agreements of the City. The City agrees with the Agent that:

(a) The City agrees to furnish to the Agent sufficient copies of a reoffering statement (the "Reoffering Statement"), in preliminary (if applicable) and final form, in form and substance satisfactory to the Agent, and any other related material prepared for use by the City, as the Agent reasonably determines may be necessary in connection with any remarketing of the Certificates that constitutes a "primary offering" within the meaning of Rule 15c2-12 promulgated, and as amended from time to time, by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "Rule"); provided, however, that nothing in this Section 4 shall require the Agent to offer for sale any Certificates if such offer is subject to the Rule unless (i) the Agent, in its sole discretion, decides to undertake such obligation and (ii) the Agent, in its sole discretion, determines that the requirements of the Rule have been satisfied. Further, the City agrees to cooperate in the preparation of and to make available to the Agent revised Reoffering Statements or amendments or supplements thereto such as may be required so that the Reoffering Statement required for use in any such "primary offering" will not contain any misstatement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Any costs or expenses incurred in connection with the preparation of a Reoffering Statement and any amendments or supplements thereto shall be the responsibility of the City. The Agent acknowledges that the remarketing of Certificates, while such Certificates are in the Weekly Rate Mode and such Certificates are remarketed in denominations of \$100,000 or more, is not considered a "primary offering" within the meaning of the Rule as interpreted by the SEC as of the date of execution of this Agreement.

(b) If, during and prior to such time as the Reoffering Statement is used in connection with the offering and sale of the Certificates, any event occurs or condition exists relating to or affecting the City or the Certificates as a result of which the Reoffering Statement would contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City upon learning of such event or condition shall promptly notify the Agent in writing of the circumstances and details of such event. The City will cooperate with the Agent in the preparation of the additional marketing materials which the Agent reasonably determines are necessary in connection with the offering and sale of the Certificates or which the Agent reasonably determines should be provided to owners and prospective owners of the Certificates.

(c) The City will furnish the Agent copies of all reports and financial statements relating to the financial affairs and condition of the City as required by the Trust Agreement

promptly after they are made available to the public by the City and such additional information concerning the operations and financial condition of the City as required by the Trust Agreement or concerning the Certificates as the Agent may from time to time reasonably request;

(d) At the expense of the Agent, the City will furnish such information, execute such instruments and take such other action not inconsistent with law in cooperation with the Agent as the Agent may request (i) to qualify the Certificates for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Agent may designate and (ii) to determine the eligibility of the Certificates for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect until the termination of this Agreement; provided, however, that the City shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(e) If a Reoffering Statement is not supplied as required by the foregoing, the Agent's obligation to remarket the Certificates pursuant to the Trust Agreement and under this Agreement will be suspended until such time as a Reoffering Statement satisfactory to the Agent and its counsel is supplied.

(f) The City represents and warrants to the Agent that the City will furnish such information, execute such documents and take such other action in cooperation with the Agent as the Agent may reasonably request in order to remarket the Certificates; provided that the City shall not be required to take any action which would submit it to, or constitute consent to, service of process or to qualify as a foreign corporation in any jurisdiction where it is not otherwise presently subject to service or so qualified, as the case may be.

To assist the Agent in complying with its obligations under MSRB Rule G-34(c), the City shall provide the Agent with a copy of the Credit Facility, Reimbursement Agreement, the Trust Agreement or any other document to which the City is a party that establishes an obligation to provide credit and/or liquidity support with respect to the Certificates, including any amendments thereto, in the following manner:

(i) on the effective date of this Remarketing Agreement, a copy of the Credit Facility;

(ii) within ten Business Days prior to the proposed date of any amendment, extension, renewal, replacement or termination, as the case may be, of the Credit Facility or any other document to which the City is a party that establishes an obligation to provide credit and/or liquidity support with respect to the Certificates, written notice that such document is proposed to be amended, extended, renewed, replaced or terminated, as the case may be, and the expected date of execution and delivery of such amendment, extension, renewal, replacement or termination, as the case may be;

(iii) within five Business Days after the execution and delivery of any amendment, extension, renewal, replacement or termination, as the case may be, of the Credit Facility or any other document to which the City is a party that establishes an obligation to provide credit and/or liquidity support with respect to the Certificates, a copy thereof; and

(iv) no later than three Business Days after receiving a request from the Agent for any document requested pursuant to this section, a copy thereof.

In each instance that a document is delivered to the Agent pursuant to this Section 4(f), the City shall provide: (A) a clean final execution copy of each relevant document; and (B) in any such document where any redactions are made, (x) a redacted final execution copy of such document, and (y) a file containing a list showing all redactions that have been made to such document.

If there are any additional regulatory requirements, amendments or modifications to the securities laws with which the Agent must comply, the City shall take all steps reasonably requested by the Agent or its counsel necessary to comply with such additional requirements. In the event the City does not provide the Agent with a copy of a document described in this Section 4(f), the City acknowledges that the Agent may file a notice with the MSRB's Short-Term Obligation Rate Transparency System ("SHORT System") that such document will not be provided at such time as is specified by the MSRB and in the SHORT System users' manual. The City shall reimburse the Agent for any costs incurred in connection with compliance with MSRB Rule G-34(c) including, but not limited to, fees charged by trustees or other parties supplying missing documents.

Section 5. Remarketing. (a) The City has appointed the Agent as the exclusive agent for the remarketing of the Certificates pursuant to this Agreement and, in reliance on the representations contained herein and subject to the terms hereof, the Agent accepts the duties and obligations of the Remarketing Agent herein and under the Trust Agreement and agrees to use its best efforts to solicit offers to purchase, at a price of 100% of the principal evidenced thereby plus accrued interest evidenced thereby, if any, the Certificates which have been tendered or deemed tendered by the holders thereof pursuant to the Trust Agreement and to perform the other obligations of the Remarketing Agent as set forth herein and in the Trust Agreement; *provided, however*, that at no time shall the Agent be required to offer Certificates in the Daily Rate Mode or the Weekly Rate Mode in any denomination other than an integral multiple of \$100,000 (except that one Bond may be in the amount of \$100,000 and a whole multiple of \$5,000 in excess thereof), or Certificates in the Long Term Rate Mode in any denomination other than an integral multiple of \$5,000, and the City acknowledges that any offering of Certificates in denominations of less than \$100,000 may constitute a "primary offering" as described in Section 4(a) hereof. The Agent further agrees to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the City at all times.

(b) In the event of (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange, (ii) a general moratorium on commercial banking activities in New York declared by either federal or New York State authorities or (iii) the engagement by the United States in hostilities or escalation of existing hostilities or a declaration of a national emergency or war, if the effect of any of which in the Agent's judgment makes it impracticable or inadvisable to proceed with solicitation of offers to purchase the Certificates, and so long as such situation continues to exist (it being acknowledged by the parties hereto that as of the date hereof no such event is occurring), the Agent shall have the right to terminate its obligations under this Agreement at any time by notifying the City in writing or by facsimile transmission, telex or other electronic communication.

(c) In consideration of the Agent's services hereunder, during periods when Certificates are in the Daily Rate Mode or the Weekly Rate Mode, the City agrees to pay an annual fee of 12.5 basis points (0.125%) based upon the outstanding principal amount evidenced by the Certificates in such Mode on the first day of each calendar quarter, payable quarterly in arrears commencing on the first day of the calendar quarter next following conversion to the Daily Rate Mode or the Weekly Rate Mode. Payment for any partial calendar quarter shall be made on a pro rata basis. The Agent's fees for services hereunder for Certificates in the Extended Rate Mode or the Long Term Rate Mode shall be as may be agreed upon by the Agent and the City. Any fee due but unpaid upon the termination of this Agreement shall be payable by the City upon termination. If this Agreement terminates as provided in Section 9 hereof, the City shall pay to the Agent any portion of the annual fee due and owing the Agent. The City shall also pay all expenses in connection with delivering the remarketed Certificates, including but not limited to, associated computer and delivery charges, preparing any Reoffering Statement relating to the Certificates and qualifying the Certificates for offer and sale as provided in this Agreement, and shall reimburse the Agent for all direct out-of-pocket expenses incurred by it under this Agreement, including reasonable counsel fees and disbursements.

(d) In the event that the Certificates cease to be exempt from the requirements of the Rule, the Agent has no obligation under this Remarketing Agreement to offer the Certificates for sale; *provided, however*, that the Agent may decide to so offer the Certificates, but only

after determining, in its sole discretion, that the requirements of the Rule have been met. Any determinations by the Agent under this paragraph shall be binding upon the City .

(e) The Agent shall suspend remarketing of any Certificates upon receipt of written notice from the Bank of an Event of Default under Section 6.01 of the Reimbursement Agreement until such time as the Bank notifies the Agent that such Event of Default has been cured or waived.

Section 6. The Agent. (a) The Agent will be acting solely as the remarketing agent in the re-sale of the Certificates, and the Agent's responsibility is limited to the use of its best efforts to solicit offers to purchase the Certificates.

(b) The commitment to remarket the Certificates shall not be construed to obligate the Agent to use any of its own funds or otherwise incur financial liability in acting as Agent hereunder.

(c) The Agent, in its individual capacity, either as principal or agent, may buy, sell, own, hold and deal in any of the Certificates, and may join in any action which any holder of Certificates may be entitled to take, with like effect as if it did not act in any capacity hereunder. The Agent, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the City and may act as depository, trustee or agent for any committee or body of holders of Certificates or other obligations of the City as freely as if it did not act in any capacity hereunder. The City also acknowledges that the Agent is a full service firm that, together with its affiliates, is engaged in securities trading and brokerage activities and provides investment banking, financing and financial advisory services. In the ordinary course of its trading, brokerage and financing activities, the Agent (and/or its affiliates) may at any time hold long or short positions, and may trade or otherwise effect transactions, for their own accounts or the accounts of customers, in debt or equity securities or financial instruments (including bank loans and other obligations) of the City.

(d) The City acknowledges and agrees that (i) the Agent is acting solely as a principal and not the agent or fiduciary of the City, and in particular that the Agent is not acting as a "municipal advisor" (as defined in Section 15B of the Exchange Act) and the Agent has financial and other interests that differ from those of the City, (ii) the Agent has not assumed an advisory or fiduciary responsibility in favor of the City with respect to the remarketing contemplated hereby or the process leading thereto (irrespective of whether the Agent has advised or is currently advising the City on other matters) or any other obligation to the City or the Issuer except the obligations expressly set forth in this Remarketing Agreement and (iii) the City has consulted its own legal and financial advisors to the extent it deemed appropriate. The City agrees that it will not claim that the Agent is a "municipal advisor" within the meaning of Section 15B of the Exchange Act, or owes a fiduciary or similar duty to the City in connection with such transaction or the process leading thereto.

Section 7. Intention of Parties. It is the expressed intention of the parties hereto that no purchase, sale or transfer of any Certificates, as herein provided, or the setting of interest rates in respect thereof, shall constitute or be construed to be the extinguishment of the indebtedness evidenced thereby or the reissuance or the refunding of any indebtedness evidenced thereby.

Section 8. Amendments. This Agreement may not be amended except by a writing signed by each of the parties hereto.

Section 9. Term. Unless previously terminated, this Agreement shall remain in full force and effect until payment in full, or the provision for payment in full, of the Certificates, or on the day after all Certificates are converted to the Long Term Rate Mode. The City shall have the right to terminate this Agreement at any time upon the giving of prior written notice to the Agent and the Agent shall have the right to terminate this Agreement at any time upon the giving of not less than 30 days prior written notice to the City , the Bank and the Trustee (with a copy of such notice mailed by certified mail to each of the Certificate owners), provided that no such termination will be effective until a successor is appointed and has accepted the responsibilities as Remarketing Agent in accordance with the Trust Agreement. The

representations, warranties and agreements of the City set forth herein shall remain in full force and effect regardless of any investigation (or any statements as to the results thereof) made by or on behalf of the Agent and shall survive the termination or expiration of this Agreement. The City shall promptly pay to the Agent the compensation, in accordance with Section 5(c) hereof, accrued through the effective date of such termination.

Section 10. Notices. Unless otherwise provided herein, all notices, Certificates, requests or other communications hereunder shall be deemed given when delivered in writing by hand or sent by facsimile transmission, telex or registered mail, postage prepaid, addressed as follows:

If to the City: City of Corcoran
832 Whitley Avenue
Corcoran, CA 93212
Attention: Finance Director
Tel: (____) ____ - ____
Fax: (____) ____ - ____
E-mail: _____

If to the Agent: Mitsubishi UFJ Securities (USA), Inc.
400 California Street, 11th Floor
San Francisco, CA 94104
Attn: David Kelp
Tel: 415-489-3975
Fax: 646-434-3476
E-mail: dkelp@us.sc.mufg.jp

If to the Bank (so long as the Certificate Credit Enhancement Instrument is outstanding): Union Bank, National Association
445 South Figueroa Street
Los Angeles, CA 90071
Attn: Anne Kupfer
Tel: 213-236-6434
Fax: 213-236-6917
E-mail: anne.kupfer@unionbank.com

If to the Trustee: _____

Tel: (____) ____ - ____
Fax: (____) ____ - ____
E-mail: _____

Each of the above parties may, by written notice given hereunder to the others, designate any further or different addresses to which, or means by which, subsequent notices, Certificates, requests or other communications shall be sent.

Section 11. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 12. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

Section 13. Captions. The captions or headings in this Agreement are for convenience of reference only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

Section 14. Assignment. The obligations of the respective parties hereto may not be assigned or delegated to any other person without the consent of the other party hereto and of the Bank, which shall not be unreasonably withheld. This Agreement will inure to the benefit of and be binding upon the City and the Agent and their respective successors and assigns, and will not confer any rights upon any other person, partnership, associations or corporation other than persons, if any, controlling the Agent within the meaning of the Securities Act of 1933, as amended; provided the Bank shall be a third

party beneficiary of this Agreement. The terms "successors" and "assigns" shall not include any purchaser of any of the Certificates merely because of such purchase.

Section 15. Mitsubishi UFJ Securities (USA), Inc. to be Sole Agent. The City agrees that unless and until this Remarketing Agreement has been terminated as provided herein, no additional remarketing agent will be appointed unless the Agent consents in writing to such appointment.

Section 16. Severability. If any provisions of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions, because it conflicts with any provisions of any constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

CITY OF CORCORAN

By: _____
Joyce Venegas, Finance Director

MITSUBISHI UFJ SECURITIES (USA), INC.

By: _____
[Name], Managing Director

REMARKETING-NOT A NEW ISSUE - BOOK-ENTRY ONLY

SHORT-TERM RATING: Standard & Poor's: "___"

LONG-TERM RATING: Standard & Poor's: "___"

(See "Ratings" herein)

In the opinion of Nossaman LLP, Irvine, California, Special Counsel, based on existing statutes, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest with respect to the Certificates is excludable from gross income for federal income tax purposes. Interest with respect to the Certificates is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxable income, although Special Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. In the further opinion of Special Counsel, interest with respect to the Certificates is, under existing law, exempt from State of California personal income taxes. Special Counsel expresses no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest with respect to, the Certificates. See "TAX MATTERS" herein with respect to tax consequences of the Certificates.

\$19,900,000 (Original Amount)
Variable Rate Demand
2008 Refunding Certificates of Participation
(Water System Project)
Evidencing and Representing Proportionate Interests of the
Registered Owners Thereof in Installment Payments
to be Made by the
CITY OF CORCORAN
to the
CORCORAN JOINT POWERS FINANCE AUTHORITY

Date of Remarketing: _____, 2012

Price: 100%

Due: July 1, 2036

This Remarketing Memorandum has been prepared in connection with the extension of the Credit Facility (defined below) currently providing liquidity and credit support for the 2008 Certificates and certain amendments to the Original Trust Agreement (defined below) and the Original Installment Sale Agreement (defined below). The 2008 Certificates were executed and delivered by the Corcoran Joint Powers Finance Authority (the "Authority") to refund certificates of participation executed and delivered in 2005 to facilitate the financing and refinancing by the City of Corcoran (the "City") of certain capital improvements to the City's municipal water system. The 2008 Certificates were authorized and executed pursuant to a Trust Agreement, dated as of March 1, 2008 (the "Original Trust Agreement"), among the City, the Authority and U.S. Bank National Association, as trustee (the "Trustee"), as amended pursuant to a First Amendment to Trust Agreement, dated as of September 1, 2012, among the City, the Authority and the Trustee (the "First Amendment" and together with the Original Trust Agreement, the "Trust Agreement"). The 2008 Certificates represent direct undivided fractional interests in the right to receive Installment Payments (as described herein) made pursuant to an Installment Sale Agreement, dated as of March 1, 2008 (the "Original Installment Sale Agreement"), between the City and the Authority, as amended by a First Amendment to Installment Sale Agreement, dated as of September 1, 2012, between the City and the Authority (the "First Amendment to Installment Sale Agreement," and together with the Original Installment Sale Agreement the "Installment Sale Agreement"). As of the date hereof, there will be \$_____ 2008 Certificates outstanding.

Interest with respect to the 2008 Certificates is payable at the Weekly Rate as determined by the Remarketing Agent and is payable on the first Business Day of each month. The interest rate with respect to the 2008 Certificates may be converted from time to time in accordance with the Trust Agreement to a Daily Rate, a Weekly Rate, Commercial Paper Rate, Long-Term Rate or an Auction Rate (each an "Interest Rate Mode"), and if the interest rate is so adjusted, the 2008 Certificates will be subject to mandatory tender for purchase (other than conversion between Weekly Rates and Daily Rates), as described herein. THIS REMARKETING MEMORANDUM IS NOT INTENDED TO DESCRIBE ANY SERIES OF 2008 CERTIFICATES AFTER A CONVERSION TO AN INTEREST RATE MODE OTHER THAN A DAILY RATE OR A WEEKLY RATE.

The Installment Payments are special obligations of the City, payable solely from and secured by a pledge of Net Revenues, as defined herein, on parity with Parity Debt (as described herein), consisting primarily of revenues received from the operation of the City's Water System. The Installment Payments are secured on a parity with debt service payments payable by the City in connection with revenue bonds issued by the City, as described herein. **The Reserve Fund previously established for the 2008 Certificates will be closed on the Mandatory Tender Date and a new reserve fund will not be funded for the 2008 Certificates.**

The 2008 Certificates are on deposit with The Depository Trust Company, New York, New York ("DTC"), as book-entry certificates, without coupons, registered in the name of Cede & Co., as nominee of DTC, as described herein, in denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000 while in the Daily Rate, Weekly Rate or a Commercial Paper Rate of 180 days or less. Purchasers of the 2008 Certificates will not receive physical certificates

representing their beneficial ownership interests in the 2008 Certificates purchased. Payments of principal of and interest with respect to the 2008 Certificates will be paid by the Trustee to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC participants for subsequent disbursement to the Beneficial Owners of the 2008 Certificates as described herein. See "APPENDIX F - BOOK-ENTRY ONLY SYSTEM."

Payment of the principal of and interest with respect to, and purchase price of, the 2008 Certificates has the benefit of an irrevocable direct-pay letter of credit (the "Credit Facility") issued by Union Bank of California, N.A. (the "Bank") as the initial Credit Facility under the Trust Agreement. The expiration date of the Credit Facility is _____, unless extended or earlier terminated prior thereto as described herein. See "THE BANK" and "THE CREDIT FACILITY AND REIMBURSEMENT AGREEMENT." *PROSPECTIVE INVESTORS SHOULD NOT EXPECT THE AUTHORITY OR THE CITY TO BE ABLE TO PAY DIRECTLY THE PRINCIPAL OF OR THE PREPAYMENT OR PURCHASE PRICE OF THE 2008 CERTIFICATES OR THE INTEREST ON THE 2008 CERTIFICATES AS SUCH PAYMENTS BECOME DUE. ACCORDINGLY, ANY INVESTMENT DECISION TO PURCHASE THE 2008 CERTIFICATES SHOULD BE MADE SOLELY ON THE BASIS OF THE CREDITWORTHINESS OF THE BANK.*



The 2008 Certificates are subject to prepayment and tender prior to maturity as described herein. See "THE 2008 CERTIFICATES – Prepayment," "- Optional Tender" and "- Mandatory Tender."

THIS REMARKETING MEMORANDUM DESCRIBES THE 2008 CERTIFICATES ONLY DURING THE PERIOD THE 2008 CERTIFICATES BEAR INTEREST AT THE DAILY RATE OR WEEKLY RATE AND ARE SECURED BY THE CREDIT FACILITY. INVESTORS SHOULD NOT RELY ON THIS REMARKETING MEMORANDUM IF THE INTEREST RATE WITH RESPECT TO THE 2008 CERTIFICATES IS CONVERTED TO AN INTEREST RATE MODE OTHER THAN WEEKLY RATE OR DAILY RATE. NEITHER THE 2008 CERTIFICATES NOR THE OBLIGATION TO PAY PRINCIPAL OF OR INTEREST REPRESENTED THEREBY CONSTITUTES A DEBT OR A LIABILITY OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE 2008 CERTIFICATES ARE SECURED SOLELY BY THE PLEDGE OF NET REVENUES AND CERTAIN FUNDS HELD UNDER THE TRUST AGREEMENT. THE 2008 CERTIFICATES ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY. INVESTORS MUST READ THE ENTIRE REMARKETING MEMORANDUM TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE PURCHASE OF THE 2008 CERTIFICATES.

The extension of the Credit Facility and the amendments to the Original Trust Agreement and Original Installment Sale Agreement are subject to, among other things, the receipt by the Trustee of an opinion of Nossaman LLP, Irvine, California, Special Counsel. Certain legal matters will also be passed upon for the City by its general counsel, and by Nossaman LLP, Irvine, California, Disclosure Counsel. Certain matters will be passed upon for the Bank by its counsel, _____, 2012.

CITY OF CORCORAN

CITY COUNCIL

Raymond Lerma, *Mayor*
Jim Wadsworth, *Vice-Mayor*
Toni Baltierra, *Councilmember*
Sid Palmerin, *Councilmember*
Jerry Robertson, *Councilmember*

CITY EXECUTIVE STAFF

Kindon Meik, *City Manager*
Joyce Venegas, *Finance Director*
Michael Farley, *City Attorney*
Steve Kroeker, *Public Works Director*
Lorraine Lopez, *City Clerk*

SPECIAL SERVICES

Special Counsel

Nossaman LLP
Irvine, California

Financial Advisor

p2 Capital Advisors
Napa, California

Trustee and Tender Agent

U.S. Bank National Association
San Francisco, California

Remarketing Agent

Mitsubishi UFJ Securities
San Francisco, California

No dealer, broker, salesperson or other person has been authorized by the City or the Bank to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Remarketing Memorandum does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2008 Certificates by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Remarketing Memorandum is not to be construed as a contract with the purchasers of the 2008 Certificates.

The City has obtained certain information set forth herein from sources which are believed to be reliable, but such information is neither guaranteed as to accuracy or completeness, nor to be construed as a representation of such by the City. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Remarketing Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. All summaries of or references to the documents referred to in this Remarketing Memorandum are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. All capitalized terms used herein, unless noted otherwise, shall have the meanings prescribed in the Trust Agreement.

The Remarketing Agent has reviewed the information in this Remarketing Memorandum in accordance with its responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agent does not guarantee the accuracy or completeness of such information.

THE 2008 CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE 2008 CERTIFICATES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS REMARKETING MEMORANDUM

Certain statements included or incorporated by reference in this Remarketing Memorandum constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the forecasts of the City in any way, regardless of the level of optimism communicated in the information. The City is not obligated to issue nor does it plan to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur or do not occur.

TABLE OF CONTENTS

APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS
APPENDIX B - FORM OF CREDIT FACILITY
APPENDIX C - GENERAL INFORMATION REGARDING THE CITY OF CORCORAN
AND KINGS COUNTY
APPENDIX D - THE WATER SYSTEM OF THE CITY OF CORCORAN
APPENDIX E - PROPOSED FORM OF SPECIAL COUNSEL OPINION
APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM

REMARKETING MEMORANDUM

~~\$19,900,000 (Original Amount)~~

**Variable Rate Demand
2008 Refunding Certificates of Participation
(Water System Project)
Evidencing and Representing Proportionate Interests of the
Registered Owners Thereof in Installment Payments
to be made by
CITY OF CORCORAN
to the
CORCORAN JOINT POWERS FINANCE AUTHORITY**

INTRODUCTION

This introduction is not a summary of this Remarketing Memorandum. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Remarketing Memorandum, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Remarketing Memorandum. The offering of the certificates captioned above (the "2008 Certificates") to potential investors is made only by means of the entire Remarketing Memorandum. This Remarketing Memorandum supersedes the Official Statement relating to the 2008 Certificates dated March 26, 2008 and is being prepared in connection with a mandatory tender of the 2008 Certificates on _____, 2012 (the "Mandatory Tender Date") as a result of certain amendments to the Trust Agreement and Installment Sale Agreement.

Capitalized terms used but not defined herein have the meanings set forth in the Trust Agreement. See also "APPENDIX A - SUMMARY OF SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS." This Remarketing Memorandum contains brief descriptions of, among other things, the City, the Bank, the Water System, the Installment Sale Agreement, the Trust Agreement, the Credit Facility (all as defined below) and the 2008 Certificates. These descriptions do not purport to be comprehensive or definitive. All references in this Remarketing Memorandum to documents are qualified in their entirety by reference to such documents, and references to the 2008 Certificates are qualified in their entirety by reference to the form of 2008 Certificate included in the Trust Agreement.

THIS REMARKETING MEMORANDUM DESCRIBES THE 2008 CERTIFICATES ONLY DURING THE PERIOD THE 2008 CERTIFICATES BEAR INTEREST AT THE DAILY RATE OR WEEKLY RATE AND ARE SECURED BY THE CREDIT FACILITY. INVESTORS SHOULD NOT RELY ON THIS REMARKETING MEMORANDUM IF THE INTEREST RATE PERIOD ON THE 2008 CERTIFICATES IS ADJUSTED TO ANOTHER INTEREST RATE MODE.

Purpose of the 2008 Certificates. The 2008 Certificates were executed and delivered for the purpose of refinancing the City of Corcoran's (the "City") \$21,900,000 City of Corcoran (Kings County, California), 2005 Certificates of Participation (Water System Project) (Auction Rate), which were executed and delivered for the construction and acquisition of capital improvements to the City's municipal water system. Proceeds of the 2008 Certificates also provided for a reserve fund for the 2008 Certificates and payment of the costs of issuing the 2008

Certificates. **On the Mandatory Tender Date, the reserve fund for the 2008 Certificates will be closed and a new reserve fund will not be funded for the 2008 Certificates.**

Authority for Execution and Delivery. The execution and delivery of the 2008 Certificates was authorized pursuant to a resolution adopted by the City Council of the City on March 17, 2008, and a Trust Agreement (the "Original Trust Agreement"), dated as of March 1, 2008, between the Corcoran Joint Powers Finance Authority (the "Authority"), the City and U.S. Bank National Association, as trustee (the "Trustee"). Each 2008 Certificate represents a direct, undivided fractional interest in Installment Payments to be made by the City to the Authority under the Installment Sale Agreement, as described herein. As of the Mandatory Tender Date, the Trust Agreement will be amended by a First Amendment to Trust Agreement, dated as of September 1, 2012, among the Authority, the City and the Trustee (the "First Amendment" and together with the Original Trust Agreement, the "Trust Agreement") and the Installment Sale Agreement, dated as of March 1, 2008 (the "Original Installment Sale Agreement"), between the City and the Authority will be amended pursuant to a First Amendment to Installment Sale Agreement, dated as of September 1, 2012 (the "First Amendment to Installment Sale Agreement" and together with the Original Installment Sale Agreement, the "Installment Sale Agreement"), between the Authority and the City.

Form of 2008 Certificates. The 2008 Certificates are on deposit with The Depository Trust Company, New York, New York ("DTC"), as book-entry certificates, without coupons, registered in the name of Cede & Co., as nominee of DTC, as described herein, in minimum denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000 while bearing interest at a Daily Rate, Weekly Rate or a Commercial Paper Rate. The 2008 Certificates will not be available in certificated form except in the event that DTC is replaced as depository or the decision is made by the City to deliver the 2008 Certificates in certificated form. See "APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Variable Rate Certificates. Under the Trust Agreement, the 2008 Certificates are multi-modal certificates authorized to bear interest at a Daily Rate, Weekly Rate, Commercial Paper Rate, Long-Term Rate or Auction Rate. The 2008 Certificates currently bear interest at a Weekly Rate. If the interest rate mode is subsequently adjusted, the 2008 Certificates will be subject to mandatory tender for purchase, as described herein, except no mandatory tender is applicable between Daily Rate and Weekly Rate modes. See "THE 2008 CERTIFICATES."

Prepayment. The 2008 Certificates are subject to optional, special and mandatory sinking fund prepayment, and optional and mandatory tender and purchase, as described herein. See "THE 2008 CERTIFICATES - Prepayment," "- Optional Tender" and "- Mandatory Tender."

Pledge of Water System Revenues. The 2008 Certificates are payable from and secured, on parity with the 2012 Bonds (described herein) by a (i) first pledge of and lien on Net Revenues (as hereinafter defined) received from the operation of the City's Water System. The Trust Agreement defines "Water System" to include all of the water system of the City for the supply, storage, treatment and distribution of water within the service area of the City. "Net Revenues" means, for any period of computation, the amount of the Gross Revenues received from the Water System during such period, less the amount of Maintenance and Operation Expenses of the Water System becoming payable during such period, as such terms are defined herein. See "SECURITY FOR THE 2008 CERTIFICATES - Net Revenues; Pledge of Net Revenues".

Rate Covenant. In the Installment Sale Agreement, the City covenants that it will fix, prescribe and collect rates, fees and charges for the services and facilities furnished by the City's Water System during each fiscal year, which are at least sufficient to yield in each fiscal year Net Revenues equal to 120% of the Installment Payments and payments on Parity Debt payable for such year. See "SECURITY FOR THE 2008 CERTIFICATES - Rate Covenant".

Parity Debt. On _____, 2012 the City issued its Water Revenue Refunding Bonds, Series 2012A (the "2012 Bonds") in the aggregate principal amount of \$_____ to prepay in whole the City's outstanding 2003 Certificates of Participation (Water System Project). Payment of debt service payments on the 2012 Bonds are secured on a parity with the 2008 Certificates. Additional obligations and bonds issued or incurred on parity with or subordinate to the 2008 Certificates and 2012 Bonds may be issued pursuant to the Trust Agreement provided that certain conditions are met. See "SECURITY FOR THE 2008 CERTIFICATES - Parity Debt".

No Reserve Fund. A Reserve Fund was established for the 2008 Certificates. On the Mandatory Tender Date, the Reserve Fund will be closed and a new reserve fund will not be funded for the 2008 Certificates in the event there are insufficient amounts in the Installment Payment Fund to make payment on the 2008 Certificates.

The Credit Facility. Payment of the principal, interest and purchase price of the 2008 Certificates has the benefit of an irrevocable direct-pay letter of credit (the "Credit Facility") issued by Union Bank of California, N.A. (the "Bank") as the initial Credit Facility under the Trust Agreement. The Credit Facility was issued under the terms of a Reimbursement Agreement, dated as of March 1, 2008 (the "Reimbursement Agreement") between the Bank and the City. The current expiration date of the Credit Facility is being extended to _____, 201____, unless extended or terminated earlier pursuant to the Reimbursement Agreement"". The Credit Facility and any Alternate Credit Facility are defined under the Trust Agreement as the "Credit Facility." See "THE BANK" and "THE CREDIT FACILITY AND REIMBURSEMENT AGREEMENT."

The rating on the 2008 Certificates is based upon the availability of the Credit Facility. Accordingly, detailed information on the finances and operations of the City is not attached to this Remarketing Memorandum. However, general information regarding the City and the Water System can be found in "APPENDIX C - GENERAL INFORMATION REGARDING THE CITY OF CORCORAN AND KINGS COUNTY" and "APPENDIX D - THE WATER SYSTEM OF THE CITY OF CORCORAN" respectively.

Interest Rate Swap Agreement. The City entered into a interest rate swap agreement with Piper Jaffray Financial Products, Inc. (the "Swap Counterparty") and a Replacement Swap Undertaking with Morgan Stanley Capital Services Inc., as a credit support provider to the Swap Counterparty. The City Payments under the swap agreement, except for potential termination payments, are payable on a parity with the Installment Payments and debt service payments on the 2012 Bonds. See "SECURITY FOR THE 2008 CERTIFICATES – Parity Debt - Interest Rate Swap Agreement" herein.

Remarketing of 2008 Certificates. The extension of the Credit Facility and the amendments to the Original Trust Agreement, the Original Installment Sale Agreement and the Remarketing Agreement, dated as of September 1, 2012 (the "Remarketing Agreement") were approved by resolution of the City on August 20, 2012, subject to, among other conditions, receipt by the Trustee of an opinion of Special Counsel. Certain legal matters will be passed

upon for the Bank by its counsel, _____. The 2008 Certificates are available in New York, New York through the facilities of DTC, as of _____, 2012.

Limited Obligation. The 2008 Certificates are repayable only from certain money available to the City from the Water System. For a discussion of some of the risks associated with the purchase of the 2008 Certificates, see “2008 CERTIFICATE OWNERS’ RISKS” herein.

Neither the 2008 Certificates nor the obligation to pay principal of or interest thereon constitutes a debt of the City, the State of California or any of its political subdivisions within the meaning of any constitutional limitation on indebtedness, or a pledge of the full faith and credit of the City. The 2008 Certificates are secured solely by the pledge of Net Revenues of the City’s Water System and certain funds held under the Trust Agreement.

”THE 2008 CERTIFICATES

Authority to Execute and Deliver the 2008 Certificates

The 2008 Certificates were executed and delivered pursuant to a resolution adopted by the City Council of the City on March 17, 2008 and the Original Trust Agreement.

Ownership interests in the 2008 Certificates while in the Daily Rate or Weekly Rate will be in denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000.

General 2008 Certificate Terms

This Remarketing Memorandum describes certain terms of the 2008 Certificates applicable while the 2008 Certificates are in a Daily Rate or a Weekly Rate. There are significant changes in the terms applicable to the 2008 Certificates in other Interest Rate Modes. This Remarketing Memorandum is not intended to provide information with respect to the 2008 Certificates during any Rate Period other than a Weekly Rate Period or a Daily Rate Period. Any terms not defined in this section shall have the meanings assigned to them in APPENDIX A attached hereto.

The 2008 Certificates are dated March 27, 2008, bear interest at the Weekly Rate (payable on the first Business Day of each calendar month) and will mature and become payable on July 1, 2036. The 2008 Certificates are on deposit with DTC, as book-entry certificates, without coupons, registered in the name of Cede & Co., as nominee of DTC, as described herein, in minimum denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000 while bearing interest at a Daily Rate, Weekly Rate or a Commercial Paper Rate. The 2008 Certificates will not be available in certificated form except in the event that DTC is replaced as depository or the decision is made by the City to deliver the 2008 Certificates in certificated form. For additional information concerning the book-entry system, see APPENDIX F attached hereto.

Until changed as described below, the 2008 Certificates will be in a Weekly Rate mode and will bear interest at the applicable Weekly Rate. Thereafter, the 2008 Certificates may be converted from time to time among a Daily Rate, a Weekly Rate, a Commercial Paper Rate, an Auction Rate, or a Long-Term Rate.

Determination of Weekly Rates

During each Weekly Rate Period for the 2008 Certificates, such 2008 Certificates shall bear interest at the Weekly Rate, which shall be determined by the Remarketing Agent for the 2008 Certificates by no later than 5:00 p.m. (New York City time) on Wednesday of each week during such Weekly Rate Period, or if such day shall not be a Business Day, then on the next succeeding Business Day. The first Weekly Rate determined for each Weekly Rate Period shall be determined on or prior to the first day of such Weekly Rate Period and shall apply to the period commencing on the first day of such Weekly Rate Period and ending on the next succeeding Wednesday (whether or not a Business Day). Thereafter, each Weekly Rate shall apply to the period commencing on Thursday (whether or not a Business Day) and ending on the next succeeding Wednesday (whether or not a Business Day), unless such Weekly Rate Period shall end on a day other than Wednesday, in which event the last Weekly Rate for such Weekly Rate Period shall apply to the period commencing on Thursday (whether or not a Business Day) preceding the last day of such Weekly Rate Period and ending on the last day of such Weekly Rate Period. The Weekly Rate shall be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if borne by such 2008 Certificates under Prevailing Market Conditions, would enable the Remarketing Agent to sell such 2008 Certificates on the effective date of such rate at a price (without regarding accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Weekly Rate for any week, then the Weekly Rate for such week shall be the same as the Weekly Rate for the immediately preceding week if the Weekly Rate for such preceding week was determined by the Remarketing Agent. In the event that the Weekly Rate for the immediately preceding week was not determined by the Remarketing Agent, or in the event that the Weekly Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such week shall be equal to the Variable Index on the day such Weekly Rate would otherwise be determined as provided herein for such Weekly Rate Period.

Determination of Daily Rates

During each Daily Rate Period for a Series of 2008 Certificates, such 2008 Certificates shall bear interest at the Daily Rate, which shall be determined by the Remarketing Agent by no later than 9:30 a.m. (New York City time) on each Business Day. The Daily Rate shall be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if borne by such 2008 Certificates under Prevailing Market Conditions, would enable the Remarketing Agent to sell such 2008 Certificates on the effective date of such rate at a price (without regarding accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Daily Rate for any Business Day, then the Daily Rate for such Business Day shall be equal to the Variable Index on such Business Day.

Conversion

Conversion to Daily Rate. Subject to the Trust Agreement, at any time, the City, with the written consent of the Bank (which consent may not be unreasonably withheld), by written direction to the Trustee and the Remarketing Agent, may elect that the 2008 Certificates shall bear interest at a Daily Rate. Such direction of the City shall specify the proposed Conversion Date for such Conversion to a Daily Rate Period, which shall be a Business Day not earlier than the 20th day following receipt by the Trustee of such direction.

In addition, if the Conversion is from other than a Weekly Rate, such direction shall be accompanied by a letter of Special Counsel that it expects to be able to give a Favorable Opinion of Special Counsel on the Conversion Date. During each Daily Rate Period

commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Rate Period, the interest rate borne by the 2008 Certificates shall be a Daily Rate.

Notice of Conversion to Daily Rate. The Trustee shall give notice by first-class mail of a Conversion to a Daily Rate Period to the Bank and the Owners of the 2008 Certificates not less than 15 days prior to the proposed effective date of such Daily Rate Period. Such notice shall state: (i) that the interest rate on the 2008 Certificates will be adjusted to a Daily Rate unless Special Counsel fails to deliver a Favorable Opinion of Special Counsel to the Trustee, the City and the Remarketing Agent on the Conversion Date; (ii) the proposed Conversion Date for such Daily Rate Period; and (iii) if the Conversion is from other than a Weekly Rate, that such 2008 Certificates are subject to mandatory tender for purchase on such proposed Conversion Date and setting forth the applicable Purchase Price and the place of delivery for purchase of such 2008 Certificates.

Conversion to Auction Period. Subject to the Trust Agreement, at any time, the City, with the written consent of the Bank (which consent may not be unreasonably withheld) by written direction to the Trustee and the Remarketing Agent, may elect that the 2008 Certificates shall bear interest at an Auction Rate. Such direction of the City shall specify the proposed Conversion Date for such Conversion to an Auction Period, which shall be: (i) a Business Day not earlier than the 20th day following receipt by the Trustee of such direction, and (ii) in the case of Conversion from a Daily Rate Period or a Weekly Rate Period, the date immediately following an Interest Period during the Daily Rate Period or Weekly Rate Period, respectively. In addition, such direction shall be accompanied by a letter of Special Counsel that it expects to be able to give a Favorable Opinion of Special Counsel on the Conversion Date. In addition, such direction shall confirm the appointment of an Auction Agent, the initial Broker-Dealer(s) and the Market Agent and shall specify the initial Auction Date. During each Auction Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Rate Period, the interest rate borne by 2008 Certificates shall be an Auction Rate.

The Trustee shall give notice by first-class mail of a Conversion to an Auction Period to the Owners of the 2008 Certificates not less than 15 days prior to the proposed effective date of such Auction Period. Such notice shall state: (i) that the interest rate on such 2008 Certificates will be adjusted to an Auction Rate unless Special Counsel fails to deliver a Favorable Opinion of Special Counsel to the Trustee, the City and the Remarketing Agent on the Conversion Date; (ii) the proposed Conversion Date for such Auction Period; and (iii) that such 2008 Certificates are subject to mandatory tender for purchase on such proposed Conversion Date and setting forth the applicable Purchase Price and the place of delivery for purchase of such 2008 Certificates.

Conversion to Weekly Rate. Subject to the Trust Agreement, at any time, the City, with the written consent of the Bank (which consent may not be unreasonably withheld), by written direction to the Trustee and the Remarketing Agent (and, in the case of Conversion from an Auction Period, the Broker-Dealer), may elect that a Series of the 2008 Certificates shall bear interest at a Weekly Rate. Such direction of the City shall specify the proposed Conversion Date for such Conversion to a Weekly Rate Period, which shall be a Business Day not earlier than the 20th day following receipt by the Trustee of such direction. In addition, if the Conversion is from other than a Daily Rate, such direction shall be accompanied by a letter of Special Counsel that it expects to be able to give a Favorable Opinion of Special Counsel on the Conversion Date. During each Weekly Rate Period commencing on a date so specified and ending on the day

immediately preceding the effective date of the next succeeding Rate Period, the interest rate borne by the 2008 Certificates shall be a Weekly Rate.

The Trustee shall give notice by first-class mail of a Conversion to a Weekly Rate Period to the Bank and the Owners of such Series of 2008 Certificates not less than 15 days prior to the proposed effective date of such Weekly Rate Period. Such notice shall state: (i) that the interest rate on such 2008 Certificates will be adjusted to a Weekly Rate unless, if the Conversion is from other than a Daily Rate, Special Counsel fails to deliver a Favorable Opinion of Special Counsel to the Trustee and the City on the Conversion Date; (ii) the proposed Conversion Date for such Weekly Rate Period; and (iii) if the Conversion is from other than a Daily Rate Period, that such 2008 Certificates are subject to mandatory tender for purchase on such proposed Conversion Date and setting forth the applicable Purchase Price and the place of delivery for purchase of such 2008 Certificates.

Conversion to or Continuation of Long-Term Rate. Subject to the Trust Agreement, at any time, the City, with the written consent of the Bank (which consent may not be unreasonably withheld) by written direction to the Trustee and the Remarketing Agent, may elect that a Series of 2008 Certificates shall bear interest at a Long-Term Rate, provided that: (i) at least seven days prior to such Long-Term Conversion Date, the Trustee shall have received a copy of a firm commitment or a bond purchase agreement in customary written form satisfactory to the Trustee from an underwriter acceptable to the City to purchase all 2008 Certificates by 12:00 noon (New York City time) on such proposed Long-Term Conversion Date; (ii) at or prior to 12:00 noon (New York City time) on such proposed Long-Term Conversion Date, the Trustee shall have received the Purchase Price of such 2008 Certificates from the underwriter under the firm commitment or bond purchase agreement, and (iii) on or prior to the Long-Term Conversion Date, the Favorable Opinion of Special Counsel shall have been received by the Trustee and confirmed to the Remarketing Agent. If a notice of a proposed Conversion to a Long-Term Rate Period has been provided to the Owners pursuant to the Trust Agreement but the Trustee shall not have received the entire amount owed with respect to all specified 2008 Certificates on the Long-Term Conversion Date, or if any other condition precedent to the adjustment to the Long-Term Rate Period shall not have been met, then the specified 2008 Certificates shall be subject to mandatory tender for purchase pursuant but the proposed conversion to the Long-Term Rate Period shall not take place. In the event that the City shall elect that the 2008 Certificates shall bear interest at a Long-Term Rate, the direction of the City required by the first sentence of this paragraph, (i) shall specify the duration of the Long-Term Rate Period during which such 2008 Certificates shall bear interest at such Long-Term Rate or Rates; (ii) shall specify the proposed Long-Term Conversion Date, which date shall be a Business Day not earlier than the 20th day following receipt by the Trustee of such direction; (iii) shall specify the last day of such Long-Term Rate Period (which last day shall be either the day immediately prior to the maturity date, or a day which both immediately precedes a Business Day and is at least 271 days after the effective date thereof); (iv) shall specify a date or dates on or prior to which Owners are required to deliver such 2008 Certificates to be purchased.

The direction of the City described above shall be accompanied by a letter of Special Counsel that it expects to be able to give a Favorable Opinion of Special Counsel on the Long-Term Conversion Date and by a form of the notice to be mailed by the Trustee to the Owners of such 2008 Certificates as provided in the Trust Agreement. During the Long-Term Rate Period commencing and ending on the dates so determined and during each successive Long-Term Rate Period, if any, so determined, the interest rate borne by such 2008 Certificates shall be a Long-Term Rate. If, by the second Business Day preceding the 29th day prior to the last day of any Long-Term Rate Period which ends on a day other than the day immediately preceding the

maturity date of such 2008 Certificates, the Trustee shall not have received notice of the City's election that, during the next succeeding Rate Period, such 2008 Certificates shall bear interest at a Weekly Rate or a Long-Term Rate or at Commercial Paper Rate, the next succeeding Rate Period shall be a Weekly Rate Period until such time as the interest rate on such 2008 Certificates shall be adjusted to a Long-Term Rate or Commercial Paper Rate as provided in the Trust Agreement.

The Trustee shall give notice by first-class mail of Conversion to a Long-Term Rate Period to Bank and the Owners of such 2008 Certificates not less than fifteen days prior to the proposed Long-Term Conversion Date for such Long-Term Rate Period. Such notice shall state: (i) that the interest rate on such 2008 Certificates shall be adjusted to, or continue to be, a Long-Term Rate unless Special Counsel fails to deliver a Favorable Opinion of Special Counsel to the Trustee, the City and the Remarketing Agent as to such adjustment in the Rate Period on the Long-Term Conversion Date or any of the other conditions in the Trust Agreement are not met; (ii) the proposed Long-Term Conversion Date; and (iii) that such 2008 Certificates are subject to mandatory tender for purchase on such proposed Long-Term Conversion Date and setting forth the applicable Purchase Price and the place of delivery for purchase of such 2008 Certificates.

Conversion to Commercial Paper Rates. Subject to the Trust Agreement, at any time, the City, with the written consent of the Bank (which consent may not be unreasonably withheld), by written direction to the Trustee and the Remarketing Agent, may elect that 2008 Certificates shall bear interest at Commercial Paper Rates. Such direction of the City shall specify the proposed Conversion Date for the Commercial Paper Rate Period (during which such 2008 Certificates shall bear interest at Commercial Paper Rates), which shall be (i) a Business Day not earlier than the 20th day following receipt by the Trustee of such direction, and (iii) in the case of Conversion from a Weekly Rate Period, the day immediately following the last day of such Rate Period with respect to such 2008 Certificates. In addition, the direction of the City shall be accompanied by a letter of Special Counsel that it expects to be able to give a Favorable Opinion of Special Counsel on the Conversion Date and a form of the notice to be mailed by the Trustee to the Owners of such 2008 Certificates as provided in the Trust Agreement. During each Commercial Paper Rate Period commencing on the date so specified and ending, with respect to each such 2008 Certificate, on the day immediately preceding the effective date of the next succeeding Rate Period with respect to such 2008 Certificate, each such 2008 Certificate shall bear interest at a Commercial Paper Rate during each Commercial Paper Rate for such 2008 Certificate.

The Trustee shall give notice by first-class mail of Conversion to a Commercial Paper Rate Period to the Bank and the Owners of the specified 2008 Certificates not less than 15 days prior to the proposed Conversion Date for such Commercial Paper Rate Period. Such notice shall state: (i) that such 2008 Certificates shall bear interest at Commercial Paper Rates unless Special Counsel fails to deliver a Favorable Opinion of Special Counsel to the Trustee, the City and the Remarketing Agent as to such Conversion on the Conversion Date or the other conditions precedent to such adjustment are not met; (ii) the proposed effective date of such Commercial Paper Rate Period; (iii) that such 2008 Certificates are subject to mandatory tender for purchase on such proposed Conversion Date for such Commercial Paper Rate Period, regardless of whether any or all conditions precedent to the adjustment are met, and setting forth the applicable Purchase Price and the place of delivery for purchase of such 2008 Certificates.

Conversion; Cancellation of Conversion. In the event that the City shall elect to adjust the interest rate with respect to the 2008 Certificates to an Auction Rate, a Daily Rate, a Long-Term Rate or Commercial Paper Rate as provided in the Trust Agreement, then the written direction furnished by the City to the Trustee, the Bank and the Remarketing Agent as required shall be made by registered or certified mail, or by telecopy, confirmed by registered or certified mail. Any such direction of the City shall specify whether the 2008 Certificates are to bear interest at the Daily Rate, the Auction Rate, Commercial Paper Rate or the Long-Term Rate and shall be accompanied by a copy of the notice required to be given by the Trustee pursuant to the Trust Agreement. Notwithstanding anything in the Trust Agreement, in connection with any Conversion of the Interest Rate Mode on the 2008 Certificates, the City shall cause a Favorable Opinion of Special Counsel to be provided to the Trustee, the City and the Remarketing Agent on the proposed Conversion Date. In the event that Special Counsel fails to deliver a Favorable Opinion of Special Counsel or any other condition precedent to such adjustment is not met on the proposed Conversion Date, then the Interest Rate Mode for such 2008 Certificates shall not be adjusted, and the 2008 Certificates shall continue to bear interest at the Weekly Rate as in effect immediately prior to such proposed adjustment in the Rate Period. In any event, if notice of such adjustment has been mailed to the Owners of such 2008 Certificates as provided in the Trust Agreement and any conditions set forth in the applicable provisions of the Trust Agreement have not been met, such 2008 Certificates shall continue to be subject to mandatory tender for purchase on the date which would have been the proposed effective date of such adjustment as provided in the Trust Agreement.

The City may cancel its election to adjust the Interest Rate Mode on the 2008 Certificates on any date prior to the date on which notice of such Conversion has been mailed the Owners of such 2008 Certificates as provided in the Trust Agreement upon notice to the Trustee and the Remarketing Agent. In such event, such 2008 Certificates shall remain in the current Interest Rate Mode and the interest rate on such 2008 Certificates shall continue to be determined as provided in the Trust Agreement.

Optional Tender

During Weekly Rate Period. If the Interest Rate Mode is the Weekly Rate, any 2008 Certificate shall be purchased on the demand of the Owner thereof on any Business Day during a Weekly Rate Period at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the Purchase Date, upon written notice to the Trustee, at its Trust Office at or before 5:00 p.m. (New York City time) on a Business Day not later than the seventh day prior to the Purchase Date, which notice (a) states the number and principal amount (or portion thereof) of such 2008 Certificate to be purchased, (b) states the Purchase Date on which such 2008 Certificate shall be purchased and (c) irrevocably requests such purchase and agrees to deliver 2008 Certificate, duly endorsed in blank for transfer, with all signatures guaranteed, to the Trustee at or prior to 12:00 Noon (New York City time) on such Purchase Date.

During Daily Rate Period. If the Interest Rate Mode is the Daily Rate, any 2008 Certificate shall be purchased on the demand of the Owner thereof on any Business Day during a Daily Rate Period at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the Purchase Date upon written notice or Electronic Notice to the Trustee, at its Trust Office not later than 10:30 a.m. (New York City time) on the Business Day prior to the Purchase Date specified in such owner's demand for purchase, which notice (a) states the Series, number and principal amount (or portion thereof) of such 2008 Certificate to be purchased, (b) states the Purchase Date on which such 2008 Certificate shall be purchased and (c) irrevocably requests such purchase and agrees to deliver such 2008 Certificate, duly

endorsed in blank for transfer, with all signatures guaranteed, to the Trustee at or prior to 12:00 noon (New York City time) on such Purchase Date.

Notwithstanding any other provision of the Trust Agreement, the Owner of a 2008 Certificate may demand purchase of a portion of such 2008 Certificate only if the portion to be purchased and the portion to be retained by such Owner each will be in an Authorized Denomination.

Mandatory Tender

Mandatory Purchase on Conversion Date. The 2008 Certificates shall be subject to mandatory purchase at a purchase price equal to the principal amount thereof plus accrued interest, if any, on each Conversion Date other than a Conversion Date converting the Interest Rate Mode from a Daily Rate to a Weekly Rate or from a Weekly Rate to a Daily Rate.

Mandatory Purchase Upon Delivery of Alternate Credit Facility. The 2008 Certificates shall be subject to mandatory purchase on the effective date of an Alternate Credit Facility.

Mandatory Tender Upon Failure to Renew Credit Facility. The 2008 Certificates shall be purchased on the fifth Business Day preceding the date of expiration of the Credit Facility if a notice of renewal of the Credit Facility is not delivered by the Bank to the Trustee at least 25 days prior to the scheduled expiration of the Credit Facility.

Mandatory Tender Upon Termination of Credit Facility. The 2008 Certificates shall be purchased on the Business Day preceding the date of termination of the Credit Facility.

Mandatory Tender Upon Default Under Reimbursement Agreement. The 2008 Certificates secured by a Credit Facility shall be purchased on a Business Day within 7 days after receipt by the Trustee of written notification from the Bank that an event of default under the Reimbursement Agreement has occurred and is continuing and instructing the Trustee to call for a mandatory tender of the 2008 Certificates.

Notice of Mandatory Tender of Purchase. Notice of a mandatory tender (other than mandatory tender upon default under the Reimbursement Agreement) shall be given at least 25 days prior to the date of mandatory tender, or, in the event the Trustee does not have notice of the occurrence of the event which requires mandatory tender at least 25 days prior to the date of mandatory tender, notice shall be given as soon as practicable upon receipt of notice by the Trustee.

Upon the occurrence of an event of default under the Reimbursement Agreement, the Trustee shall promptly mail a notice to all Owners of the 2008 Certificates stating that the 2008 Certificates will be subject to mandatory tender on a purchase date selected by the Trustee.

Notices given in connection with a mandatory tender shall state: (i) that the Purchase Price of any 2008 Certificate so subject to mandatory tender for purchase shall be payable only upon surrender of such 2008 Certificate to the Trustee at its Trust Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Trustee, executed in blank by the Owner thereof or by the Owner's duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange; (ii) that all 2008 Certificates so subject to mandatory tender for purchase shall be purchased on the

mandatory purchase date which shall be explicitly stated; and (iii) that in the event that any Owner of a 2008 Certificate so subject to mandatory tender for purchase shall not surrender such 2008 Certificate to the Trustee for purchase on such mandatory purchase date, then such 2008 Certificate shall be deemed to be an Undelivered 2008 Certificate, and that no interest shall accrue thereon on and after such mandatory purchase date and that the Owner thereof shall have no rights under this Trust Agreement other than to receive payment of the Purchase Price thereof.

Notice of Alternate Credit Facility. Whenever the City has delivered to the Trustee notice of delivery of an Alternate Credit Facility, the Trustee shall mail a notice to all Owners of the 2008 Certificates, with a copy to the Bank, stating: (i) the name of the issuer of the Alternate Credit Facility, (ii) the date on which the Alternate Credit Facility will become effective, (iii) the rating expected to apply to the 2008 Certificates after the Alternate Credit Facility is delivered, and (iv) if the 2008 Certificates bear interest at a Weekly Rate, Daily Rate or Commercial Paper Rate, notice that the 2008 Certificates will be subject to mandatory tender for purchase on the effective date of the Alternate Credit Facility. Such notice shall be mailed at least 15 days prior to the effective date of the Alternate Credit Facility.

Prepayment

Special Prepayment. The 2008 Certificates shall be subject to prepayment as a whole on any date, or in part on any Interest Payment Date, pro rata among maturities, and by lot within a maturity, to the extent of the Net Proceeds of hazard insurance not used to repair or rebuild the Water System or the Net Proceeds of condemnation awards received with respect to the Water System to be used for such purpose pursuant to the Trust Agreement, at a Prepayment Price equal to the principal amount of the 2008 Certificates plus interest accrued thereon to the date fixed for prepayment, without premium.

Mandatory Sinking Fund Prepayment. The 2008 Certificates are subject to mandatory prepayment in part from Sinking Fund Installments to be made by the City on July 1, 2013 and on each July 1 thereafter up to and including July 1, 2036, at a Prepayment Price equal to the principal amount thereof plus accrued interest, if any, to the prepayment date without premium, as follows:

**Redemption Dates
(July 1)**

**Principal
Amount**

Any Bank Certificates are subject to prepayment in accordance with the terms of the applicable Credit Facility.

Optional Prepayment. Whenever the Interest Rate Mode is the Daily Rate or Weekly Rate, such 2008 Certificates shall be subject to prepayment prior to their stated maturity at the option of the City, in whole or in part on any Interest Payment Date with respect to such 2008 Certificates (in such amounts as may be specified by the City), by lot, at the principal amount thereof, without premium.

Selection of 2008 Certificates for Prepayment. Whenever provision is made in the Trust Agreement for the prepayment of less than all of the 2008 Certificates, the Trustee shall select the 2008 Certificates to be redeemed, from all 2008 Certificates subject to prepayment or such given portion thereof not previously called for prepayment, by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair. Any Bank Certificates shall be prepaid in accordance with the applicable provisions of the Credit Facility and shall be prepaid before any other 2008 Certificates.

Notice of Prepayment. Notice of prepayment shall be mailed by the Trustee by first class mail, not less than 30 days (15 days if the Interest Rate Mode for such 2008 Certificates is an Auction Rate) nor more than 60 days prior to the prepayment date, to the respective Owners of any 2008 Certificates designated for prepayment at their addresses appearing on the bond registration books of the Trustee. Any 2008 Certificate which is remarketed subsequent to a notice of prepayment being delivered, but prior to the date of such prepayment, shall be delivered to the purchaser thereof accompanied by such notice. The Trustee shall also give notice of prepayment by overnight mail or by such other method acceptable to the Bank and such institutions to such securities depositories and/or securities information services as shall be designated in a Certificate of the City. Each notice of prepayment shall state the date of such notice, the date of issue of the 2008 Certificates the prepayment date, the Prepayment Price, the place or places of prepayment (including the name and appropriate address or addresses of the Trustee), the CUSIP numbers, if any, and, in the case of 2008 Certificates to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said 2008 Certificates the Prepayment Price thereof or of said specified portion of the principal amount thereof in the case of a 2008 Certificate to be redeemed in part only, together with interest accrued thereon to the prepayment date, and that from and after such prepayment date interest thereon shall cease to accrue, and shall require that such 2008 Certificates be then surrendered.

Failure by the Trustee to give notice of prepayment pursuant to the Trust Agreement to any one or more of the securities information services or depositories designated by the City, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for prepayment. Failure by the Trustee to mail notice of prepayment pursuant to the Trust Agreement to any one or more of the respective Owners of any 2008 Certificates designated for prepayment shall not affect the sufficiency of the proceedings for prepayment with respect to the Owners to whom such notice was mailed.

Conditional notice of optional prepayment may be given at the direction of the City, provided however that prior to or contemporaneously with any withdrawal or rescission of any notice of prepayment, the Trustee and the Tender Agent receive written confirmation from the Bank of the full reinstatement, if any, of the Credit Facility.

Any prepayment notice given pursuant to the Trust Agreement may be rescinded by written notice given to the Trustee by the City no later than five Business Days prior to the date specified for prepayment. The Trustee shall give notice of such rescission as soon thereafter as

practicable in the same manner, and to the same persons, as notice of such prepayment was given pursuant to the Trust Agreement.

Partial Prepayment of 2008 Certificates. Upon surrender of any 2008 Certificate redeemed in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the City, a new 2008 Certificate or 2008 Certificates of authorized denominations, equal in aggregate principal amount to the unredeemed portion of the 2008 Certificate surrendered.

Effect of Prepayment. Notice of prepayment having been duly given as aforesaid, and moneys for payment of the Prepayment Price of the 2008 Certificates (or portions thereof) so called for prepayment being held by the Trustee, on the prepayment date designated in such notice, the 2008 Certificates (or portions thereof) so called for prepayment shall become due and payable at the Prepayment Price specified in such notice and interest accrued thereon to the prepayment date, interest on the 2008 Certificates so called for prepayment shall cease to accrue, said 2008 Certificates (or portions thereof) shall cease to be entitled to any benefit or security under the Trust Agreement, and the Owners of said 2008 Certificates shall have no rights in respect thereof except to receive payment of said Prepayment Price and accrued interest to the date fixed for prepayment from funds held by the Trustee for such payment. All 2008 Certificates prepaid pursuant to the provisions of this Article shall be canceled upon surrender thereof and delivered to or upon the Order of the City.

Purchase and Remarketing of 2008 Certificates

Purchase of 2008 Certificates. Any 2008 Certificates tendered to the Trustee for purchase will be held in trust for the benefit of the respective Owners of such 2008 Certificates until moneys representing the Purchase Price of such 2008 Certificates have been delivered to such Owners. The term "Purchase Price" of any Purchased 2008 Certificate means the principal amount thereof plus accrued interest to, but not including, the Purchase Date; provided, however, that if the Purchase Date for any Purchased 2008 Certificate is an Interest Payment Date, the Purchase Price thereof will be the principal amount thereof, and interest with respect to such 2008 Certificate will be paid to the Owner of such 2008 Certificate pursuant to the Trust Agreement.

The Purchase Price of Purchased 2008 Certificates will be paid by the Trustee or Tender Agent at or before 4:00 p.m. (New York City time) on the Purchase Date from the proceeds of the sale of such 2008 Certificates received from the Remarketing Agent and, to the extent sufficient remarketing proceeds to pay the Purchase Price are not received, from draws on the Credit Facility. The Trustee will draw on the Credit Facility pursuant to the terms thereof or of the Reimbursement Agreement (or, if at any time there is an Alternate Credit Facility, then pursuant to the requirements of such Alternate Credit Facility) on the Purchase Date in the amount necessary, when added to the proceeds of the remarketing of the 2008 Certificates delivered to the Trustee from the Remarketing Agent to provide to the Trustee or the Tender Agent the balance of the funds needed to purchase tendered 2008 Certificates on the Purchase Date. Such moneys will be used only to pay the Purchase Price as provided in the Trust Agreement, and if not so used will be promptly returned to the Bank. If the 2008 Certificates are not Book-Entry Bonds, all amounts received from a draw under the Credit Facility will be transferred immediately by the Trustee to the Tender Agent to purchase tendered 2008 Certificates on the Purchase Date. Until applied to pay the Purchase Price or returned to the Bank, all such amounts will be deposited in the Credit Facility Account established under the Trust Agreement

and until so applied will be held uninvested in trust for the benefit of the Owners tendering such 2008 Certificates for purchase.

Remarketing. Pursuant to the Remarketing Agreement, the Remarketing Agent has agreed to: (i) determine the interest rates applicable to such 2008 Certificates and give notice to the Trustee of such rates and periods in accordance with the Trust Agreement; (ii) keep such books and records as shall be consistent with prudent industry practice; and (iii) use its best efforts to remarket 2008 Certificates in accordance with the Trust Agreement. The Remarketing Agent shall hold all amounts received by it in accordance with any remarketing of 2008 Certificates pursuant to the Trust Agreement in trust only for the benefit of the Owners of tendered 2008 Certificates and shall not commingle such amounts with any other moneys.

Unclaimed Moneys. Any moneys held by the Trustee in the Purchase Fund remaining unclaimed by the Owners of the Purchased 2008 Certificates which were to have been purchased for two years after the respective Purchase Date for such Purchased 2008 Certificates shall be paid, upon the written request of the City to the City, against written receipt therefor. The Owners of Purchased 2008 Certificates who have not yet claimed money in respect of such 2008 Certificates shall thereafter be entitled to look only to the Trustee, to the extent it shall hold moneys on deposit in the Purchase Fund or the City to the extent moneys have been transferred in accordance with the Trust Agreement.

No Remarketing Under Certain Conditions. Notwithstanding anything in the Trust Agreement to the contrary, there will be no remarketing of 2008 Certificates under the Trust Agreement: (1) upon the occurrence of and the continuing of certain Events of Default, (2) upon receipt by the Trustee of written notification from the Bank that an event of default under the Reimbursement Agreement has occurred and is continuing and instructing the Trustee to call for a mandatory tender of the 2008 Certificates, or (3) for the period during which the Trustee has notice that the amount available to be drawn under the Credit Facility will not or has not been reinstated, or (4) at any time when no Credit Facility is in effect.

See “2008 CERTIFICATE OWNERS’ RISKS - Special Considerations Relating to the 2008 Certificates Bearing Interest at a Variable Rate” herein for a discussion of certain risks associated with variable rate securities.

Book-Entry Only System

The 2008 Certificates are on deposit with DTC, as book-entry certificates, without coupons, registered in the name of Cede & Co., as nominee of DTC, as described herein, in minimum denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000 while bearing interest at a Daily Rate, Weekly Rate or a Commercial Paper Rate. The 2008 Certificates will not be available in certificated form except in the event that DTC is replaced as depository or the decision is made by the City to deliver the 2008 Certificates in certificated form. See “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM” herein.

For so long as DTC is effecting book-entry of the 2008 Certificates, the Trustee will provide the mandatory tender notice described above to DTC. It is expected that DTC will, in turn, notify its participants and that the participants, in turn, will notify or cause to be notified, the Beneficial Owners of the 2008 Certificates. The Authority, the Trustee, and the City will have no responsibility or liability in connection with the failure on the part of DTC or a participant, or failure on the part of a nominee of a Beneficial Owner of a 2008 Certificate, to notify the Beneficial Owner of the 2008 Certificate so affected, and such failure shall not affect the validity of a

mandatory tender for such 2008 Certificate. See “APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

SECURITY FOR THE 2008 CERTIFICATES

The general fund of the City is not liable and the credit or taxing power of the City is not pledged for the Installment Payments or the payment of the principal, Purchase Price, or Prepayment Price of and interest represented by the 2008 Certificates. The Owner of the 2008 Certificates may not compel the exercise of the taxing power by the City or the forfeiture of its property. The principal and interest represented by the 2008 Certificates are not a debt of the City, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of its property, or upon any of its income, receipts, or revenues except the Net Revenues of the Water System.

The Credit Facility

Payment of the principal of and interest with respect to, and purchase price of, the 2008 Certificates will be made from proceeds of draws on the Credit Facility. Pursuant to the Reimbursement Agreement, the scheduled expiration date of the Credit Facility is _____, 201____, unless extended or earlier terminated prior thereto as described herein. See “THE BANK” and “THE CREDIT FACILITY AND REIMBURSEMENT AGREEMENT.”

Installment Payments

Each 2008 Certificate represents a direct, undivided fractional interest in installment payments (the “Installment Payments”) required to be made by the City to the Authority under the Installment Sale Agreement. The Authority, pursuant to the Assignment Agreement, has assigned certain of its rights under the Installment Sale Agreement to the Trustee for the benefit of the Owners, including its right to receive Installment Payments and prepayments made under the Installment Sale Agreement and its rights to enforce payment of the Installment Payments when due in the event of a default by the City.

Net Revenues; Pledge of Net Revenues

The obligation of the City to make Installment Payments constitutes a special obligation of the City payable solely from a first lien on a parity with the obligation to pay debt service payments on the 2012 Bonds and Parity Debt, subject to the issuance of additional Parity Debt, on the Net Revenues (defined below), certain net proceeds of insurance or condemnation proceedings pertaining to the Water System to the extent that such net proceeds are not used for the repair, reconstruction or replacement of the Water System pursuant to the Installment Sale Agreement, and certain interest and other income derived from the investment of moneys held in funds and accounts held by the Trustee for the City pursuant to the Trust Agreement. See “Parity Debt” below. The 2008 Certificates are not secured by a direct lien on the Water System or any other property of the City.

Net Revenues. The Trust Agreement provides that the principal represented by the 2008 Certificates and the interest and prepayment premium, if any, thereon are payable from Net Revenues and that the Net Revenues constitute a trust fund for the security and payment of the principal and interest represented by the 2008 Certificates, on a parity basis with Parity Debt.

“Net Revenues” are defined in the Trust Agreement as, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Expenses becoming payable during such period.

“Gross Revenues” are defined in the Trust Agreement as, all gross charges (including surcharges, if any) received for, and all other gross income and receipts derived by the City from, the ownership and operation of the Water System or otherwise arising from the Water System, including but not limited to (a) connection charges, (b) investment earnings on amounts held in the Water Fund or in any other fund established with respect to the Water System, and (c) rental income related to the Water System. Gross Revenues does not include (i) refundable deposits made to establish credit, (ii) the proceeds of any ad valorem property taxes, and (iii) the proceeds of any special assessments or special taxes levied upon real property within any improvement district served by the City for the purpose of paying special assessment bonds or special tax obligations of the City relating to the Water System. Gross Revenues shall also include interest with respect to any Parity Debt reimbursed to or on behalf of the City by the United States of America, and shall include and including moneys in the Rate Stabilization Fund that have been designated and pledged as “Gross Revenues” for a Fiscal Year pursuant to the Installment Sale Agreement.

“Operation and Maintenance Expenses” are defined in the Trust Agreement as the reasonable and necessary costs and expenses paid by the City to maintain and operate the Water System, including but not limited to (a) costs of acquisition of water to be supplied by the Water System, (b) costs of electricity and other forms of energy supplied to the Water System, (c) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water System in good repair and working order, and (d) the reasonable administrative costs of the City attributable to the operation and maintenance of the Water System. Operation and Maintenance Expenses do not include (i) debt service payable on obligations incurred by the City with respect to the Water System, including but not limited to the Installment Payments and any Parity Debt, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

First Lien on Net Revenues. Under the Installment Sale Agreement, the City agrees that the payment of the Installment Payments shall be secured by a pledge, charge and first and prior lien upon Net Revenues, subject to Parity Debt (including the 2012 Bonds), and Net Revenues sufficient to pay the Installment Payments as they become due and payable are pledged, charged, assigned, transferred and set over by the City to the Authority and its assigns for the purpose of securing payment of the Installment Payments. The Net Revenues shall constitute a trust fund for the security and payment of the Installment Payments. The Net Revenues may not be used for any other purpose while any of the Certificates remain Outstanding, except that out of Net Revenues there may be apportioned and paid such sums for such purposes, as are expressly permitted by the Trust Agreement. See “Parity Debt” below.

Water Revenue Fund

In order to carry out and effectuate the pledge and lien of Net Revenues to payment of debt service on the 2008 Certificates, the City covenants in the Trust Agreement that all Gross Revenues shall be received by the City in trust under the Trust Agreement and shall be deposited when and as received into the Water Revenue Fund (the “Water Revenue Fund”), which fund the City covenants to maintain so long as any 2008 Certificates remain Outstanding.

All Gross Revenues shall be applied, transferred, used and withdrawn only for the purposes hereinafter authorized in the Trust Agreement, which include the following.

(1) **Operating Costs.** The Finance Director shall first pay from the moneys in the Water Revenue Fund the budgeted Operation and Maintenance Expenses as such expenses become due and payable.

(2) **Installment Payments and Parity Debt Payments.** The City shall next pay Installment Payments, obligations to the Bank under the Reimbursement Agreement, Debt Service on Parity Debt and all payments other than termination payments due from the City under the Swap Agreement as the same become due and payable.

(3) **Surplus.** Following the annual application of Net Revenues for payment of the Installment Payment due in August of each year, Net Revenues in excess of amounts required for the payment of Installment Payments and any Parity Debt in that Fiscal Year are released from the lien of the Installment Sale Agreement and will be available for any lawful purpose of the City, including any termination payments under the Swap Agreement and transfer to the Rate Stabilization Fund.

Installment Payment Fund

Under Trust Agreement, an Installment Payment Fund has been established and maintained by the Trustee. The Trustee shall withdraw from the Installment Payment Fund, prior to each Interest Payment Date, an amount equal to the Installment Payment payable on such Interest Payment Date, and shall cause the same to be applied to the payment of the principal and/or interest evidenced and represented by said 2008 Certificates when due. Provided however, that as long as the Credit Facility is in effect, the Bank will make payments of principal and interest with respect to the 2008 Certificates, and Installment Payments will be applied to reimburse the Bank under the Reimbursement Agreement.

No Reserve Fund

A Reserve Fund was established for the 2008 Certificates. On the date hereof the Reserve Fund was closed and a new reserve fund will not be funded for the 2008 Certificates. In the event there are insufficient amounts in the Installment Payment Fund to make payment on the 2008 Certificates when due, no other source of funds will be available to make such payments while the Trustee pursues available remedies under the Installment Sale Agreement..

Rate Covenant

The City covenants in the Installment Sale Agreement that it shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues sufficient to pay the following amounts in the following order of priority:

(i) All Operation and Maintenance Expenses estimated by the City to become due and payable in such Fiscal Year;

(ii) All Installment Payments and all payments of principal of and interest on any Parity Debt as they become due and payable during such Fiscal Year, without preference or priority; and

(iii) All payments required to meet any other obligations of the City which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues during such Fiscal Year.

In addition, the City shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year (exclusive of transfers to the Revenue Fund from the Rate Stabilization Fund, should one be established) which are sufficient to yield Net Revenues which are at least equal to 120% of the amount described in the preceding paragraph for such Fiscal Year.

For purposes of calculating the interest on any Outstanding Parity Debt, if interest on any Parity Debt is reasonably anticipated to be reimbursed to or on behalf of the City by the United States of America, then interest on such Parity Debt shall be excluded to the extent such interest is reasonably anticipated to be paid or reimbursed by the United States of America, and such reimbursements will not be included as Gross Revenues for purposes of the coverage calculations set forth above.

In the event that the City fails to comply with such recommendations, the Authority, or its assignee, may compel the City to comply with the recommendations and requirements in accordance with the Installment Sale Agreement.

Parity Debt

The 2012 Bonds. The obligations of the City under the Installment Sale Agreement to pay the Installment Payments for the 2008 Certificates are secured on a parity with the obligations of the City to pay debt service payments on the 2012 Bonds. Additional obligations and bonds issued or incurred on a parity with or subordinate to the 2008 Certificates and the 2012 Bonds, may be issued pursuant to the Trust Agreement provided that certain conditions are met, as described below.

Issuance of Parity Debt. The City covenants in the Installment Sale Agreement that, except for bonds issued to fully or partially prepay the 2008 Certificates or Parity Debt, the City will not issue or incur any Parity Debt unless:

(i) The City is not in default under the terms of the Installment Sale Agreement;

(ii) Net Revenues (exclusive of transfers to the Revenue Fund from the Rate Stabilization Fund, should one be established), calculated on sound accounting principles, as shown by the books of the City for the latest Fiscal Year or any more recent twelve (12) month period selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which instrument such Parity Debt is issued or incurred, as shown by the books of the City, plus, at the option of the City, the additional allowance described below, shall have amounted to at least 1.20 times the sum of the Installment Payments coming due and payable in any future Fiscal Year and the annual debt service for such Fiscal Year on all Parity Debt outstanding immediately subsequent to the incurring of such additional obligations in the Fiscal Year in which such sum is the greatest;

Either or both of the following items may be added to such Net Revenues for the purpose of applying the restriction contained in (ii) above: an allowance for earnings arising from any increase in the charges made for service from the Water System which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year or 12-month period, was not in effect, in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or 12-month period, as shown by a certificate of the City.

In order to maintain the parity relationship of the Installment Payments to all Parity Debt permitted under the Trust Agreement, the City covenants in the Installment Sale Agreement that all payments in the nature of principal and interest with respect to any Parity Debt, except with respect to Governmental Loans, will be structured to occur semi-annually on the Due Dates and in each year as such payments are due with respect to the Installment Payments, and to otherwise structure the terms of such Parity Debt to ensure that they are in all respects payable on a parity with the Installment Payments and not prior thereto; provided that the City will not make a payment on such Governmental Loan to the extent it would have the effect of causing the City to fail to pay Installment Payments on a timely basis. In such event, the City will make Installment Payments and payments on such Governmental Loan on a pro rata basis.

If interest on any Parity Obligation is reasonably anticipated to be reimbursed to or on behalf of the City by the United States of America, then interest payments with respect to such Parity Debt will be excluded by the amount of such interest reasonably anticipated to be paid or reimbursed by the United States of America, and such reimbursements will not be included as Gross Revenues for purposes of the coverage calculations required in (ii) above.

Debt service on Parity Debt will be calculated as set forth below:

(i) In determining the debt service on Parity Debt for which interest is calculated at a variable interest rate, such Parity Debt shall be assumed to bear interest at a rate equal to the greater of (i) the actual rate on the date of calculation, or if the Parity Debt is not yet outstanding, the initial rate (if established and binding), (ii) if the Parity Debt has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (x) if interest on the Parity Debt is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently published The Bond Buyer Bond Revenue Index (or comparable index if no longer published) plus fifty (50) basis points, or (y) if interest is not so excludable, the interest rate on direct U.S. Treasury Debts with comparable maturities, plus fifty (50) basis points.

(ii) In determining the debt service equivalent payment on any interest rate swap agreement which constitutes Parity Debt, such payments shall be treated on a net basis, including counterparty payments. For such purposes, the variable amount under the swap shall be assumed to be equal to 110% of the greater of (a) the then current effective interest rate under such interest rate swap agreement, or (b) the average interest rate under such interest rate swap agreement during the past 12 months.

Subordinate Obligations. Notwithstanding the foregoing, nothing in the Trust Agreement will be construed as prohibiting the issuance by the City of subordinated debt secured by Net Revenues.

Interest Rate Swap Agreement

The City entered into an interest rate swap agreement with Piper Jaffray Financial Products, Inc. (the "Swap Counterparty") and a Replacement Swap Undertaking with Morgan Stanley Capital Services Inc., as a credit support provider to the Swap Counterparty. This swap arrangement remains in effect applicable to the 2008 Certificates. The payment obligations of the Swap Counterparty under the Swap Agreement will be general, unsecured obligations of the Swap Counterparty. The Swap Agreement has a term extending to the scheduled final maturity date of the 2008 Certificates (the "Scheduled Expiration Date") and requires the City to pay a fixed rate of interest on an initial notional amount equal to the principal amount of the related 2008 Certificates, which payments are payable on a parity with the Installment Payments. In return, the Swap Counterparty will pay a variable rate of interest equal to a percentage of the London Interbank Offering Rate ("LIBOR") one month index on a like notional amount. The amounts payable by a party under the Swap Agreement are netted against the payments to be received by such party thereunder.

The Swap Agreement may be terminated sooner than the Scheduled Expiration Date upon the occurrence of certain events. Termination of the Swap Agreement requires payment of termination fees either to the City or the Swap Counterparty based upon a formula that includes an assessment of the then current market value of the Swap Agreement. The payments by the City under the Swap Agreements are secured by a pledge of the Net Revenues of the Water System on a parity with the Parity Debt.

Rate Stabilization Fund

The City may maintain and hold a Rate Stabilization Fund. From time to time the City may deposit in the Rate Stabilization Fund from surplus Net Revenues such amounts as the City shall determine, provided that deposits with respect to any Fiscal Year may be made at any time during such Fiscal Year and until (but not after) the day which is sixty (60) days following the end of such Fiscal Year. The City may withdraw amounts from the Rate Stabilization Fund for inclusion in Gross Revenues for any Fiscal Year, or for any other lawful purpose of the Water System, such withdrawals to be made at any time during such Fiscal Year and until (but not after) the day which is sixty (60) days after the end of such Fiscal Year. All interest or other earnings upon deposits in the Rate Stabilization Fund may be withdrawn therefrom and accounted for as Gross Revenues.

THE BANK

THE FOLLOWING REPRESENTS ONLY A SUMMARY OF THE INFORMATION REFERRED TO HEREIN. EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN, THIS DOCUMENT DOES NOT ATTEMPT TO DESCRIBE THE BUSINESS OR ANALYZE THE CONDITION, FINANCIAL OR OTHERWISE, OF THE BANK OR OTHERWISE DESCRIBE ANY RISKS ASSOCIATED WITH THE BANK. EACH CERTIFICATE OWNER MUST RELY ON THAT HOLDER'S OWN KNOWLEDGE, INVESTIGATION AND EXAMINATION OF THE BANK AND THE BANK'S CREDITWORTHINESS.

[DESCRIPTION OF BANK TO COME]

THE CREDIT FACILITY AND THE REIMBURSEMENT AGREEMENT

The following are brief outlines of certain provisions contained in the Credit Facility established by the Bank in favor of the Trustee and the Reimbursement Agreement and are not to be considered a full statement pertaining thereto. Reference is made to the Credit Facility and the Reimbursement Agreement on file with the Trustee for the complete texts thereof. Capitalized terms used in this section and not otherwise defined shall have the meanings given such terms in the Reimbursement Agreement.

The Credit Facility

The purchase price of, and principal and interest evidenced by the 2008 Certificates (other than the Bank Certificates or 2008 Certificates owned by the City or the Authority) are payable from amounts available to be drawn by the Trustee under an irrevocable, transferable direct-pay Credit Facility issued by the Bank.

Ratings on the 2008 Certificates are therefore based primarily on the credit of the Bank rather than the credit of the City or the Authority. See "THE BANK" herein for a description of the Bank. The Trustee is permitted to draw an aggregate amount not to exceed the principal amount of the 2008 Certificates plus interest calculated at an assumed rate of 12% for 195 days, based upon a 360-day year, subject to reductions and reinstatements as provided in the Credit Facility.

The Credit Facility provides that the Trustee may draw upon the Credit Facility up to the Available Amount (subject to reduction as provided in the Credit Facility) for any of the following purposes:

(a) "Payment Drawing" in the form of (i) an "Interest Drawing" representing the payment of interest due with respect to the 2008 Certificates; (ii) a "Partial Prepayment Drawing" representing the payment of principal plus accrued and unpaid interest upon redemption or prepayment of less than all of the 2008 Certificates Outstanding (as defined in the Trust Agreement) and (iii) a "Final Draft" representing the payment of the unpaid principal and interest on 2008 Certificates either at a stated maturity, upon acceleration, or as a result of prepayment, redemption, or mandatory tender of the 2008 Certificates (other than 2008 Certificates presently held of record by the City, or the Authority or by the Trustee for the account of the City or the Authority) which 2008 Certificates are not to be remarketed again with the support of the Credit Facility; and

(b) "Tender Drawing" representing the payment of unpaid principal and interest due with respect to all or less than all of the 2008 Certificates Outstanding upon tender to the Trustee for purchase pursuant to the Trust Agreement (other than 2008 Certificates presently held of record by the City or the Authority or by the Trustee for the account of the City or the Authority).

The Credit Facility shall terminate (the "Stated Termination Date") upon the earliest to occur of: (i) the date on which the Bank receives written notice from the Trustee that there are no longer any 2008 Certificates Outstanding (as defined in the Trust Agreement); (ii) the date on which the Bank receives written notice from the Trustee that its Credit Facility has been replaced with an Alternate Credit Facility with respect to all of the 2008 Certificates; (iii) the date on which the Bank honors a "Final Draft" with respect to all of the 2008 Certificates; (iv) the date on which all of the 2008 Certificates earn interest at the Fixed Rate as described in written notice to the Bank from the Trustee; and (v) the close of banking business at the Bank's

Los Angeles, California office on _____, 201__ (the "Maturity Date"). The Maturity Date may be extended from time to time by amendment to the Credit Facility at the sole discretion of the Bank.

The Reimbursement Agreement

The Reimbursement Agreement, among other things, sets the terms and conditions whereby the City is required to repay to the Bank any amounts drawn by the Trustee under the Credit Facility. The Bank has certain rights and the City has certain obligations under the Reimbursement Agreement. These rights of the Bank do not extend to the owners of the 2008 Certificates. In addition, the City's compliance with its obligations under the Reimbursement Agreement can be waived solely at the behest of the Bank. The Reimbursement Agreement provides for, among other things, repayment by the City of amounts drawn under the Credit Facility. Although certain aspects of the Reimbursement Agreement are summarized herein, this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Reimbursement Agreement.

The occurrence of any of the following events shall be an "Event of Default" under the Reimbursement Agreement:

(a) The City shall fail to pay any amount payable under the Reimbursement Agreement when due; or

(b) Any representation or warranty made, or deemed made, by or on behalf of the City (or any of its officials) in connection with the Reimbursement Agreement or any of the Related Documents shall prove to have been incorrect in any material respect when made or deemed made; or

(c) The City shall fail to perform or observe any term, covenant or agreement contained in Article V of the Reimbursement Agreement on its part to be performed or observed; or

(d) The City shall fail to perform or observe any other term, covenant or agreement contained in any other section of the Reimbursement Agreement on its part to be performed or observed and any such failure shall remain unremedied for ten (10) days after written notice thereof shall have been given to the City by the Bank; or

(e) The City shall default in the payment of any Debt (other than Debt arising under the Reimbursement Agreement and Debt which is secured by or payable from sources other than the City's general fund and as to which the City has no legal obligation to pay from its general fund), whether such Debt now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or an event of default as defined in any mortgage, indenture or instrument, under which there may be issued, or by which there may be secured or evidenced, any Debt, whether such Debt now exists or may be hereafter created, shall occur, which default in payment or event of default shall result in such Debt becoming or being declared due and payable prior to the date on which it would otherwise become due and payable; or

(f) An order for relief shall have been entered against the City under the Bankruptcy Code or any other similar applicable Federal or State law, and such decree or order shall have continued undischarged and unstayed for a period of 90 days; or a decree or order of a court

(g) The City shall institute a voluntary case, or shall consent to the institution of an involuntary case against it, or shall file a petition or answer or consent seeking reorganization or arrangement under the Bankruptcy Code or any other similar applicable Federal or State law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver, trustee, liquidator or custodian of it or of its property, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or corporate action shall be taken by the City in furtherance of any of the aforesaid purposes; or

(h) Any provision of the Reimbursement Agreement or any of the Related Documents to which the City is a party shall at any time for any reason cease to be valid and binding on the City, or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the City, or the City shall deny that it has any or further liability or obligation under the Reimbursement Agreement; or

(i) Any "Event of Default" under and as defined respectively in the Trust Agreement, the Installment Sale Agreement, the Assignment Agreement or any other Related Document shall have occurred and be continuing; or

(j) Any event which materially and adversely affects the financial condition of the City or the ability of the City to observe and perform the terms of the Reimbursement Agreement shall have occurred and be continuing.

If any Event of Default shall have occurred and be continuing, the Bank may by notice to the City, declare the obligation of the Bank to issue the Credit Facility to be terminated, whereupon the same shall forthwith terminate, or, if the Credit Facility shall have been issued, (i) give notice to the Trustee pursuant to the Trust Agreement requesting the Trustee to declare a mandatory tender of all 2008 Certificates then outstanding and all interest accrued and unpaid thereon to be due and payable, (ii) take such action as may be necessary to cure such Event of Default on behalf and for the account of the City, (iii) require immediate payment in full by the City of any payment or amount owed or to be owed to the Bank under the Reimbursement Agreement, (iv) exercise any and all of the rights available to it under the Trust Agreement or any Related Documents, and (v) exercise any other rights and remedies available to it at law or in equity or under any other agreement.

It is understood that, upon the occurrence of an Event of Default, the Bank may exercise its rights with respect to remedies available to it under the Trust Agreement or any of the other Related Documents, all without limiting or restricting the Bank's ability, at a later date, to exercise its rights with respect to any remaining revenues for payment of any remaining indebtedness of the City to the Bank.

In the Reimbursement Agreement, "Related Document" is defined as the Credit Facility, the 2008 Certificates, the Trust Agreement, the Installment Sale Agreement, the Assignment Agreement, the Custody Agreement, the Remarketing Agreement, or any other agreement or instrument relating thereto.

2008 CERTIFICATE OWNERS' RISKS

The following describes certain special considerations and risk factors affecting the payment of and security for the 2008 Certificates. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any 2008 Certificates and does not necessarily reflect the relative importance of the various risks. Potential investors in the 2008 Certificates are advised to consider the following special factors along with all other information in this Remarketing Memorandum in evaluating the 2008 Certificates. There can be no assurance that other considerations will not materialize in the future.

Security for the 2008 Certificates

The 2008 Certificates are being offered solely on the basis of the Credit Facility and the financial strength of the Bank and not the operations, financial strength or condition of the City or any other security. The rating assigned to the 2008 Certificates is based primarily on the creditworthiness of the Bank. Prospective purchasers of the 2008 Certificates that wish to make a full evaluation of the financial status of the Bank are advised to obtain financial statements of the Bank.

Except as noted herein under "THE CREDIT FACILITY AND THE REIMBURSEMENT AGREEMENT," the 2008 Certificates are payable solely from payments made under the Installment Sale Agreement. No representation or assurance can be made that revenues will be realized by the City in amounts sufficient to make payments required by the Installment Purchase Contract and thus to pay maturing principal, mandatory sinking fund requirements and interest with respect to the 2008 Certificates. Future economic and other conditions, including economic trends and events, technological developments and demographic changes, increases in insurance claims, as well as increased costs and changes in government regulations, including Internal Revenue Service (the "IRS") policy regarding tax exemption, may adversely affect the future financial condition of the City and, consequently, its ability to make payments of the principal of and premium, if any, and interest with respect to 2008 Certificates.

Expiration of the Credit Facility

The scheduled expiration date of the Credit Facility is _____, subject to extension or earlier termination in certain circumstances as described therein. If the Credit Facility is not extended or an Alternate Credit Facility is not obtained by the City, the 2008 Certificates will be subject to mandatory tender. There can be no assurance that the City will be able to obtain an extension of the Credit Facility or an Alternate Credit Facility. The Bank is under no obligation to extend the Credit Facility beyond the scheduled expiration thereof.

Bank's Obligations Unsecured

The ability of the Bank to honor draws upon the Credit Facility is based solely upon the Bank's general credit and is not collateralized or otherwise guaranteed by the United States of America or any agency or instrumentality thereof. No provision has been made for replacement of or substitution for the Credit Facility in the event of any deterioration in the financial condition of the Bank. Neither the Authority, the City or the Bank assumes any liability to any purchaser of the 2008 Certificates as a result of any deterioration of the financial condition of the Bank. Upon any insolvency of the Bank, any claim by the Trustee against the Bank would be subject to bank receivership proceedings.

General Factors Affecting the Bank

The Bank is subject to regulation and supervision by various regulatory bodies. New regulations could impose restrictions upon the Bank which would restrict its ability to respond to competitive pressures. Various legislative or regulatory changes could dramatically impact the banking industry as a whole and the Bank specifically. The banking industry is highly competitive in many of the markets in which the Bank operates. Such competition directly impacts the financial performance of the Bank. Any significant increase in such competition could adversely impact the Bank.

Prospective purchasers of the 2008 Certificates should evaluate the financial strength of the Bank based upon the information contained and referred to herein under the caption "THE BANK," and other information available upon request from the Bank and should not rely upon any governmental supervision by any regulatory entity.

Limitations on Remedies and Limited Recourse on Default

Remedies available to the owners of the 2008 Certificates upon the occurrence of an event of default may be limited and are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. In addition to the limitations on remedies contained in the Installment Purchase Contract and the Trust Agreement, the rights and obligations under the Installment Purchase Contract and the Trust Agreement may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State of California. The opinion to be delivered by Special Counsel concurrently with the execution and delivery of the 2008 Certificates will be subject to such limitations and the various other legal opinions to be delivered concurrently with the execution and delivery of the 2008 Certificates will be similarly qualified. See "APPENDIX E – PROPOSED FORM OF SPECIAL COUNSEL OPINION."

Special Considerations Relating to the 2008 Certificates Bearing Interest at a Variable Rate

The Remarketing Agent is Paid by the City. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing 2008 Certificates that are optionally or mandatorily tendered by the Owners thereof (subject, in each case, to the terms of the Remarketing Agreement), all as further described in this Remarketing Memorandum. The Remarketing Agent is appointed by the City and is paid by the City for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of 2008 Certificates.

The Remarketing Agent Routinely Purchases 2008 Certificates for its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered 2008 Certificates for its own account and, in its sole discretion, routinely acquires such tendered 2008 Certificates in order to achieve a successful remarketing of the 2008 Certificates (*i.e.*, because there otherwise are not enough buyers to purchase the 2008 Certificates) or for other reasons. However, the Remarketing Agent is not obligated to purchase 2008 Certificates, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the

2008 Certificates by routinely purchasing and selling 2008 Certificates other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the 2008 Certificates. The Remarketing Agent may also sell any 2008 Certificates it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the 2008 Certificates. The purchase of 2008 Certificates by the Remarketing Agent may cause the interest rate to be lower than it would be if the Remarketing Agent did not purchase 2008 Certificates and may create the appearance that there is greater third party demand for the 2008 Certificates in the market than is actually the case. The practices described above also may result in fewer 2008 Certificates being tendered in a remarketing.

2008 Certificates May be Offered at Different Prices on Any Date Including an interest rate determination date. Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the 2008 Certificates bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable rate determination date. The interest rate will reflect, among other factors, the level of market demand for the 2008 Certificates (including whether the Remarketing Agent is willing to purchase 2008 Certificates for its own account). The purchase of the 2008 Certificates by the Remarketing Agent may cause the interest rate to be lower than it would be if the Remarketing Agent did not purchase 2008 Certificates. There may or may not be 2008 Certificates tendered and remarketed on a rate determination date, the Remarketing Agent may or may not be able to remarket any 2008 Certificates tendered for purchase on such date at par and the Remarketing Agent may sell 2008 Certificates at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the 2008 Certificates at the remarketing price. The Remarketing Agent, in its sole discretion, may offer 2008 Certificates on any date, including the rate determination date, at a discount to par to some investors.

The Ability to Sell the 2008 Certificates other than through Tender Process May Be Limited. The Remarketing Agent may buy and sell 2008 Certificates other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their 2008 Certificates to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the 2008 Certificates, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2008 Certificates other than by tendering the 2008 Certificates in accordance with the tender process.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the 2008 Certificates, Without a Successor Being Named. Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement. In the event there is no Remarketing Agent, the Trustee is required to apply to a court of competent jurisdiction for appointment of a successor Remarketing Agent.

Water System Demand and Growth

There can be no assurance that the local demand for the services provided by the Water System will be maintained at levels described in this Official Statement in APPENDIX

hereto. Reduction in the level of demand could require an increase in rates or charges in order to produce Net Revenues sufficient to comply with the City's rate covenant in the Installment Sale Agreement. Such rate increases could increase the likelihood of nonpayment, and could also further decrease demand. There can be no assurance that any other entity with regulatory authority over the Water System will not adopt further restrictions on operation of the Water System.

Water System Expenses

There can be no assurance that the City's expenses for the Water System will be consistent with the levels described in this Official Statement. Changes in technology, new regulatory requirements, increases in the cost of energy or other expenses would reduce Net Revenues, and could require substantial increases in rates or charges in order to comply with the rate covenant. Such rate increases could increase the likelihood of nonpayment, and could also decrease demand.

Concentration of Customers

The generation of Net Revenues is concentrated with certain major users in the City. The ten largest customers accounted for approximately 40% of Revenues in Fiscal Year 2011/12, with the top two users accounting for approximately 27% of total Revenues. Accordingly, the generation of Net Revenues which secure payment of the 2008 Certificates would be adversely affected by any decline in use by these customers. The City cannot predict if any of these customers will reduce water usage in the future. Economic factors could adversely affect the water usage by the commercial and agricultural production customers.

in addition, State budget issues could impact the operations of the two largest customers. While the City expects the prisoner population of the Corcoran State Prison and the California Substance Abuse Treatment Facility to be reduced over time as prison over-crowding efforts are undertaken by the State, the City is not aware of any efforts to close either facility.*

Parity Debt

Although the City has covenanted not to issue additional obligations payable from Net Revenues senior to the Installment Payments, the Installment Sale Agreement permits the issuance by the City of certain indebtedness which may have a lien upon the Net Revenues which is on a parity basis to the lien which secures the Installment Payments, if certain coverage tests are met (see "SECURITY FOR THE 2008 CERTIFICATES – Parity Debt" herein). These coverage tests involve, to some extent, projections of Net Revenues. If such indebtedness is issued or incurred, the debt service coverage for the Installment Payments securing the 2008 Certificates will be diluted below what it otherwise would be subject to under the coverage tests. Moreover, there is no assurance that the assumptions which form the basis of such projections, if any, will be actually realized subsequent to the date of such projections. If such assumptions are not realized, the amount of future Net Revenues may be less than projected, and the actual amount of Net Revenues may be insufficient to provide for the payment of the Installment Payments and such additional indebtedness.

* To be confirmed.

Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 also extends the initiative power to reducing or repealing any local taxes, assessments, fees and charges. This extension of the initiative power is not limited to taxes, assessments, fees and charges imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees or charges, except those which are pledged to the repayment of debt. If such a repeal or reduction in City fees or charges were to occur, and it was held that any such taxes, assessments, fees or charges were not pledged to any debt repayment, the City’s ability to make Installment Payments could be adversely affected.

In addition, while the matter is not free from doubt, Proposition 218 imposed restrictions on the levy of charges for “property-related services.” In July 2006 the California Supreme Court confirmed that a public agency’s charges for ongoing water delivery are “fees and charges” within the meaning of Proposition 218. As a result, voters within the boundaries of the City could adopt an initiative measure that reduced or repealed water rates and charges levied by the City, although it is not clear (and has not been determined by State courts) whether such action would be enforceable where such fees and charges are pledged to the repayment of indebtedness.

The City believes that its fees for water service will not be adversely affected by the application of the procedural requirements of Proposition 218, and that Proposition 218 would not have any immediate adverse effect on its ability to operate its Water System. However, there can be no assurance of the availability of remedies to protect fully the interest of the holders of the 2008 Certificates.*

[CONFIRMATION OF CITY’S COMPLIANCE WITH PROP 218 WITH RESPECT TO IT’S CURRENT RATES TO COME] C

Constitutional Limit on Appropriations, Fees and Charges

If a portion of the Water System rates or connection charges were determined by a court to exceed the reasonable costs of providing service, any fee which the City charges may be considered to be a “special tax,” which under Articles XIII A or XIII D of the California Constitution must be authorized by a two-thirds vote of the affected electorate. This requirement is applicable to the City’s rates for service provided by the Water System. The reasonable cost of service provided by the Water System has been determined by the State Controller to include depreciation and allowance for the cost of capital improvements. In addition, the State courts have determined that fees such as connection fees (capacity charges) will not be special taxes if they approximate the reasonable cost of constructing Water System improvements contemplated by the local agency imposing the fee. Such court determinations have been codified in the Government Code of the State of California (Section 66000 *et seq.*).

* To be confirmed.

Under Article XIII B of the California Constitution, state and local government entities have an annual “appropriations limit” which limits their ability to spend certain moneys called “appropriations subject to limitation,” which consists of tax revenues, certain state subventions and certain other moneys, including user charges to the extent they exceed the costs reasonably borne by the entity in providing the service for which it is levying the charge. In general terms, the “appropriations limit” is to be based on certain Fiscal Year 1978/79 expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population and services provided by these entities. Among other provisions of Article XIII B, if an entity’s revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

The City is of the opinion that the rates and use charges imposed by the City in connection with the Water System do not exceed the costs it reasonably bears in providing such services.*

No Debt Service Reserve Account

The City is not funding a debt service reserve account for the 2008 Certificates, and a debt service reserve fund is no longer established for the 2012 Bonds. In the event of a failure by the City to pay Installment Payments when due, no other source of funds will be available to make such payments while the Trustee pursues available remedies under the Indenture.

No Obligation to Tax

The obligation of the City to pay the Installment Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Installment Payments does not constitute a debt or indebtedness of the State or any of its political subdivisions, within the meaning of any constitutional or statutory debt limitation or restriction.

Change in Law

In addition to the other limitations described herein, the State electorate or Legislature could adopt a constitutional or legislative property tax decrease or an initiative with the effect of reducing revenues payable to or collected by the City. There is no assurance that the State electorate or Legislature will not at some future time approve additional limitations that could have the effect of reducing the Net Revenues and adversely affecting the security of the 2008 Certificates.

Geologic, Topographic and Climatic Conditions

The value of the Water System, and the ability to generate Gross Revenues, is contingent upon the ability of the City to deliver water to its customers. The financial stability of the City can be adversely affected by a variety of factors, particularly those which may affect infrastructure and other public improvements and private improvements 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

* To be confirmed.

earth movements and floods) and climatic conditions (such as droughts and tornadoes). The City is in an active geological area.

Engineering standards require that some of these factors be taken into account, to a limited extent, in the design of improvements, including the Water System. Some of these factors may also be taken into account, to a limited extent, in the design of other infrastructure and public improvements neither designed nor subject to design approval by the City. Design criteria in any of these circumstances are established upon the basis of a variety of considerations and may change, leaving previously-designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria reflect a balance at the time of protection and the future costs of lack of protection, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should it occur. Conditions may occur which may result in damage to improvements in varying degrees, and such damage may entail significant repair or replacement costs, and there can be no assurance that such repair or replacement will occur. Under any of these circumstances, the public and private improvements within the City in general may well depreciate or disappear, notwithstanding the establishment of design criteria for any such condition.

Interruption of delivery of water for any reason will not alter the legal obligation of the City to pay Installment Payments. However, a reduction in the availability of water could materially adversely affect the Gross Revenues.

Impact of State Budget

The State is currently projected to continue to experience budgetary shortfalls in the current and future Fiscal Years. The City cannot predict what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures. It is therefore anticipated that there will be additional future legislation which addresses this situation. The City cannot predict what measures may be proposed or implemented for the current Fiscal Year or in the future. Given the magnitude of the State's budgetary deficit, it is possible that future legislation will impact revenues of local agencies. These developments at the State level will most likely adversely affect local governments. However, since the City does not allocate any portion of the *ad valorem* property tax levy to the Water System, it does not currently anticipate that the State budget problems will materially adversely impact the operation of the City's water operations.*

Loss of Tax-Exemption

As discussed under the caption "TAX MATTERS" herein, interest represented by the 2008 Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date the 2008 Certificates were executed and delivered, as a result of future acts or omissions of the City in violation of its covenants in the Trust Agreement or Installment Sale Agreement. Should such an event of taxability occur, the 2008 Certificates are not subject to special prepayment and will remain Outstanding until maturity or until prepaid under other provisions set forth in the Trust Agreement.

* To be confirmed.

Absence of Secondary Market for the 2008 Certificates

There can be no guarantee that there will be a secondary market for the 2008 Certificates or, if a secondary market exists, that any 2008 Certificates can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price. No assurance can be given that the market price for the 2008 Certificates will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the 2008 Certificates for audit examination, or the course or result of any Internal Revenue Service audit or examination of the 2008 Certificates or obligations that present similar tax issues as the 2008 Certificates.

No Debt Service Reserve Fund

On the Mandatory Tender Date, the City is closing the Reserve Fund for the 2008 Certificates and a new reserve fund will not be funded for the 2008 Certificates in the event there are insufficient amounts in the Installment Payment Fund to make payment on the 2008 Certificates. In the event of a failure by the City to pay Installment Payments when due, no other source of funds will be available to make such payments while the Trustee pursues available remedies under the Installment Sale Agreement.

IRS Audit of Tax-Exempt Issues

The IRS has initiated an expanded program for the auditing of tax-exempt issues, including both random and targeted audits. It is possible that the 2008 Certificates will be selected for audit by the IRS. It is also possible that the market value of the 2008 Certificates might be affected as a result of such an audit of the 2008 Certificates (or by an audit of similar obligations).

TAX MATTERS

General. In the opinion of Nossaman LLP, Special Counsel, based on existing statutes, regulations, rulings and court decisions, the portion of each Installment Payment designated as and representing interest and received by the Owners of the 2008 Certificates (the "Interest Portion") is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. A copy of the proposed opinion of Special Counsel is set forth in APPENDIX E hereto.

The Internal Revenue Code of 1986 (the "Code"), imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as that represented by the 2008 Certificates. The City has covenanted to comply with certain restrictions designed to assure that the Interest Portion will not be includable in federal gross income. Failure to comply with these covenants may result in the Interest Portion being included in federal gross income, possibly from the date of execution and delivery of the 2008 Certificates. The opinion of Special Counsel assumes compliance with these covenants. Special Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of execution and delivery of the 2008 Certificates may affect the value

of, or the tax status of the Interest Portion. Further, no assurance can be given that pending or future legislation or amendments to the Code, will not adversely affect the value of, or the tax status of the Interest Portion of, the 2008 Certificates. Prospective owners are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Special Counsel is further of the opinion that the Interest Portion is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special Counsel observes that the Interest Portion is included in adjusted current earnings in calculating corporate alternative minimum taxable income.

Prospective purchasers of the 2008 Certificates should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest with respect to obligations such as that represented by the 2008 Certificates, (ii) interest with respect to obligations such as those represented by the 2008 Certificates earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income, including interest with respect to obligations such as those represented by the 2008 Certificates, may be subject to federal income taxation under Section 1375 of the Code for subchapter S corporations having subchapter C earnings and profits at the close of the taxable year and gross receipts more than 25% of which constitute passive investment income, and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on obligations such as those represented by the 2008 Certificates.

If the initial offering price to the public (excluding bond houses and brokers) at which a 2008 Certificate is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a 2008 Certificate is sold is greater than the amount payable at maturity thereof, then the excess of the tax basis of a purchaser of such 2008 Certificate (other than a purchaser who holds such 2008 Certificate as inventory, stock in trade or for sale to customers in the ordinary course of business) over the principal amount of such 2008 Certificate constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes.

Under the Code, original issue discount is excludable from gross income for federal income tax purposes to the same extent as the Interest Portion on the 2008 Certificates. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each such 2008 Certificate and the basis of such 2008 Certificate acquired at such initial offering price by an initial purchaser of each such 2008 Certificate will be increased by the amount of such accrued discount. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the such 2008 Certificates who purchase such 2008 Certificates after the initial offering of a substantial amount thereof. Owners who do not purchase such 2008 Certificates in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such 2008 Certificates. All holders of such 2008 Certificates should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition to the extent that calculation of such loss is based on accrued original issue discount.

Under the Code, original issue premium is amortized for federal income tax purposes over the term of such a 2008 Certificate based on the purchaser's yield to maturity in such 2008 Certificates, except that in the case of such a 2008 Certificate callable prior to its stated maturity, the amortization period and the yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such 2008 Certificate. A purchaser of such a 2008 Certificate is required to decrease his or her adjusted basis in such 2008 Certificate by the amount of bond premium attributable to each taxable year in which such purchaser holds such 2008 Certificate. The amount of bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of such 2008 Certificates should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of bond premium attributable to each taxable year and the effect of bond premium on the sale or other disposition of such a 2008 Certificate, and with respect to the state and local tax consequences of owning and disposing of such a 2008 Certificate.

Certain agreements, requirements and procedures contained or referred to in the Installment Purchase Contract and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in those documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Special Counsel expresses no opinion as to any 2008 Certificate or the interest payable with respect thereto if any change occurs or action is taken or omitted upon the advice or approval of counsel other than Special Counsel.

Although Special Counsel has rendered an opinion that the Interest Portion is excludable from federal gross income, and is exempt from State of California personal income taxes, the ownership or disposition of the 2008 Certificates, and the accrual or receipt of the Interest Portion may otherwise affect an Owner's state or federal tax liability. The nature and extent of these other tax consequences will depend upon each Owner's particular tax status and the Owner's other items of income or deduction. Special Counsel expresses no opinion regarding any such other tax consequences.

Changes in Federal and State Tax Law. From time to time, there are legislative proposals in the Congress and in the various state legislatures that, if enacted, could alter or amend federal and state tax matters referred to above or adversely affect the market value of the 2008 Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to 2008 Certificates issued prior to enactment. For example, certain recent legislative proposals, if enacted, could result in additional federal income tax being imposed on certain owners of tax-exempt obligations, including the 2008 Certificates, or could limit for certain individual taxpayers the value of certain deductions and exclusions, including the exclusion for tax-exempt interest, to 28% irrespective of the actual marginal tax rate imposed on such taxpayers.

In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the 2008 Certificates. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the 2008 Certificates or the market value thereof would be impacted thereby.

Purchasers of the 2008 Certificates should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Special Counsel are based upon existing legislation and regulations as interpreted by relevant

judicial and regulatory authorities as of the date of execution and delivery of the 2008 Certificates and Special Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Information Reporting and Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the 2008 Certificates is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any 2008 Certificate owner who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The new reporting requirement does not in and of itself affect or alter the excludability of interest with respect to the 2008 Certificates from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

CERTAIN LEGAL MATTERS

On the Mandatory Tender Date, Nossaman LLP, Irvine, California, Special Counsel, will issue its opinion with respect to the validity and enforceability of the First Amendment to Trust Agreement and First Amendment to Installment Sale Agreement, the form of which opinion is set forth in APPENDIX E hereto. Certain legal matters will be passed upon for the City by its general counsel and by Nossaman LLP as Disclosure Counsel. Certain legal matters will be passed upon for the Bank by _____.

LITIGATION

To the best knowledge of the City, there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the City to restrain or enjoin the remarketing of the 2008 Certificates, or the pledge of the Net Revenues or the collection of the payments to be made pursuant to the Trust Agreement, or in any way contesting or affecting validity of the 2008 Certificates, the Trust Agreement or the agreement for the sale of the 2008 Certificates, or in any way contesting or affecting the transactions described in this Remarketing Memorandum.

RATINGS

Standard & Poor's Credit Market Services (the "**Rating Agency**") has assigned its short term rating of "___" to the 2008 Certificates and its long-term rating of "___" to the 2008 Certificates. Such ratings are based on the Credit Facility issued for the benefit of the 2008 Certificates. See "THE CREDIT FACILITY AND THE REIMBURSEMENT AGREEMENT" above.

In addition, the Rating Agency has assigned an underlying bond rating of "_____" to the 2008 Certificates. This Remarketing Memorandum applies only while the 2008 Certificates are secured by the Credit Facility, and investors should rely upon the Bank for payment of principal and interest with respect to the 2008 Certificates. For general information about the City and its Water System, see APPENDIX C and APPENDIX D hereto.

Such ratings reflect only the view of the Rating Agency assigning such rating, and any explanation of the significance of such ratings should be obtained from the Rating Agency

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Trust Agreement and the Installment Sale Agreement. These summaries do not purport to be complete or definitive and reference should be made to such documents for a full and complete statement of their provisions.

APPENDIX B
FORM OF CREDIT FACILITY

APPENDIX C

GENERAL INFORMATION REGARDING THE CITY OF CORCORAN AND KINGS COUNTY

The following information concerning the City of Corcoran and Kings County are included only for the purpose of supplying general information regarding the area of the City. The 2008 Certificates are not a debt of the County, the State or any of its political subdivisions, and neither the County, the State nor any of its political subdivisions is liable therefor.

General Description and Background

Kings County is located in the south central portion of the San Joaquin Valley. Kings County is home to the Lemoore Naval Air Station and three California State Correctional facilities, two in Corcoran and one in Avenal. The county has four incorporated communities, Avenal, Hanford, Lemoore, and Corcoran.

The City of Corcoran lies in Kings County and is located on California Hwy 43, 178 miles north of Los Angeles, 230 miles south of both San Francisco and Sacramento. The City, which covers approximately 5.8 square miles, was incorporated August 11, 1914 and is a general law city.

Population

The following table lists population figures for the County and the State for the last five calendar years.

CITY OF CORCORAN, KINGS COUNTY AND STATE OF CALIFORNIA
Population Estimates
Calendar Years 2008 through 2012
(as of January 1)

Calendar Year	City of Corcoran	Kings County	State of California
2008	25,283	151,106	36,704,375
2009	25,108	151,816	36,966,713
2010	24,748	152,717	37,223,900
2011	24,059	152,533	37,427,946
2012	23,621	152,419	37,678,563

Source: State Department of Finance.

Employment and Industry

The following table shows the average annual estimated numbers of wage and salary workers by industry for Kings County for the years 2007 through 2011 (the latest year for which such information is available). Figures do not include proprietors, the self-employed, unpaid volunteers or family workers, domestic workers in households, and persons in labor management disputes.

HANFORD-CORCORAN MSA
Kings County
Civilian Labor Force, Employment and Unemployment
Calendar Years 2007 through 2011
Annual Averages

	2007	2008	2009	2010	2011
Civilian Labor Force (1)	57,400	58,800	60,500	61,400	61,100
Employment	52,400	52,600	51,800	51,300	51,200
Unemployment	5,100	6,200	8,800	10,100	9,900
Unemployment Rate	8.7%	10.5%	14.5%	16.5%	16.1%
<u>Wage and Salary Employment: (2)</u>					
Agriculture	9,300	6,700	6,500	6,600	6,000
Natural Resources, Mining	1,300	1,100	900	900	900
Manufacturing	4,300	5,100	4,300	4,100	4,100
Wholesale Trade	600	600	600	500	500
Retail Trade	4,200	4,100	3,900	3,900	4,000
Trans., Warehousing and Utilities	800	900	800	800	800
Information	300	300	300	200	200
Finance and Insurance	1,100	1,100	1,000	900	1,000
Real Estate and Rental and Leasing	500				
Professional and Business Services	1,100	1,200	1,400	1,700	1,200
Educational and Health Services	3,900	4,400	4,500	4,500	4,900
Leisure and Hospitality	2,800	2,700	2,700	2,700	2,900
Other Services	600	600	500	500	500
Federal Government	1,200	1,100	1,200	1,200	1,200
State Government	5,900	6,300	6,300	6,000	5,900
Local Government	7,600	8,100	8,200	7,800	7,700
Total, All Industries (3)	45,500	44,300	43,100	42,300	41,800

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

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

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Major Employers

The table below lists the largest manufacturing and non-manufacturing employers within the County as of January 2012:

KINGS COUNTY Major Employers

Employer Name	Location	Industry
Adventist Health Physicians	Hanford	Physicians and Surgeons
Adventist Medical Ctr-Hanford	Hanford	Hospital
Badasci & Wood Transport	Lemoore	Trucking
California State Prison	Corcoran	State Govt-Correctional Institutions
Central Valley Meat Co Inc	Hanford	Meat Packers (Mfrs)
Con Agra Foods	Hanford	Food Brokers (Whol)
Del Monte Foods Co	Hanford	Canned Specialties (Manufacturers)
Hanford Community Medical Ctr	Hanford	Hospitals
Hotel At Tachi Palace	Lemoore	Casinos
J G Boswell Co	Corcoran	Cotton Goods-Manufacturers
Kings County Government Ctr	Hanford	Government Offices-County
Kings County Sheriff's Office	Hanford	Sheriff
Kmart	Lemoore	Department Stores
Lemoore High School	Lemoore	Schools
Leprino Foods Co	Lemoore	Cheese Processors (Mfrs)
Nichols Farms	Hanford	Farm
Pioneer Union Elementary Schl	Hanford	School
Sentinel	Hanford	Newspaper
Us Naval Air Station	Lemoore	Federal Government-National Security
Us Naval Hospital	Lemoore	Hospitals
Wal-Mart Supercenter	Hanford	Department Stores
Warmerdam Packing	Hanford	Fruits & Vegetables-Growers & Shippers
West Hills College-Lemoore	Lemoore	College

Source: State of California Employment Development Department.

Personal Income

The United States Department of Commerce, Bureau of Economic Analysis (the "BEA") produces economic accounts statistics that enable government and business decision-makers, researchers, and the public to follow and understand the performance of the national economy.

The BEA defines "personal income" as income received by persons from all sources, including income received from participation in production as well as from government and business transfer payments. Personal income represents the sum of compensation of employees (received), supplements to wages and salaries, proprietors' income with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj), rental income of persons with CCAdj, personal income receipts on assets, and personal current transfer receipts, less contributions for government social insurance. Per capita personal income is calculated as the personal income divided by the resident population based upon the Census Bureau's annual midyear population estimates.

The table below presents the latest available personal income for the County, the State and the United States for the calendar years 2006 through 2010 (the latest date for which such information is available).

KINGS COUNTY PERSONAL INCOME (Calendar Years 2006 Through 2010)

<u>Year and Area</u>	<u>Personal Income (millions)</u>	<u>Per Capita Personal Income (dollars)</u>
2010		
County	\$4,070	\$26,575
State	1,587,403	42,514
United States	12,353,577	39,937
2009		
County	3,801	24,961
State	1,526,531	41,301
United States	11,916,773	38,846
2008		
County	4,004	26,339
State	1,610,697	44,003
United States	12,451,660	40,947
2007		
County	3,950	26,265
State	1,566,400	43,211
United States	11,900,562	39,506
2006		
County	3,500	26,696
State	1,495,533	41,518
United States	11,256,516	37,725

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

Commercial Activity

During calendar year 2010, total taxable transactions in the City were reported to be \$79,706,000, a 12.24% increase over the total taxable transactions of \$71,012,000 that were reported in the City during calendar year 2009. Summaries of historic taxable sales within the City during the past five years for which data is available and the 1st quarter of 2011 are shown in the following table. Annual figures are not yet available for 2011.

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

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2006	102	\$62,274	165	\$94,698
2007	96	77,798	162	110,770
2008	104	65,769	170	133,879
2009	100	34,570	161	71,012
2010	103	37,682	167	79,706
2011	103	9,587 ⁽¹⁾	165	17,180 ⁽¹⁾

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

(1) Represents 1st Quarter of 2012 only. Annual figures for 2012 are not yet available.

During calendar year 2010, total taxable transactions in the County were reported to be \$1,188,331,000, a 1.14% increase over the total taxable transactions of \$1,174,981,000 that were reported in the County during calendar year 2009. Summaries of historic taxable sales within the County during the past five years for which data is available and the 1st quarter of 2011 are shown in the following table. Annual figures are not yet available for 2011.

**KINGS COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2006	1,110	\$953,048	2,153	\$1,303,907
2007	1,118	969,042	2,178	1,328,747
2008	1,140	921,899	2,144	1,389,409
2009	1,333	787,342	1,998	1,174,981
2010	1,408	817,260	2,082	1,188,331
2011	1,378	206,523 ⁽¹⁾	2,028	293,482 ⁽¹⁾

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

(1) Represents 1st Quarter of 2012 only. Annual figures for 2012 are not yet available.

Construction Activity

The following tables show a five year summary from calendar year 2007 to 2011 and the 1st Quarter of 2012 of the valuation of building permits issued in the City and the County.

CITY OF CORCORAN Total Building Permit Valuations (Valuations in Thousands)

Permit Valuation	2007	2008	2009	2010	2011	2012 ⁽¹⁾
New Single-family	\$10,170	\$4,661	\$6,086	\$3,372	\$1,709	0
New Multi-family Res.	11,640	0	0	0	0	0
	620	661	706	615	758	\$17
Total Residential	\$22,431	\$5,322	\$6,793	\$3,988	\$2,468	\$17
New Commercial	0	0	0	0	0	0
New Industrial	0	0	0	0	0	0
New Other Com.	\$581	\$192	\$2,364	\$3,955	\$422	\$22
	192	727	1,051	972	454	0
Total Nonresidential	\$773	\$920	\$3,415	\$4,928	\$877	\$22
New Dwelling Units						
Single Family	67	35	43	22	11	0
Multiple Family	125	0	0	0	0	0
TOTAL	192	35	43	22	11	0

Source: California Homebuilding Foundation.
(1) Data through March 2012.

KINGS COUNTY Total Building Permit Valuations (Valuations in Thousands)

Permit Valuation	2007	2008	2009	2010	2011	2012 ⁽¹⁾
New Single-family	\$79,622	\$37,135	\$28,763	\$26,007	\$18,734	\$9,131
New Multi-family Res.	13,518	9,164	0	10,694	6,126	0
	7,590	5,061	5,420	5,581	6,082	1,000
Total Residential	\$100,730	\$51,360	\$34,183	\$42,282	\$30,942	\$10,131
New Commercial	\$12,485	\$13,968	\$9,629	\$4,144	\$3,325	\$4,820
New Industrial	9,549	0	0	992	1,756	0
New Other Com.	16,977	9,950	14,898	10,751	8,630	1,122
	13,510	16,326	11,012	36,070	11,234	2,145
Total Nonresidential	\$52,521	\$40,244	\$35,539	\$51,957	\$24,945	\$8,087
New Dwelling Units						
Single Family	491	241	188	169	115	55
Multiple Family	151	137	0	72	80	0
TOTAL	642	378	188	241	195	55

Source: California Homebuilding Foundation.
(1) Data through March 2012.

Transportation

Transportation includes rail services by Burlington Northern Santa Fe Mainline Railway and Amtrak. Airports within 30 miles include Corcoran Private Airport, Hanford Municipal Airport and the Visalia Municipal Airport. Public transportation is provided by Corcoran Dial-A-Ride and Kings Area Rural Transit. Highways 41 and 43 connect with State Highway 99 and 198. Corcoran is 15 miles west of Highway 99 and 18 miles south of Highway 198 on Highway 43.

APPENDIX D

THE WATER SYSTEM OF THE CITY

The Water Utility

The City operates a public water system serving the City, several small developments in unincorporated areas of the County adjacent to the City, and two California State Prisons located within the City limits. The Water System currently serves a total population of 23,621 through 3,266 service connections. In calendar year 2011, the Water System produced approximately 2,094 million gallons of water.

The Water System was started in 1905 by the privately owned Corcoran Water and Gas Company. The City was incorporated in 1914 and purchased the Water System in 1916. Various Water System facilities have been constructed and abandoned since that time. The California Department of Health Services issued the first water supply permit to the City in 1956, and the current permit was issued in 2011. The current operating permit does not expire, but remains in place until another significant change is made to the Water Treatment Plant which would call for a review of its operations, which could require a new permit.

The management of the Water System is the responsibility of the City's Public Works Department, for both construction and the maintenance and operation, and the Public Works Director has responsibility for the Department and the division. The Chief Plant Operator has the responsibility for the daily maintenance and operations of the Water Division. These responsibilities include the operation and maintenance of the treatment facility, groundwater wells, booster pump stations, storage tanks, meter reading for the Water System and customer service activities. There are six full-time operators assigned to this division.

The City Finance Department is responsible for billing and collecting all water bills.

Land Use Projections

The City is responsible for land use policy for most of the area served by the Water System (as the Water System also serves portions of unincorporated areas of Kern County). A condition of new or in-fill development is that the developer provide infrastructure sufficient to provide water service for each lot in the proposed development. There are currently plans for construction of approximately _____ new homes in the next year, with an additional _____ homes in various stages of planning. The City anticipates servicing these customers from the purchase of additional supplies from its resources described in "Water Supply and Transmission" below.

Future Water System Improvements

While the City has an ongoing capital improvement plan with respect to repair and replacement of facilities as needed, it does not anticipate any new major capital improvements in the next five years. The City is required under current State law to install water meters on all municipal and industrial service connections located within its service area on or before January 1, 2025.

Water Supply and Transmission

Groundwater is the sole source of water supply for the Water System. The City operates a well field northeast of the City, with nine wells that range in depth from less than 500 feet to over 1,000 feet, both above and below the Corcoran Clay - a major subsurface confining clay layer in the San Joaquin Valley. The wells have a total estimated pumping capacity of between 4,628 and 6,807 million gallons a year, depending on the level of groundwater. Groundwater levels in the City tend to go down in dry years and rebound in wet years. All nine wells are fitted with vertical turbine line shaft pumps operating with constant speed motors. Each well has a centrifugal Lakos sand separator for removal of sand prior to leaving the individual well site. Raw water is conveyed from the nine wells through three transmission systems to a raw water storage tank at the Water Treatment Plant (defined below).

The production of each individual well varies from year to year as the City actively manages the contribution of each well to total water production to ensure long-term water quality and flow. A summary of the production capacity for each of the nine wells is shown in the table below. The City's total water production for calendar year 2011 was approximately 2,094 million gallons, or 45.2% of total well capacity during a dry year. Over the past 10 years, the City has extracted, on the average, approximately 2,306 million gallons a year through the 9 wells.

While the aquifer utilized as the pumping resource by the City (the Tulare Lake Subbasin) is generally recognized as being in overdraft, since it has not legally been designated as such (i.e., it has not been adjudicated) there are currently no pumping limitations in place. Since rainfall has minimal impact on the groundwater levels in the basin, recharge occurs primarily from run-off from the Sierra Nevada Mountains, agricultural irrigation within the basin and reclaimed wastewater. In 2000 the City prepared an urban water management plan (the "UWMP"), as required by the California Water Code, which was updated in April 2007. While the UWMP determined that the City should be able to meet its groundwater pumping requirements into the foreseeable future, it recognized the need for developing recharge capabilities. The City is currently producing the update to the UWMP, a draft of which is expected to be completed by October, 2012.

Depending on the growth of the City, the City believes it has sufficient water or will be able to acquire water sufficient to supply the demand on the Water System. The existing water supplies are shown in the table below. The City is currently repairing or replacing Wells 8A and 9A which were damaged due to subsidence in the area, and the City expects both wells to be online by September, 2012.

**TABLE 1
CITY OF CORCORAN
EXISTING WELL CAPACITY
(Millions of Gallons per Year)**

<u>Well</u>	<u>Dry Year</u>	<u>Normal Year</u>
1A	411	604
2A	304	447
3A	393	578
4A	465	683
6A	500	736
7A	411	604
8A ⁽¹⁾	858	1,261
9A ⁽¹⁾	894	1,314
10A	<u>393</u>	<u>578</u>
Total	4,628	6,807

Source: City of Corcoran

(1) Estimated, based on replaced or repaired condition.

Total water production for the last six calendar years, and an estimate for 2012, is shown in the following table below.

**TABLE 2
CITY OF CORCORAN
ANNUAL WATER PRODUCTION
(2006-2012)**

<u>Year (June 30)</u>	<u>Total Production⁽¹⁾</u>
2006	2,400
2007	2,449
2008	2,358
2009	2,390
2010	2,146
2011	2,094
2012 ⁽²⁾	2,100

Source: City of Corcoran

(1) Millions of gallons.

(2) Estimated.

Water Treatment

The City's water treatment facilities (the "Water Treatment Plant") has a capacity of 21.5 million gallons per day (MGD) and a net production capacity of approximately 19.4 MGD, or approximately 29.5% of the average daily demand of the Water System in 2011. The Water Treatment Plant uses oxidation followed by enhanced coagulation filtration through multi-media filters. Raw water arriving at the Water Treatment Plant is first directed to a 500,000

gallon raw water mixing and blending tank. Next, water flows to a 24" diameter inline static mixer where chemicals are added, followed by rapid mixing. Sodium hypochloride is used for oxidation, and ferric chloride and a polymer filter aide are used for coagulation. Six 2,500 gpm filter feed pumps then pump the water mixture through five dual-cell horizontal pressure filter vessels with anthracite and Greensand Plus filter media. Filters are cleaned with a backwash system including a 3,500 backwash pump, two 300,000 gallon backwash reclaim tanks, and three 250 gpm backwash reclaim pumps. The current operating permit does not expire, but remains in place until another significant change is made to the Water Treatment Plant which would call for a review of its operations, which could require a new permit (e.g., if another filter unit was added, or if the City had to start treating for other contaminants).. SCADA and Programmable Logic Control systems monitor and control the treatment plant systems, filter systems, waste systems, and the nine City wells.

The Water Treatment Plant is designed to accommodate additional facilities as required for long-term future capacity needs. The City currently estimates that the current capacity of the Water Treatment Plant should be sufficient to meet the City's needs through 2020 or longer, depending on growth in the City.

Distribution System

The distribution system is currently composed of a looped system being fed through four (4) 16" water mains, seven (7) booster pumps and five (5) water storage tanks at various locations that provide 4.8 million gallons of treated water storage. The City's existing storage capacity provides the Water System with approximately 84% of the average daily demand in the City (based on average daily use of 5.7 MGD). The average daily use ranged from a low of 3.562 MGD to a high of 8.885 MGD in 2011. All of the City booster station have stand-by emergency power and are controlled and monitored by the SCADA system located at the water treatment plant.

Recent Projects and Accomplishments

The City has recently completed the following improvements to the Water System.

- Addition of new water filter unit at Water Treatment Plant raising capacity from 18 MGD to 22.5 MGD
- Four original filter units have been rebuilt and upgraded per the manufacturer's new specifications
- Two Solar Lease Projects expected to generate approximately \$100,000 of additional Gross Revenues per year within the next 3-5 years
- Addition of a new water filter pressure vessel along with the associated equipment and controls increasing the Water Treatment Plant's number of filter units from five (5) to six (6) units and it's treatment capacity from 18 MGD to 21.5 MGD (gross).

Environmental Issues and Regulatory Requirements

Environmental Issues. The primary environmental issue impacting the Water System concerns arsenic. Arsenic concentrations in the City's production wells range from 6 to 35

parts per billion (ppb), which is higher than the Federal Standard of 10 ppb that was mandated in 2006. When raw water from all wells is blended together as it reaches the Water Treatment Plant, and this blended raw water averages 22 to 25 ppb of arsenic, though it can be higher at times. The City constructed the Water Treatment Plant in order to meet this new standard. The Water Treatment Plant was completed in October 2006, and the City reports that its arsenic levels in its treated water delivered to customers average below 3 ppb, which is below the Federal arsenic standard. The City anticipates that the Water System would also be able to meet a more stringent State standard, if one is ever adopted.

Regulatory Requirements. The California Department of Health Services regulates the Water System. The City believes it is in compliance with applicable regulations and requirements.

The kind and degree of water treatment which is also effected through the Water System is regulated, to a large extent, by the federal government. Clean water standards set forth in the Safe Drinking Water Act and the Environmental Protection Act continue to set standards for the operations of the Water System and to mandate its use of technology. In the event that the California Department of Health Services or the Federal government, either acting through the Environmental Protection Agency or by adoption of additional legislation, should impose stricter quality standards upon the Water System, its expenses would increase accordingly and rates and charges would have to be increased to offset those expenses. It is not possible to predict the direction which State and federal regulation will take with respect to water treatment.

Active Water Accounts

Service connections in the Water System range in diameter from 5/8-inch to 8-inches. Approximately 51% of all residences are billed a flat rate, while the other 49% are billed on a metered rate. Meters are installed on all new accounts, and the City is required under current State law to install water meters on all municipal and industrial service connections located within its service area on or before January 1, 2025. The City currently projects that service connections will increase by no more than 10 to 15 connections a year for next four or five years. A summary of active water services is shown in the following table.

**TABLE 3
CITY OF CORCORAN
ACTIVE WATER SERVICES
(As of June 30)**

<u>Year (June 30)</u>	<u>Total Connections</u>
2002	2,910
2003	2,934
2004	3,041
2005	3,095
2006	3,123
2007	3,159
2008	3,123
2009	3,249
2010	3,188
2011	3,279
2012	3,238

Source: City of Corcoran Water Department.

The majority of the City's water accounts are primarily residential, but commercial accounts represent a significant proportion of Revenues. Residential users comprise approximately 93.2% of Water System connections and approximately 51.5% of total Revenues. A summary of accounts and Revenues as of June 30, 2012 by customer class is shown in the following table.

**TABLE 4
CITY OF CORCORAN
SERVICE ACCOUNTS AND REVENUES
(as of June 30, 2012)**

<u>Category</u>	<u>Accounts</u>	<u>Percent</u>	<u>Revenues</u>	<u>Percent</u>
Single Family Residential	3,017	93.2%	\$2,231,396	51.5%
Commercial	172	5.3	1,468,874	33.9
Multi-Family	41	1.3	543,753	12.6
Industrial	<u>8</u>	<u>0.2</u>	<u>86,872</u>	<u>2.0</u>
Total	3,238	100.0%	\$4,330,895	100.0%

Source: City of Corcoran Water Department.

Largest Users

The following table shows the top ten water users in the City based on revenue generated during Fiscal Year 2011/12. The top ten water users accounted for 40.0% of total Revenues in Fiscal Year 2011/12 with the top two users accounting for approximately 27% of total Revenues.

TABLE 5

**CITY OF CORCORAN
TEN LARGEST CUSTOMERS
(Fiscal Year 2011/12)**

<u>Account Name</u>	<u>Revenue</u>	<u>Percent</u>
Corcoran State Prison	\$655,183	15.13%
CA Substance Abuse Treatment Facility	519,158	11.99
J.G. Boswell Company	120,461	2.78
Willowlakes Apartments	112,637	2.60
Corcoran Unified School District	108,779	2.51
King Estates	59,247	1.37
Kings Manor Apartments	43,961	1.01
Whitley Garden Apartments	43,909	1.01
Whitley Manor	37,725	0.87
Avalon Family Apartments	<u>32,153</u>	<u>0.74</u>
Total Top 10	\$1,733,213	40.01%
All Other Accounts	<u>2,597,682</u>	<u>59.99</u>
Total All Accounts	\$4,330,895	100.00%

Source: City of Corcoran.

The Corcoran State Prison opened in 1988, and currently houses approximately 4,800 inmates at various security levels, including a 75-bed acute care hospital. The prison, located on 942 acres, currently has a staff of approximately 2,300. The California Substance Abuse Treatment Facility, which is a prison with a treatment facility incorporated within, opened in 1997, and currently houses approximately 5,555 inmates. The facility, located on 280 acres, currently has a staff of approximately 1,900. See "RISK FACTORS – Concentration of Customers" herein.

Water System Budgets and Budgetary Accounting

The City Council has the responsibility for adoption of the City's budget. Budgets are adopted for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by motion during each Fiscal Year. The City Manager is authorized to transfer funds from one major expenditure category to another within the same department and fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council. The level at which expenditures may not legally exceed appropriations is therefore established at the department level. Budgeted amounts may be transferred between departments with department head approval.

On or before the first day in April of each year, all departments of the City submit requests for appropriations to the City's manager so that a budget may be prepared on or by May 15, the proposed budget is presented to the City's Council for review. The council holds public hearings and a final budget must be prepared and adopted no later than June 30. The budget for Fiscal Year 2012/13 was adopted by the City Council on _____, 2012.

Billing and Collection Procedures

Billing Procedure. All accounts are billed on a monthly basis, in arrears. Bills are mailed out on the last working day of the month and customers are given until the 15th of the month to pay; after the 15th a \$2.00 late charge is added to the balance due. If an account becomes 45 days past due, a shut off notice is mailed to the customer and an additional \$10 late charge is added to the account. Kings Credit Services is used to assist with collection of accounts where customers have moved out and left a balance.

Collection of Charges. For the last five Fiscal Years the City's collection rate has ranged between 98% and 99%. The City's collection history for the last five Fiscal Years is set forth below.

**TABLE 6
CITY OF CORCORAN
COLLECTION HISTORY
(Fiscal Years 2007/08-2011/12)**

	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>
Billings	\$3,621,786	\$4,158,390	\$4,677,211	\$4,470,558	\$4,458,630
Credits & Collections	3,539,272	4,096,043	4,634,427	4,385,219	4,428,263
Collection Rate (%)	97.7%	98.5%	99.1%	98.1%	99.3%

Source: City of Corcoran.

Water Rates

General. In accordance with California law, the City may, from time to time, fix, alter or change fixed monthly system access fees, commodity charges and other fees related to the Water System. The City has the authority to establish charges for water service without the approval of any other governmental agency. It can terminate service to delinquent customers, require full payment of delinquent accounts, and impose reconnection fees to resume service. Neither the City nor the Water System is subject to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body in connection with the establishment of charges and fees related to the Water System.

The City staff periodically determines the accuracy of the Water System rate structure after full consideration of expected operations, maintenance and capital costs. In accordance with City policy, operating surpluses may be added Water System unrestricted reserves, or returned to ratepayers through mitigation of future rate increases. [TO BE CONFIRMED]

[See "RISKS FACTORS- Proposition 218"] herein for a discussion of the treatment of the City's rates and charges in light of Proposition 218.

Historical and Current Rates Increases. The following table sets forth a seven-year history of water rate increases. Since Fiscal Year 2000/01 the City has had a average annual water rate increase of 10.2%. The City has not had a water rate increase since Fiscal Year 2008/09.

**TABLE 7
CITY OF CORCORAN
HISTORIC WATER RATE INCREASES FOR ALL CUSTOMER CLASSES
(Fiscal Years 2005/06-2011/12)**

<u>Fiscal Year</u>	<u>Percent Increase</u>
2005/06	--
2006/07	24.0%
2007/08	16.0
2008/09	16.0
2009/10	0.0
2010/11	0.0
2011/12	0.0

Source: City of Corcoran Department of Finance.

In 2003, the City adopted an ordinance allowing rates to increase automatically each year by the higher of 3% or the change in the Consumer Price Index. Pursuant to a resolution adopted on October 12, 2005, annual increases in water rates of 16-24% per year over a four year period were approved for January 1, 2006, 2007, 2008 and 2009. Beginning in 2010, rate increases reverted to the inflationary increase, although since Fiscal Year 2008/09 no increase has been implemented. The current water rate structure is set forth below.

**TABLE 8
CITY OF CORCORAN
WATER SYSTEM RATES
(As of June 30, 2012)**

<u>Description</u>	<u>Per Month</u>
Flat Rates	
Single family residences	
Up to 4,000 sq. ft	\$41.57
41 to 50 feet in width or 4,001 – 5,000 sq. ft	47.00
Greater than 50 feet in width or 5,000 sq. ft.	47.00 plus \$0.97 per
additional 100	sq. ft.
Churches	32.17
Multifamily Dwellings	41.57
Corcoran Unified School District	8,737.45
Metered Rates	
First 600 cubic feet	\$41.57
Each additional 100 cubic feet	1.11

Source: City of Corcoran.

The bulk of the City's water sales revenue is derived from residential services. Approximately 51% of all residences are billed a flat rate, while the other 49% are billed on a

metered rate. Meters are installed on all new accounts, and the City is required under current State law to install water meters on all municipal and industrial service connections located within its service area on or before January 1, 2025. The two State prisons also pay metered water rates.

Connection Fees

The City has established connection charges pursuant to Ordinance 587 and Resolution No. 2262 effective September 11, 2006. The table below summarizes the current connection charges, which in Fiscal Year 2011/12 totaled approximately \$12,000.

**TABLE 9
CITY OF CORCORAN
CONNECTION FEES
(As of January 1, 2012)**

<u>Description</u> ⁽¹⁾	<u>Amount</u>
1-inch	\$1,163
1.5-inch	2,186

Source: City of Corcoran.

(1) Rate schedule includes fees for meters up to 4 inches.

The following table below sets forth the historical annual revenues from connection fees.

**TABLE 10
CITY OF CORCORAN
CONNECTION FEE REVENUE
(FISCAL YEARS 2005/6-2011/12)**

<u>Fiscal Year</u>	<u>Amount</u>
2005/06	\$55,076
2006/07	117,975
2007/08	64,454
2008/09	73,758
2009/10	48,846
2010/11	7,719
2011/12 ⁽¹⁾	12,753

Source: City of Corcoran.

(1) Unaudited,

The following table sets forth a comparison of average monthly bill for a single family residential unit with a 1-inch meter in the City to those of surrounding communities (utilizing 1,600 cubic feet of water per month). Previous rate increases by the City have enabled it to fund its major capital needs and maximize operating efficiency.

**TABLE 11
CITY OF CORCORAN
MONTHLY BILL COMPARISON⁽¹⁾
(As of July 1, 2010)**

<u>Community</u>	<u>Monthly Residential Bill</u>
Corcoran	\$52.67
Avenal	51.43
Hanford	17.18
Lemoore	21.30
Tulare	11.50
Visalia	43.91

Source: City of Corcoran.
(1) Includes monthly meter, CIP and commodity charges.

The City anticipates reviewing its rates periodically, and raising rates as future needs of the Water System demand.

WATER SYSTEM FINANCIAL INFORMATION

Financial Statements

Attached as APPENDIX C are the audited financial statements of the City (the "Financial Statements") for Fiscal Year 2010/11, which include financial statements for the Water System, prepared by the City Department of Finance and audited by Price Page & Company Accountancy Corporation (the "Auditor").

The Auditor's letter concludes that all the Financial Statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Financial Statements should be read in their entirety. The City has not requested nor did the City obtain permission from the Auditor to include the Financial Statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the City. In addition, the Auditor has not reviewed this Official Statement.

Enterprise Accounting

The Water System is accounted for as an enterprise fund with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned,

expenses incurred or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The City uses the accrual basis of accounting for its “proprietary funds,” including the Water System enterprise fund. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred. The “measurement focus” used to identify which transactions and events should be recorded in the respective funds is the flow of all economic resources measurement focus. All assets and liabilities associated with the operations of each respective fund are included in the balance sheet. Fund equity (net total assets) consists of contributed capital and retained earnings. In accordance with Governmental Accounting Standard Board (GASB) Statement No. 20, entitled “Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,” the City applies all GASB Opinions and Accounting Research Bulletins issued on or before November 30, 1989.

See “APPENDIX C” for a more complete summary of the City’s accounting policies.

Revenues and Expenses

A five-year summary of revenues and expenditures for the City’s Water Utility Fund is presented in the table below.

TABLE 12
CITY OF CORCORAN
Water Enterprise Fund
Summary of Revenues and Expenses
2008 - 2011 (audited) and 2012 (unaudited)

	2008	2009	2010	2011	2012 ⁽¹⁾
REVENUES					
Charges for Service	\$3,603,179	\$4,136,297	\$4,546,130	\$4,384,999	\$4,399,891
Connection Fees	(259)	175	140	3,959	12,753
Interest Income	227,147	129,254	40,745	44,745	38,514
Rental Income	43,278	14,426	45,915	36,618	49,210
Other Income	69,161	74,040	216	3,495	--
Capital Contributions	--	--	48,846	7,719	--
Operating Transfers In	--	2,000,000	--	--	--
<i>Total Operating Revenues</i>	3,942,506	6,354,192	4,681,992	4,481,535	4,500,368
EXPENSES⁽²⁾					
Personnel Services	334,880	360,136	383,177	396,288	395,477
Maintenance & Supplies	1,725,496	1,953,160	1,720,409	1,536,348	1,285,055
Administration & Allocated Costs	205,499	232,578	241,461	229,582	219,453
<i>Total Operating Expenses</i>	2,265,875	2,545,874	2,345,047	2,162,218	1,899,985
<i>Net Revenue</i>	\$1,676,631	\$3,808,318	\$2,336,945	\$2,319,317	\$2,600,383
DEBT SERVICE					
2003 Certificates	\$332,683	\$335,289	\$332,558	\$ 334,470	\$ 334,220
2008 Certificates ⁽⁴⁾	0	724,278	750,078	1,093,107	1,192,501
<i>Total Debt Service</i>	\$332,683	\$1,059,567	\$1,082,636	\$1,427,577	\$1,526,721
DEBT SERVICE COVERAGE	5.04	3.59	2.16	1.62	1.70

Source: City of Corcoran Finance Department.

(1) Estimated, unaudited.

(2) Excludes depreciation.

(3) Includes a Prior Period adjustment of \$(44,857).

(4) Excludes amounts paid with capitalized interest.

Pro Forma Cash Flow

The table below presents a four-year projected summary of revenues and expenses of the Water System, together with corresponding coverage ratios. The projections are based on City estimates. No assurance can be made that these projections will be met. [See “RISKS FACTORS”].

**TABLE 13
CITY OF CORCORAN
Water Enterprise Fund
Pro Forma Cashflow**

	Estimated 2012/13	2013/14	2014/15	2015/16	2016/17
Revenues:					
Water Sales ⁽¹⁾					
Service Fees					
Other Revenues/Interest					
Total Revenues					
Expenses:					
Personnel					
Utility					
Maintenance and Supplies					
Admin & Allocated Costs					
Total Operating Expenses					
Net Revenues Pledged					
Davis Grunsky Loan ⁽²⁾					
2003 Certificates					
2008 Certificates ⁽³⁾					
Total Debt Service					
DS Coverage					
Revenues Available for Other Purposes of the Enterprise					

(1) Water Sales reflect rate increases as follows:

(2) Loan obtained from the State in 1974 for water system improvements; loan repayment is not secured by a pledge of Water System revenues, however the City makes payments from such revenues.

(3) 2008 Certificate debt service is net of capitalized interest.

Source: City of Corcoran Finance Department.

Historical Fund Balances

The following table sets forth the statement of net assets for the Water Fund for the last three audited Fiscal Years.

TABLE 14
CITY OF CORCORAN
Water Enterprise Fund
Historical Audited Balance Sheets Statement of Net Assets
Fiscal Years 2008 - 2011

ASSETS	2008-09	2009-10	2010-11
CURRENT ASSETS:			
Cash and Investments:			
Unrestricted	\$5,759,083	\$4,376,294	\$4,789,027
Restricted	69,706	69,706	69,706
Cash with fiscal agent – restricted	1,903,136	2,317,206	2,350,823
Receivables:			
Accounts, net	532,450	562,474	--
Interest	20,966	--	--
Other	30	--	3,616
Due from Other Funds	440,000	380,000	--
Unamortized bond issuance cost	169,768	163,421	157,075
Unamortized bond discount	158,942	--	--
TOTAL CURRENT ASSETS	9,054,081	7,869,101	8,015,335
NONCURRENT ASSETS:			
Advances to other funds	--	2,000,000	2,380,000
Deferred outflow of resources	--	3,028,881	2,451,257
Capital Assets:			
Nondepreciable			
Nondepreciable	737,730	737,730	737,730
Depreciable, net of accumulated depreciation	24,800,103	23,844,065	23,094,821
TOTAL NONCURRENT ASSETS	25,537,833	29,610,676	28,663,808
TOTAL ASSETS	34,591,914	37,479,777	36,679,143
LIABILITIES			
CURRENT LIABILITIES:			
Accounts Payable	441,966	276,269	245,502
Interest payable	226,439	272,368	274,760
Due to other funds	54,668	56,262	54,130
Compensated Absences	10,481	7,906	10,174
Notes Payable	55,721	59,953	58,339
Certificates of Participation	525,000	530,000	545,000
TOTAL CURRENT LIABILITIES	1,314,275	1,199,758	1,187,905
NON-CURRENT LIABILITIES:			
Compensated Absences	969	2,012	3,843
Certificates of participation	23,510,454	23,285,636	22,779,764
Notes Payable	562,124	505,250	446,911
Derivative instrument liability	--	3,028,881	2,451,257
TOTAL NONCURRENT LIABILITIES	24,073,547	26,821,779	25,681,775
TOTAL LIABILITIES	25,387,822	28,021,537	26,869,680
NET ASSETS			
Invested in capital assets, net of related debt	884,534	766,159	2,537
Restricted Cash for Debt Service	1,972,842	2,386,912	2,420,529
Unrestricted	6,346,716	6,305,169	7,386,397
TOTAL NET ASSETS	\$9,204,092	\$9,458,240	\$9,809,463

Source: City of Corcoran.

APPENDIX E
PROPOSED FORM OF SPECIAL COUNSEL OPINION

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the 2008 Certificates, payment of principal, interest and other payments on the 2008 Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2008 Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

*Neither the issuer of the 2008 Certificates (the “**Issuer**”) nor the trustee, fiscal agent or paying agent appointed with respect to the 2008 Certificates (the “**Agent**”) take any responsibility for the information contained in this Appendix.*

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2008 Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2008 Certificates, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered Owner of the 2008 Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “**2008 Certificates**”). The 2008 Certificates 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 2008 Certificate will be issued for the 2008 Certificates, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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

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

3. Purchases of 2008 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2008 Certificates on DTC's records. The ownership interest of each actual purchaser of each 2008 Certificate ("**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 2008 Certificates 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 2008 Certificates, except in the event that use of the book-entry system for the 2008 Certificates is discontinued.

4. To facilitate subsequent transfers, all 2008 Certificates 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 2008 Certificates with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2008 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2008 Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2008 Certificates may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2008 Certificates, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of 2008 Certificates may wish to ascertain that the nominee holding the 2008 Certificates 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 the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the 2008 Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2008 Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2008 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the 2008 Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the 2008 Certificates at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, 2008 Certificate certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2008 Certificate certificates will be printed and delivered to DTC.

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

RESOLUTION NO. 12-02

A RESOLUTION OF THE CORCORAN JOINT POWERS FINANCE AUTHORITY AUTHORIZING A FIRST AMENDMENT TO TRUST AGREEMENT, FIRST AMENDMENT TO INSTALLMENT SALE AGREEMENT AND PROVIDING OTHER MATTERS PROPERLY RELATING THERETO

WHEREAS, the City of Corcoran (the "City") and the Redevelopment Agency of the City of Corcoran have heretofore entered into a Joint Exercise of Powers Agreement establishing the Corcoran Joint Powers Finance Authority (the "Authority") for the purpose, among others, of issuing its bonds or executing and delivering certificates of participation to be used to finance the acquisition, construction and improvement of certain public capital improvements for the City; and

WHEREAS, the City, working together with the Authority, has previously caused to be executed and delivered its Variable Rate Demand 2008 Refunding Certificates of Participation (Water System Project) in the original principal amount of \$19,900,000 (the "2008 Certificates"); and

WHEREAS, the 2008 Certificates were authorized and executed pursuant to a Trust Agreement, dated as of March 1, 2008 (the "Original Trust Agreement"), among the City, the Authority and U.S. Bank National Association, as trustee (the "Trustee"); and

WHEREAS, the City and the Authority have previously entered into an Installment Sale Agreement, dated as of March 1, 2008 (the "Original Installment Sale Agreement"), whereby the Authority has agreed to sell certain water system improvements (the "Project") to the City and the City has agreed to purchase the Project from the Authority; and

WHEREAS, the Authority now desires to amend certain provisions of the (i) Original Trust Agreement, pursuant to a First Amendment to Trust Agreement, dated as of September 1, 2012 (the "First Amendment to Trust Agreement"), by and among the City, Authority and Trustee and (ii) Original Installment Sale Agreement, pursuant to a First Amendment to Installment Sale Agreement, dated as of September 1, 2012 (the "First Amendment to Installment Sale Agreement"), by and between the City and Authority; and

WHEREAS, the proposed forms of the First Amendment to Trust Agreement and First Amendment to Installment Sale Agreement have been prepared and submitted to the Authority; and

WHEREAS, the Governing Board (the "Board") of the Authority has duly considered the First Amendment to Trust Agreement and First Amendment to Installment Sale Agreement, and wishes at this time to approve such amendments in the public interests of the Authority.

NOW, THEREFORE, BE IT RESOLVED by the Board of the Authority as follows:

Section 1. Approval of First Amendment to Trust Agreement. The Authority hereby approves the First Amendment to Trust Agreement in substantially the form on file with the

Secretary together with any additions thereto or changes therein deemed necessary or advisable by the Chairperson, Vice Chairperson, Treasurer, Executive Director or Secretary, or their authorized representatives (collectively, the "Authorized Officers"), whose execution thereof shall be conclusive evidence of the approval of any such additions and changes.

Section 2. Approval of First Amendment to Installment Sale Agreement. The Authority hereby approves the First Amendment to Installment Sale Agreement in substantially the form on file with the Secretary together with such additions thereto or changes therein deemed necessary or advisable by an Authorized Officer, whose execution thereof shall be conclusive evidence of the approval of any such additions and changes.

Section 3. Official Action. All approvals, consents, directions, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution, whether before or after the execution and delivery of such documents or any similar action may be given or taken by an Authorized Officer, without further authorization or direction by the Authority, and each Authorized Officer is hereby authorized and directed to give any such approval, consent, direction, notice, order, request, or other action and to execute such documents and take any such action which such Authorized Officer may deem necessary or desirable to further the purposes of this Resolution.

Section 4. Effective Date. This Resolution shall take effect immediately upon adoption.

* * * * *

I, the undersigned Secretary of the Corcoran Joint Powers Finance Authority, hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted by the Board of Directors of the Authority at a meeting thereof on the 20th day of August, 2012, by the following vote of the members thereof:

AYES:

NOES:

ABSTAINED:

ABSENT:

Chairman

ATTESTED:

Secretary

**STAFF REPORT
ITEM #: 7-B**

MEMORANDUM

TO: City Council

FROM: Steve Kroeker, City of Corcoran Public Works:

DATE: August 15, 2012

MEETING DATE: August 20, 2012

SUBJECT: Requesting Authorization for collecting bids for the City of Corcoran Dog Park Fence.

Recommendation:

That the Council authorizes the Public Works Director to collect bids for the instillation of a chain link fence for the City's Dog Park

Discussion:

The current City Budget includes \$35,000.00 of Parks Capital Improvement funds for the development of a dog park at the Gable Ave. storm ponding basin. Currently the City's Parks Capital Improvement Fund has a balance of \$101,540.00 which includes both Parks Impact Fees and funds collected through the City's Parks Development Tax which is a bedroom tax.

Some of these funds have already been used to purchase the ADA access equipment required for the Community Pool, so far the balance of these funds have been budgeted for two projects adding additional recreational activities for the kids at the Community Pool.

The currently proposed dog park fence project would include the following;

1. 871 lineal feet of eight (8) foot chain link fencing
2. 3 - Twelve (12) foot swing gates
3. 3 - Four (4) foot self closing swing gates

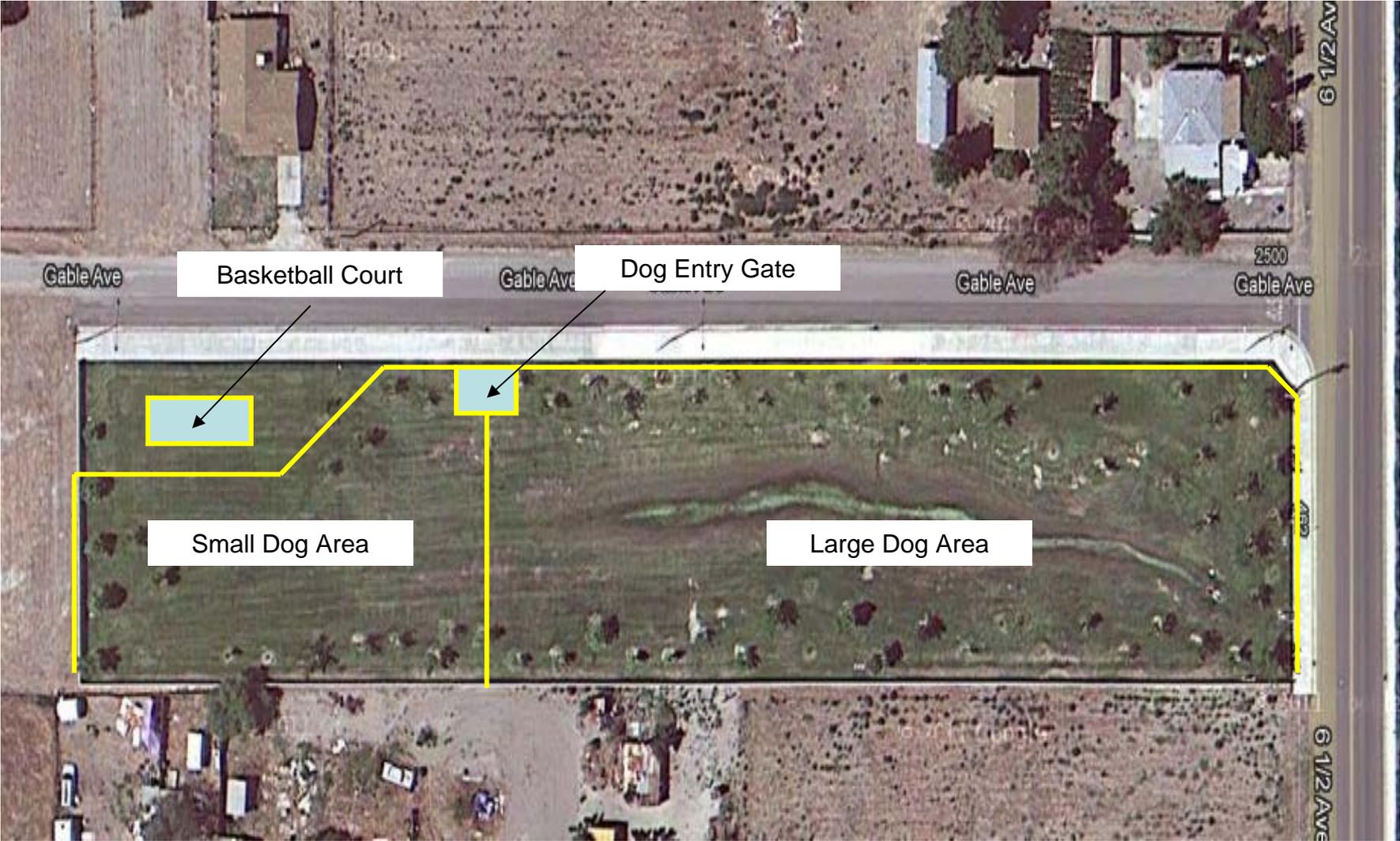
I would like to see what it would cost to use some of the newer Secure-Guard type fence fabric products which have smaller openings ranging from 3/8" up to 1" rather than the standard 2" openings. These materials are advertised as being stronger, harder to climb and harder to cut. If anyone is interested PG&E has used some of this material on their new substation being constructed out on Orange

Ave. and Highway 43. Of course if these alternatives are too expensive we will install the standard 2" chain link fabric.

The chain link fence will be the big ticket item on this project; I believe that it will represent close to one half of the total budget for this project. Other expensive elements will be the concrete for the basketball court; fortunately we have most if not all of the basketball goals and posts needed for this project already, we obtained these pieces at no cost to the City and we feel they will be a beneficial addition to this project.

Budget Impact:

The budget for this project is from the City' Parks Capital Improvement Budget, these are funds collected and designated specifically for Park expansion projects within the City of Corcoran. There is no City General Fund monies allocated towards this project, and since this particular ponding area is already being maintained by the City there will be little additional cost towards the upkeep of the project once completed.



Basketball Court

Dog Entry Gate



Small Dog Area

Large Dog Area

Gable Ave

Gable Ave

Gable Ave

2500
Gable Ave

6 1/2 Ave

6 1/2 Ave

City of

CORCORAN

A MUNICIPAL CORPORATION

FOUNDED 1914

STAFF REPORTS ITEM #: 7C

MEMO

TO: Corcoran City Council

FROM: Kindon Meik, City Manager
Joyce A. Venegas, Deputy City Manager/Finance Director

DATE: August 16, 2012 **MEETING DATE:** August 20, 2012

SUBJECT: Consider Approval of ROPS for January through June, 2013

Recommendation:

Acting as the Successor Agency for the Corcoran Redevelopment Agency, move to approve the attached ROPS (Recognized Obligation Payment Schedule) for January through June, 2012.

Discussion:

Under AB 1484, the Successor Agency must submit a ROPS (Recognized Obligation Payment Schedule) for the period 1/1/13—6/30/13 by September 1, 2012. The report must be approved by the Oversight Board and be submitted for review to the Department of Finance, County auditor/controller and County CAO at the same time. The Oversight Board meeting is scheduled for August 27, 2012.

The only new item added to the ROPS is the balance of funds remaining from the \$2,000,000 that was loaned to the RDA by the City. Title to properties purchased has been transferred to the City.

In addition to the ROPS, the reporting package includes a report of actual versus estimated expenditures for the period of 1/1/12—6/30/12.

For the Council's information we have also attached a schedule of the Successor Agency's obligations under AB 1484.

CITY OFFICES:

Important Dates within AB 1484

<u>Date</u>	<u>Successor Agency Obligations under AB 1484</u>
7/9/2012	Demands made by County Auditor-Controller's (CAC) for payment on residual revenue and pass through amounts for allocations made prior to February 1, 2012.
7/12/2012	Successor Agencies (SA) must make payments based on CAC demand letters or face fines and penalties. DOF relented on the requirement to make payment on pass through amounts.
7/16/2012	Cities and other taxing entities to receive their shares of residual revenue payments paid by SAs.
8/1/2012	Housing Successor Agencies to submit to DOF a list of all housing assets transferred to it by the former RDA with explanation of how these are housing assets based on definitions in the law.
8/10/2012	Housing Successor Agencies to notify SAs of any assets that will may be retained by the SAs.
9/1/2012	SA must submit Oversight Board (OB) approved ROPS for January 1, 2013 through June 30, 2013 cycle (ROPS 3). SA must have submitted draft ROPS to DOF, CAC, County CAO at the time it is submitted to the OB.
10/1/2012	SA must submit to the OB, CAC, DOF and State Controller (SCO) results of a review by licensed accountant outlining LMIHF unencumbered balances.
10/15/2012	OB must approve LMIHF review by this date but may not approve the review until it has held a public meeting and taken comments from the public at least 5 days prior to its approval action. Approved report to be submitted to the DOF and CAC. DOF must complete review of the LMIHF review no later than November 9. If necessary, SA must request a 'meet and confer' to discuss disputes with DOF within 5 days of receipt of the DOF initial determination on the LMIHF review. DOF must conduct the 'meet and confer' and confirm or modify findings within 30 days. SA must transfer amounts deemed to be unencumbered by the final DOF determination within 5 days.
12/1/2012	SA to report to CAC if RPTTF and other resources will be insufficient to cover all ROPS obligations for ROPS 3.
1/2/2013	CAC to make distributions from RPTTF for ROPS 3. Revenue from May through December, 2012 will comprise the pool from which ROPS 3 may be paid.
1/15/2013	OB must approve a review of fund balances in non-housing redevelopment funds conducted by a licensed accountant by this date but may not approve the review until it has held a public meeting and taken comments from the public at least 5 days prior to its approval action. Approved report to be submitted to the DOF and CAC.
3/3/2013	SA to submit OB approved ROPS to DOF for period of July 1 through December 31, 2013 (ROPS 4).
4/1/2013	Last date for DOF to complete initial reviews of non-housing fund balance reports If SA disputes DOF initial findings on non-housing fund balance report, SA must request a 'meet and confer' within 5 days of receiving the DOF initial determination. DOF must conduct requested 'meet and confer' on non-housing fund balance report items disputed by SA and issue a final determination within 30 days of SA request. Within 5 days of receiving the DOF final determination non-housing fund review, SA must transfer unencumbered amounts to CAC for distribution to taxing entities.
5/1/2013	SA to report to CAC if RPTTF and other resources will be insufficient to cover all ROPS obligations for ROPS 4.
6/1/2013	CAC to make distributions from RPTTF for ROPS 4. Revenue from January through May, 2013 will comprise the pool from which ROPS 4 may be paid.

Successor Agency Contact Information

Name of Successor Agency: City of Corcoran
County: Kings

Primary Contact Name: Joyce A. Venegas
Primary Contact Title: Finance Director
Address: 832 Whitley Avenue, Corcoran, CA
Contact Phone Number: 559-992-2151, ext. 224
Contact E-Mail Address: joyce.venegas@cityofcorcoran.com

Secondary Contact Name: Kindon Meik
Secondary Contact Title: City Manager
Secondary Contact Phone Number: 559-992-2151, ext 228
Secondary Contact E-Mail Address: kindon.meik@cityofcorcoran.com

SUMMARY OF RECOGNIZED OBLIGATION PAYMENT SCHEDULE
 Filed for the January 1, 2013 to June 30, 2013 Period

Name of Successor Agency: City of Corcoran

Outstanding Debt or Obligation	Total Outstanding Debt or Obligation
	6,195,075
Current Period Outstanding Debt or Obligation	Six-Month Total
A Available Revenues Other Than Anticipated RPTTF Funding	-
B Anticipated Enforceable Obligations Funded with RPTTF	351,705
C Anticipated Administrative Allowance Funded with RPTTF	125,000
D Total RPTTF Requested (B + C = D)	476,705
Total Current Period Outstanding Debt or Obligation (A + B + C = E) <i>Should be the same amount as ROPS form six-month total</i>	\$ 476,705
E Enter Total Six-Month Anticipated RPTTF Funding <i>(Obtain from county auditor-controller)</i>	600,000
F Variance (E - D = F) <i>Maximum RPTTF Allowable should not exceed Total Anticipated RPTTF Funding</i>	\$ 123,295
Prior Period (January 1, 2012 through June 30, 2012) Estimated vs. Actual Payments (as required in HSC section 34:186 (a))	
G Enter Estimated Obligations Funded by RPTTF <i>(Should be the lesser of Finance's approved RPTTF amount including admin allowance or the actual amount distributed)</i>	98,522
H Enter Actual Obligations Paid with RPTTF	116,684
I Enter Actual Administrative Expenses Paid with RPTTF	-
J Adjustment to Redevelopment Obligation Retirement Fund (G - (H + I) = J)	-
K Adjusted RPTTF (The total RPTTF requested shall be adjusted if actual obligations paid with RPTTF are less than the estimated obligation amount.)	\$ 476,705

Certification of Oversight Board Chairman:
 Pursuant to Section 3417(m) of the Health and Safety code,
 I hereby certify that the above is a true and accurate Recognized
 Obligation Payment Schedule for the above named agency.

Name _____	Title _____
Signature _____	Date _____

City of Corcoran
Parcels held for resale
6/30/2011

034-170-019	
Deposit	1,000.00
Wire	351,778.61
Refund	<u>(42.97)</u>
Net Cost	<u>352,735.64</u>
568 Whitley	
Deposit	1,000.00
Wire	284,498.05
Refund	<u>(5.77)</u>
Net Cost	<u>285,492.28</u>
34-170-004 1015 Pickerell	
Deposit	1,000.00
Wire	352,118.43
Refund	<u>(204.00)</u>
Net Cost	<u>352,914.43</u>
34-170-005, 013 518 & 574 Whitley	
Deposit	1,000.00
Wire	415,514.37
Taxes	146.25
Refund	<u>(60.65)</u>
Net Cost	<u>416,599.97</u>
34-170-003 1007 Pickerell	
Deposit	1,000.00
Wire	29,495.56
Refund	<u>(40.62)</u>
	<u>30,454.94</u>
034-170-020 Pickerell Property	
Purchased in FYE 6/30/10	<u>450,841.16</u>
Deposit, 1003-05 Pickerell	1,000.00
Balance	<u>29,554.84</u>
	<u>30,554.84</u>
Total	<u>1,919,593.26</u>
Total funds provided	<u>2,000,000.00</u>
Balance to City	<u>(80,406.74)</u>

Item #	Project Name / Debt Obligation	Contract/Agreement	Execution Date	Contract/Agreement Termination Date	Payee	Description/Project Scope	Project Area	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2012-13	LMHF	Reserve Balance	Admin Allowance	RP/TF	Other	Six-Month Total
1	2004 Tax Allocation Bonds	11/18/2004	11/1/2010	12/1/2034	U.S. Bank	Bonds issued for non-housing projects	CISPA	5,448,221.25	386,687.50						81,459
2	Contract for Consulting Services	6/18/2012	1/1/2010	12/31/2012	The Chiscom Company	Economic Development Services	CISPA	38,685.00	42,000.00						19,343
3	Contract for Consulting Services	11/1/2010	11/1/2004	12/1/2034	U.S. Bank	Turster Fees	CISPA	84,000.00	72,000.00						42,000
4	Turster Services/2004 Bonds	11/1/2004	11/1/2004	12/1/2034	U.S. Bank	Continuing Disclosure	CISPA	21,000.00	3,000.00						875
5	Continuing Disclosure/2004 Bonds	7/7/2003	7/7/2003	ongoing	Corcoran Chamber of Commerce	Economic Development Services	CISPA	30,600.00	30,600.00						
6	Community Promotion	7/26/2006	7/7/2003	negotiating renewal	Kings County	Fire services	CISPA	170,162.00	170,162.00						127,621
7	Fire Services	N/A	N/A	N/A	City of Corcoran	Successor Agency Cost	CISPA	250,000.00	250,000.00			125,000			125,000
8	City Admin Costs				City of Corcoran	Land purchases	CISPA	80,406.74	80,407						80,407
9	City Advance														
10															
11															
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RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS III)
January 1, 2013 through June 30, 2013

City of

CORCORAN

A MUNICIPAL CORPORATION

FOUNDED 1914

STAFF REPORTS

ITEM #: 7D

MEMO

TO: Corcoran City Council

FROM: Joyce A. Venegas, Deputy City Manager/Finance Director

DATE: August 15, 2012

Meeting Date: August 20, 2012

SUBJECT: Consider Contract for Consultant re Business Licenses

Recommendation: (Voice Vote)

Move to authorize the City Manager to enter into an agreement with PMB Inc. (helpmycommunity.com) for the purpose of locating business operating within the City without obtaining business licenses.

Discussion:

Based on a preliminary review of a listing of businesses with City business licenses, PMB, Inc. has indicated that they estimate that they will be able to identify up to an additional 200 businesses that are not currently licensed by the City.

The attached agreement has been reviewed and approved as to form by the City Attorney.

Budget Impact:

Fees will only be paid from additional revenues generated.

CITY OFFICES:



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CONSULTANT SERVICES AGREEMENT

This Consultant Services Agreement (hereinafter "Agreement") is made as of _____ by and between PMB Incorporated (helpmycommunity.com) with an office at 515 Main Street Suite 318, Martinez, CA 94586 (here in after "PMB-HMC"), and CITY of Corcoran, a municipal corporation of the State of California (hereinafter "CITY").

1. SERVICES

Subject to the terms and conditions set forth herein, PMB-HMC shall provide to CITY those services set forth in Addenda attached hereto in exchange for the fees set forth in the Addenda. Upon mutual agreement, PMB-HMC and CITY may add services to be performed by PMB-HMC for CITY under this Agreement by executing additional Addenda. Such additional Addenda shall contain, at a minimum, a description of the services to be performed, the anticipated compensation for such services, and any additional terms required to give effect to the request for services (collectively "Services"). Such additional Addenda shall be signed by representatives of CITY and PMB-HMC having the authority to so bind the parties. PMB-HMC shall provide the Services in the manner specified in each applicable Addendum. PMB-HMC shall not be required to perform, nor CITY be required to pay for, services not contained in an applicable Addendum.

2. INDEPENDENT CONTRACTOR STATUS

PMB-HMC is an independent contractor, and not an employee of CITY, who will be engaged in providing consulting services for CITY. Nothing in this Agreement shall be interpreted or construed as creating or establishing the relationship of employer and employee between CITY and PMB-HMC or between CITY and any employee or agent of PMB-HMC. Both parties acknowledge that PMB-HMC is not an employee for state or federal tax purposes. PMB-HMC shall retain the right to perform services for others during the term of this Agreement. Nothing in this Agreement shall be construed as creating a partnership, joint venture, or designating PMB-HMC as an agent of CITY. PMB-HMC shall have no authority to bind, contract, or obligate CITY, financially or otherwise. CITY shall not have any right to control the means by which PMB-HMC performs the Services including the facilities used, the employees, contractors, or agents assigned by PMB-HMC. PMB-HMC shall be responsible for any subcontracts entered into in the course of performance of the Services for CITY and PMB-HMC shall be solely responsible for payment to the subcontractors.

3. COMPENSATION

3.1 In consideration for the Services to be performed by PMB-HMC, CITY agrees to pay PMB-HMC the rates set forth in each applicable Addendum.

3.2 PMB-HMC shall submit timely invoices for all services rendered in accordance with each applicable Addendum. Payment will be made to PMB-HMC within thirty (30) days of receipt of invoice therefore. Any amounts which remain unpaid after thirty (30) days shall accrue interest at the rate of one and one-half percent (1.5%) per month, or the maximum amount permitted by law.

3.3 PMB-HMC shall be responsible for all costs and expenses incident to the performance of Services for CITY, including but not limited to, all costs of equipment provided by PMB-HMC, all fees, fines, licenses, bonds or taxes required of or imposed against PMB-HMC and all other of PMB-HMC's costs of doing business. CITY shall not be responsible for expenses incurred by PMB-HMC in performing Services for CITY, except as noted in an applicable Addendum, or such expenses that receive prior written approval from CITY.

4. CONFIDENTIALITY

4.1 During the term of this Agreement, each party may have access to certain confidential information of the other including such party's products, services, technical data, trade secrets, inventions, processes, program results and outcomes, and constituent information. All such information shall be deemed "Confidential Information" whether or not identified as such. Each party shall use the Confidential Information of the other solely for performance of this Agreement, and all Confidential Information shall remain the sole property of the respective parties. With regard to Confidential Information, each party shall use the same care as it uses to maintain the confidentiality of its own confidential

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information., which shall be no less than reasonable care, and shall not make disclosure of the Confidential Information to any third party without the written consent of the Disclosing Party, except to employees, consultants or agents to whom disclosure is necessary to the performance of this Agreement and who are bound by a duty of confidentiality. Information shall not be deemed confidential if it (i) is rightfully known to the receiving party prior to receipt from the disclosing party as reasonably evidenced by such party; (ii) becomes known to the receiving party from a source other than one who is under an obligation of confidentiality to the disclosing party; or (iii) becomes publicly known or otherwise ceases to be confidential other than by an unauthorized act. At all times, this Agreement and terms hereof, and the relationship between the parties hereto, shall be deemed Confidential Information. At all times, in accordance with Graham-Leach Bliley and other applicable State and Federal regulations, taxpayer information containing Personally Identifiable Information, as defined in applicable regulations, shall be held in the strictest confidence by PMB-HMC.

4.2 If a subpoena or other legal process in any way concerning Confidential Information is served upon a party to which Confidential Information has been disclosed ("Recipient"), the Recipient shall promptly notify the Disclosing Party and shall cooperate with the Disclosing Party, at the latter's expense, in any lawful effort to contest the validity of such subpoena or other legal process. Disclosing Party shall indemnify Recipient for any judgment and attorneys' fees incurred in cooperation with the Disclosing Party's effort to contest the validity of such subpoena or other legal process.

4.3 The parties agree that a breach of the terms of Section 4.1 or 4.2 would result in irreparable injury to the non-breaching party for which a remedy in damages would be inadequate. The parties agree that in the event of such breach or threatened breach, the non-breaching party shall be entitled to, in addition to any other remedies available at law or in equity, seek an injunction to prevent the breach or threatened breach.

4.4 The obligation of confidentiality as set forth in Section 4.1 shall continue for a period of three (3) years from the date of disclosure of the information, provided, however, that for any information which constitutes a Trade Secret (as defined by applicable law), the obligation of confidentiality shall continue during the entire term of this Agreement and shall survive the termination of this Agreement indefinitely.

5. TERM AND TERMINATION

5.1 Term. This Agreement shall be effective as of the date of the last signature hereto and shall continue in full force and effect for a period of three (3) years. Thereafter, this Agreement shall automatically renew for successive three (3) year periods. In the event that either party desires to terminate this Agreement upon the expiration of any term, it shall provide notice to the other party of its intent not to renew no less than sixty (60) days prior to the renewal date.

5.2 Termination of Addendum. Upon mutual consent of the parties, at any time and for any reason or no reason, CITY may request to terminate any Addendum, or all Addenda attached hereto, effective on no less than sixty (60) days notice. Notwithstanding termination of all applicable Addenda, this Agreement shall remain in full force and effect until not renewed in accordance with Section 5.1 above. Termination of any Addendum, all Addenda, or any combination of multiple applicable Addenda shall be governed by the provisions of Section 5.4 below.

5.3 Event of Default. Any of the following shall constitute an event of default ("Event of Default") under this Agreement or any applicable Addendum: (a) CITY fails to pay any amount when due hereunder (after ten (10) days prior written notice of such failure to pay), or (b) a material breach by either party of this Agreement. If an Event of Default occurs, the non-breaching party shall notify the breaching party of the Event of Default and provide the breaching party thirty (30) days to cure (except in the case of non-payment for which the cure period shall be ten (10) days) or such amount of time as is reasonable given the circumstances. If the breaching party fails to effect cure within the time allowed, then the non-breaching party may, at its option, terminate this Agreement effective immediately upon notice.

5.4 Effect of Termination. Notwithstanding non-renewal or termination of this Agreement pursuant to Sections 5.1, 5.2 or 5.3 above, CITY shall be obligated to pay PMB-HMC for services performed through the effective date of termination for which Consultant has not been previously paid. In addition, because the services performed by PMB-HMC prior to termination may result in CITY's receipt of revenue after termination which are subject to PMB-HMC's fee in accordance with each applicable Addendum CITY shall remain obligated after termination to provide to PMB-HMC such information as is necessary for PMB-HMC to calculate the compensation due as a result of this receipt of revenue by CITY and CITY



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shall remain obligated to pay PMB-HMC's invoices therefore in accordance with the terms of this Agreement.

6. EQUAL EMPLOYMENT OPPORTUNITY

During performance of this Agreement., PMB-HMC, for itself, its assignees and successors in interest, agrees as follows:

6.1 Compliance With Regulations: PMB-HMC shall comply with Executive Order 11246, "Equal Employment Opportunity" and labor regulations (41 C.F.R. Part 60), hereinafter referred to as the "Regulations"

6.2 Nondiscrimination: PMB-HMC, with regard to any work performed pursuant to this Agreement, shall not discriminate on the ground of race, color, religion, sex, national origin, or veteran status in the selection and retention of employees, subcontractors, the procurements of materials or leases of equipment.

6.3 Solicitation for Subcontractor, Including Procurements of Materials and Equipment: In all solicitations either by competitive bidding or negotiations made by PMB-HMC for work to be performed under any subcontract, including procurements of materials or equipment, such potential subcontractor or supplier shall be notified by PMB-HMC of PMB-HMC's obligation under this Agreement and the Regulations relative to non-discrimination on the ground of race, color, religion, sex, national origin, or veteran status.

6.4 Information and Reports: PMB-HMC shall provide all information and reports required by the Regulations, or orders and instructions issued pursuant thereto, and will permit access to its books, records, accounts, other sources of information and its facilities as may be determined by CITY to be pertinent to ascertain compliance with such Regulations, orders and instructions. Where any information required of PMB-HMC is in the exclusive possession of another who fails or refuses to furnish this information, PMB-HMC shall so certify to CITY and shall set forth what efforts it has made to obtain the information.

6.5 Incorporation of Provisions: PMB-HMC shall include the provisions of paragraphs 6.1 through 6.4 in every subcontract issued pursuant to this Agreement. PMB-HMC shall take such action with respect to any Regulations, order or instructions issued pursuant thereto. PMB-HMC shall take such action with respect to any subcontract or procurement as CITY may direct as a means of enforcing such provisions, including sanctions for non-compliance; provided, however, that in the event PMB-HMC becomes involved in, or is threatened with, litigation with a subcontractor or supplier as a result of such direction, PMB-HMC may request CITY to enter such litigation to protect the interests of CITY.

7. WARRANTIES, REPRESENTATIONS AND INDEMNIFICATION

7.1 By PMB-HMC. PMB-HMC represents that all Services shall be performed by persons with the skills and abilities necessary and consistent with the standards of professionalism prevalent in the industry. The Services and deliverables shall be provided free and clear of the proprietary claims of third parties. All Services shall be provided in accordance with applicable state and federal regulations, including, without limitation, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act, and applicable state regulations. THIS REPRESENTS THE FULL AND COMPLETE WARRANTY STATEMENT OF PMB-HMC HEREUNDER.

7.2 By CITY. CITY represents that the information provided to PMB-HMC in the performance of Services by PMB-HMC hereunder shall be provided free and clear of the claims of third parties. CITY represents that CITY has the right to provide said information to PMB-HMC and that said information shall not be obscene, defamatory, or otherwise expose PMB-HMC to liability to third parties. CITY represents that it shall use reasonable and diligent efforts in the collection of moneys identified by PMB-HMC. CITY represents that in the event CITY elects not to proceed with diligent efforts in collection, that CITY shall remain liable to PMB-HMC in accordance with applicable Addendum as if CITY had proceeded with diligent efforts in collection.

7.3 Indemnification. The parties hereto agree to defend, indemnify, and hold harmless the other, its directors, officers, employees and affiliates, from any and all claims, suits, demands, losses, damages, liabilities, costs and expenses, including reasonable attorney's fees (collectively "Losses") arising from or related to a claim of injury to person or property or death arising from or caused by the acts or omissions of employees, agents, or representatives of the indemnifying party. CITY shall defend, indemnify, and hold PMB-HMC harmless from any Losses arising from or related to a claim that



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information provided by CITY to PMB-HMC contains any false, misleading, or defamatory information regarding a third party. PMB-HMC shall defend, indemnify, and hold CITY harmless from any claim arising from PMB-HMC's negligence or its intentional falsification of information provided to CITY pursuant to this Agreement.

7.4 LIMITATION OF LIABILITY. TO THE MAXIMUM EXTENT PERMITTED BY LAW, IN NO EVENT SHALL PMB-HMC, ITS EMPLOYEES, CONTRACTORS OR AGENTS BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, PUNITIVE OR CONSEQUENTIAL DAMAGES, LOST DATA OR COST OF PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES ARISING FROM OR RELATED TO THE SERVICES WHETHER FOR, AMONG OTHER THINGS, BREACH OF WARRANTY OR ANY OBLIGATION ARISING THEREFROM, AND WHETHER LIABILITY IS ASSERTED IN CONTRACT OR TORT (INCLUDING BUT NOT LIMITED TO NEGLIGENCE AND STRICT PRODUCT LIABILITY) WHETHER OR NOT PMB-HMC HAS BEEN ADVISED OF THE POSSIBILITY OF ANY SUCH LOSS OR DAMAGE. PMB-HMC'S and CITY'S LIABILITY HEREUNDER SHALL IN NO EVENT EXCEED AN AMOUNT EQUAL TO THE FEES PAID BY CITY FOR THE AFFECTED SERVICE TO WHICH THE CLAIM PERTAINS. The foregoing sets forth CITY's exclusive remedy for claims arising from or out of this Agreement. The provisions of this section allocate the risks between PMB-HMC and CITY and PMB-HMC's pricing reflects the allocation of risk and limitation of liability specified herein.

8. GENERAL PROVISIONS

8.1 Personnel. At any time, CITY may request removal or replacement of personnel assigned by PMB-HMC and PMB-HMC shall promptly replace such personnel. The time for any deliverables required or any increase in costs shall be adjusted to reflect any adverse impact resulting from the change in personnel.

8.2 Gratuities, Gifts, Conflict of Interest. PMB-HMC shall, at all times, comply with any CITY policies regarding gifts, gratuities, or conflicts of interest. At no time shall PMB-HMC, an employee, agent, director, or contractor offer or accept any gift or gratuity from a third party who may be subject to findings resulting from Services, to or from any CITY official, employee, contractor, or agent, or from any other party where such gift or gratuity could be construed as a conflict of interest. PMB-HMC, its officers, directors, employees, agents, and contractors shall avoid all conflicts of interest, financial or otherwise, or the appearance thereof, in the performance of this Agreement or the applicable Services.

8.3 Dispute Resolution. Any dispute relating to this Agreement shall be submitted for judicial arbitration, if available and judgment on any award entered therein may be entered in any court of competent jurisdiction. The arbitrator's decision shall be final and binding on the parties. Such arbitration shall be held in the State of California. In all cases, the prevailing party to such dispute shall be entitled to recover costs and expenses, including reasonable attorney's fees, as the arbitrator deems appropriate.

8.4 Ownership of Work Product. PMB-HMC shall retain all right, title, and interest in and to the processes, procedures, models, inventions, software, ideas, know-how, and any and all other patentable or copyrightable material used, developed, or reduced to practice in the performance of this Agreement. Upon payment therefore, CITY shall be granted all right, title, and interest in and to the reports, charts, graphs, and other deliverables produced by PMB-HMC in the performance of this Agreement.

8.5 Assignment. Neither Party may assign this Agreement or any of its rights or obligations hereunder without the prior written consent of the other Party, which consent shall not be unreasonably withheld. Any assignment without such prior written consent shall be void. Notwithstanding the foregoing, (a) to any successor in interest to the assigning Party who expressly assumes responsibility for the assigning Party's obligations hereunder; or (b) if necessary to satisfy the rules, regulations and for orders of any federal or state governmental agency or body. Any violation of the provisions of this Section shall render this Agreement voidable at the option of the non-assigning Party.

8.6 Insurance.

a. Public Liability. During the term of this Agreement, PMB-HMC shall maintain in full force and effect a policy of public liability insurance with minimum coverage's in accordance with the requirements provided by CITY to PMB-HMC. PMB-HMC shall cause CITY, its officials and employees to be named on all liability policies described above as insured as respects activities undertaken pursuant to the parties' respective obligations pursuant to this Agreement.



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b. Worker's Compensation. During the term of this Agreement, PMB-HMC shall fully comply with the terms of the law of California concerning worker's compensation. Said compliance shall include, but not be limited to, maintaining in full force and effect one or more policies of insurance insuring against any liability PMB-HMC may have for worker's compensation.

8.7 Severability. In the event that any portion of this Agreement is held to be unenforceable, the unenforceable portion shall be construed as nearly as possible to reflect the original intent of the parties and the remainder of the provisions shall remain in full force and effect.

8.8 Waiver. Either Party's failure to insist upon strict performance of any provision of this Agreement shall not be construed as a waiver of that or any other of its rights hereunder at any later date or time.

8.9 Force Majeure. Neither party shall be liable for failing to perform its obligations hereunder (other than payment obligations) where delayed or hindered by war, riots, embargoes, strikes or acts of its vendors or suppliers, accidents, acts of God, or any other event beyond its reasonable control.

8.10 Notices. All notices including notices of address changes contemplated hereunder shall be deemed received on the third day after mailing if sent by mail, or immediately if sent by facsimile. Notices shall be sent to the following:

If to PMB-HMC;

If to CITY:

PMB Incorporated
535 Main Street, Suite 318
Martinez, CA 94583

CITY of Corcoran
Attn: Joyce Venegas
Attn: Corporate Counsel

8.11 Copies. This Agreement may be executed in separate counterparts including facsimile copies, each of which shall be deemed an original, and all of which shall be deemed one and the same instrument and legally binding upon the parties.

8.12 Entire Agreement. This Agreement, including the Addenda attached hereto and made part hereof, constitutes the entire agreement between PMB-HMC and CITY with respect to the Services provided. This Agreement supersedes and replaces any and all prior agreements, of whatever kind or nature, with respect to the Services provided hereunder and with respect to any Addendum to be added hereto at a later date. Any prior agreements, discussions, or representations not expressly set forth herein are of no force or effect.

8.13 No Oral Modification. No modification of this Agreement shall be effective unless set forth in writing and executed with the same formality as this Agreement. No waiver of the requirements of this Section shall be effective unless in writing and signed by the CEO for PMB-HMC.

8.14 Construction. This Agreement shall be construed in accordance with the laws of the State of California without regard to its conflict of laws principals.

8.15 Headings. The section headings herein are for convenience and reference purposes only and shall not serve as a basis for construction or interpretation.

8.16 Order of Precedence. In the event of any conflict between the terms of this Agreement and the terms of any Addenda, the terms of this Agreement shall prevail. No additional terms, PO Terms and Conditions, or oral or written representations of any kind shall be of any force and effect unless in writing and executed with the same formality as this Agreement.

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**BUSINESS IDENTIFICATION PROGRAM (BIP1) ADDENDUM
(Program 1)**

PURPOSE AND SCOPE

The purpose of PMB-HMC's BIP1 is to help the CITY maximize revenue streams to which it is entitled but would not otherwise receive without assistance. The scope of services provided under PMB-HMC's BIP1 program helps the CITY capture revenue streams from the identification of businesses or entities not included in the initial baseline list of businesses or entities provided by the CITY. PMB-HMC agrees to accept the task of identifying for the CITY the entities within their jurisdiction. Both PMB-HMC and CITY agree to freely refer/exchange information regarding Licensed and Unlicensed entities.

The BIP1 will focus on three specific areas;

[1] PMB-HMC's BIP1 program utilizes sophisticated proprietary software to identify these businesses or entities followed by [2] manual inspection and testing of the information. [3]The BIP1 program then compiles a profile suitable for the CITY to contact the business or entity. Some or all of the following information will be gathered in the profile.

1. id, business_name, search_engine_url, business_address, business_CITY, business_state, business_phone, business_fax, business_email, about, specialities, year_established, domain_name, domain_date, registrant_name, registrant_address, registrant_CITY, registrant_state, registrant_phone, registrant_email, license_info, date_searched

2. PMB-HMC's BIP1 program may also use other programs to identify these businesses or entities. PMB-HMC's BIP1 program will inform the CITY of new programs and cost of prior to running them.

3. PMB-HMC will work with the CITY to prioritize its work effort to maximize the result to the CITY, and in the process, it may not include work in some on the areas noted above. At minimum, a lead will be considered acceptable by CITY if it contains the following. Name, Address and Phone Number or Email Address.

DEFINITIONS

1.0 A Lead is defined as having at a minimum the following characteristics. 1. Name, 2. Address, 3. Phone Number or Email Address, 4. Not on CITY provided list of licensed businesses.

1.1 Term of a lead: A lead is considered owned by PMB-HMC for 3 years from the date provided to CITY.

2.0 Warranty of Lead(s). PMB-HMC shall correct, replace or refund within 30 days of providing Lead(s), at PMB-HMCs discretion, any Lead(s) not representing the minimum definition of a Lead as described in Section DEFINITIONS 1.0.

PROCEDURES

PMB-HMC shall communicate with CITY staff to discuss PMB-HMC's approach to the work, develop a work plan for the BIP1, obtain the CITY's approval of the work plan and establish a liaison for communications with the CITY. Thereafter, the procedures that PMB-HMC utilizes may include the following:

1. Run BIP1 software, analyze the data (businesses and entities in the CITY) to develop a target list for inclusion in the program.
2. Maintain and update software to identify additional businesses and entities.



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3. Run software monthly to identify additional businesses and entities for inclusion in the BIP1.
4. Deliver updated lists of businesses and entities to CITY monthly
5. PMB-HMC will Coordinate all mailings of letters. All mailing costs will be paid by CITY.
6. Receive updated "Licensed Business list" from CITY monthly and cross reference against previous "Business(s)" list to ensure new leads have not been registered by CITY.
7. The majority of work for compiling lists will be performed in California. All hardware and software will be located within the PMB servers then delivered to CITY via Excel documents or in a manner suitable to the CITY.
8. PMB-HMC will periodically send representatives to meet with CITY employees to better the joint efforts.
9. Develop and implement other tax planning concepts to increase the CITY's revenue streams.
10. If PMB-HMC is collecting fees for the CITY, PMB-HMC shall, upon the request of CITY, provide CITY a copy of PMB-HMC's annual financial statement within ninety (90) days after end of PMB-HMC's fiscal year. In addition, CITY has the right, at its own expense, to examine and/or audit, or to have examined or audited, the records of PMB-HMC.

PROGRAM TIMING

1. PMB-HMC shall commence Work within 10 days of receipt of an executed contract and an adopted resolution if necessary.

CONFIDENTIALITY

1. PMB-HMC is authorized by this Agreement to examine any and all documents necessary to the successful implementation of the BIP1 program. These may include CITY businesses list(s), newly licensed businesses list and sales and use tax records of the State Board of Equalization provided to CITY pursuant to contract under the Bradley-Burns Uniform Sales and Use Tax Law.
2. PMB-HMC is authorized by this Agreement to use all CITY Logos and letterhead in representing CITY or County solely for sending notices under this Agreement.
3. PMB-HMC is only required to disclose information contained in, or derived from, the BIP1 program research, to a designated officer or employee of the CITY.
4. PMB-HMC is prohibited from retaining the information contained in, or derived from, those sales and use tax records, after this Agreement has expired.
5. PMB-HMC states and agrees that any and all confidential tax information received by PMB-HMC pursuant to this agreement shall not be used for any purpose not authorized by this Addendum. Upon request by the CITY, PMB-HMC shall return or destroy any and all copies of confidential tax information currently in PMB-HMC's possession.

COMPENSATION

1. If PMB-HMC's efforts result in new revenues to the CITY, PMB-HMC's compensation shall be 30% of all revenue streams, term described in 1.1 below, including any look back periods, from the identified business(s) to the CITY.



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- 1.1 If PMB-HMC's efforts result in on-going new revenues to the CITY, then PMB-HMC shall participate in those new revenues for the first 12 Consecutive quarters in which a business reports the new revenues after beginning its participation in the PMB-HMC's BIP1 program. The compensation to PMB-HMC shall end after the preceding 12 quarters or 3 annual cycles in which a business generates revenue to the CITY and CITY pays PMB-HMC.
- 1.2 The start date of PMB-HMC's compensation program shall go into effect the first day of the following month after the first payment by Business to CITY.
- 2. With regard to revenue streams generated from construction projects, PMB-HMC only participates with the new revenues generated during the life of the construction project.
- 3. In cases where the benefit is from a lease, PMB-HMC's compensation will be based on the present value of the revenue generated from the entire remaining period of the lease, from the time the CITY receives its first revenue payment under the lease.
- 4. PMB-HMC will bill/invoice the CITY on a monthly basis. CITY understands the terms are Due upon receipt. However, City shall not be required to remit any payment to PMB-HMC for any new revenue stream until payment from such revenue streams are actually received by City.
- 5. PMB-HMC 30 day Warranty of information provided. PMB-HMC will replace any lead(s) provided to CITY if: 1. Lead not have the minimum information stated in "PURPOSE AND SCOPE, 3." or 2. be out of business or 3. not be considered a business that requires a license by the CITY. CITY has 30 days from obtaining the lead(s) to examine information provided by PMB-HMC. Should PMB-HMC not be able to replace the lead(s) within 120 days of CITY finding the error, PMB-HMC will either refund the cost of the lead or apply the refund to the next project.

ADDITIONAL SERVICES

In the event that PMB-HMC determines there are extraordinary circumstances that warrant more intensive and detailed services beyond those included in this Addendum for BIP1 services, shall provide notice to the CITY in writing and in advance of performing the additional services together with PMB-HMC's estimate of costs. PMB-HMC will not undertake to perform, nor will CITY be obligated to pay for, any additional services except those services that are agreed to in writing by CITY and PMB-HMC.

EXECUTED as of the day and year first above stated.

PMB-HMC

**CITY OF:
Corcoran, Ca**

By: _____
Michael Goldstein

By: _____
NAME

Title: CEO

Title: _____

Date: _____

Date: _____

ATTEST:



535 Main Street - Suite 318 - Martinez, CA 94583

925-237-1118

<http://www.helpmycommunity.com>

CITY CLERK

City of
CORCORAN

A MUNICIPAL CORPORATION

FOUNDED 1914

**STAFF REPORT
ITEM #: 7-E**

MEMORANDUM

TO: Corcoran City Council

FROM: Steve Kroeker, Public Works Director

DATE: August 13, 2012

MEETING DATE: August 20, 2012

SUBJECT: Consider approval of Resolution No approving participation in California Emergency Management Agency (Cal EMA) for Fiscal Years 2010-2011 and 2011-2012.

RECOMMENDATION: (Voice Vote)

Approve Resolution No. 2648 and that the Council authorizes the City Manager to sign on their behalf the Authorized Agent Signature Authority, Grant Assurance and requirements applicable to application.

DISCUSSION:

The City of Corcoran uses CalEMA funding for it's Transit security through Homeland Security. California Emergency Management Agency (Cal EMA) Homeland Security grant funds for fiscal years 2010-2011 and 2011-2012, for the installation of surveillance cameras at the Depot parking lot and bump-outs on along Whitley Avenue With each fiscal year totaling \$24,332 with the combined total for two years at \$48,664.

BUDGET IMPACT:

These certifications are required in order to obtain the CalEMA funds for the City of Corcoran Transit Division.

ATTACHMENTS:

Resolution No. 2648

Authorized Agent Signature authority form

Authorized Agent Signature Authority

**FY 2010-11 Transit System Safety, Security and
Disaster Response Account Program**

AS THE _____ City Manager _____
(Chief Executive Officer / Director / President / Secretary)

OF THE _____ City of Corcoran _____
(Name of State Organization)

I hereby authorize the following individual(s) to execute for and on behalf of the named state organization, any actions necessary for the purpose of obtaining state financial assistance provided by the California Emergency Management Agency.

_____ Kindon Meik, City Manager _____, OR
(Name or Title of Authorized Agent)

_____ Steve Kroeker, Public Works Director _____, OR
(Name or Title of Authorized Agent)

_____ Joyce Venegas, Deputy City Manager/Finance Director _____ .
(Name or Title of Authorized Agent)

Signed and approved this _____ day of _____, 20_____

(Signature)

RESOLUTION NO. 2648

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CORCORAN
AUTHORIZING THE FY 2010-11 TRANSIT SYSTEM SAFETY, SECURITY AND
DISASTER RESPONSE ACCOUNT PROGRAM**

BE IT RESOLVED BY THE City Council of the City of Corcoran that:

Kindon Meik, City Manager, or
Steve Kroeker, Public Works Director, or
Joyce Venegas, Deputy City Manager, /Finance Director,

Is hereby authorized to execute for and on behalf of the named applicant, a public entity established under the laws of the State of California, any actions, necessary for the purpose of obtaining financial assistance provided by the Governor's Office of Homeland Security.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Corcoran held on the 20th day of August, 2012, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

APPROVED: _____
Raymond M. Lerma, Mayor

ATTEST: _____
Lorraine P. Lopez, City Clerk

**MATTERS FOR MAYOR AND COUNCIL
ITEM #: 8**

MEMORANDUM

MEETING DATE: August 20, 2012

TO: Corcoran City Council

FROM: Lorraine Lopez, Assistant to the City Manager/City Clerk

SUBJECT: Matters for Mayor & Council

UPCOMING EVENTS / MEETINGS

- September 3, 2012 (Monday) City Offices Closed, Observance of Labor Day.
- September 4, 2012 (Tuesday) City Council Meeting – 6:00 PM, Council Chambers.
- September 17, 2012 (Monday) City Council Meeting – 6:00 PM, Council Chambers.

A. Information Items

B. Council Comments

This is the time for council members to comment on matters of interest.

1. Staff Referral Items

C. Committee Reports



**COUNCIL REQUESTS OR REFERRAL ITEMS
PENDING FURTHER ACTION or RESOLUTION BY STAFF**

DATE Sent to Council/ Request made	REQUEST	STATUS	DEPARTMENT RESPONSIBLE Dept/Division
12/19/11	Council requested staff look into bid process for the following services being provided to the city: fueling for city vehicles, pool maintenance supplies, pest control, and building maintenance supplies.	In progress	Finance / Public Works
03/05/12	Council directed staff develop guidelines for co-sponsorship of events.	In progress	City Clerk/ Finance
03/05/12	Council directed staff look into a proposal for a Dog Park.	In progress	Public Works
03/19/12	Staff stated they will be providing additional information regarding proposed Roundabout at Intersection of Highway 43 and Whitley Avenue	In progress	Public Works / City Manager
04/16/12	Staff reported regarding the Sales Tax Measure. Council requested the item return in December 2012 and directed staff to bring additional information regarding a committee to a future meeting. Council directed staff look into information regarding Sales Tax Measure.	Completed 08/06/12	City Manager