

FLOOD RISK DISCLOSURE

November 24, 2009

The general area within the City of Lathrop located between Interstate Highway 5 ("I-5") and the San Joaquin River includes the City's Mossdale Village Assessment District, Community Facilities District No. 2003-1 (Mossdale Village) (relating to the Lathrop Financing Authority Revenue Bonds (Water Supply Project) Series 2003) and Community Facilities District No. 2006-1. The combined areas of these three districts are referred to herein as the "Combined District Area". The Combined District Area is bounded on the west by the San Joaquin River and on the east by I-5. The Combined District Area is now protected from seasonal flooding of the San Joaquin River by a levee owned and maintained by Reclamation District No. 17, a political subdivision of the State of California ("RD17"). This levee is sometimes referred to as the "RD17 levee". Prior to 2008, the integrity of the levee system had been certified by the Federal Emergency Management Agency ("FEMA") to be sufficient to protect the Combined District Area from a theoretical 100-year flood.

A few years ago, FEMA began implementing a nationwide Map Modernization ("Map Mod") program primarily to update Flood Insurance Rate Maps ("FIRM"). The Map Mod program evaluated existing levees, including the RD17 levee with new information and new standards. As a result of this process, some areas that were previously designated as outside a 100-year-flood zone have been re-designated as within a 100-year-flood zone. Such re-designations have become increasingly common following Hurricane Katrina in August 2005.

To mitigate the risk of mandated flood insurance for the Combined District Area, and other areas within its jurisdiction, RD17 has started an enhanced levee fortification and documentation process which, upon completion, may fulfill the new requirements of FEMA, and thus earn a full accreditation for the RD17 levee. In addition to the new FEMA requirements, the State of California Department of Water Resources ("DWR") is expected to comment upon the forthcoming RD17 levee documentation to ensure its input is included with RD17's documentation to FEMA. The proposed DWR review criterion is still pending at this time.

The preliminary FIRM for San Joaquin County, which became effective on October 16, 2009, depicts the RD17 levee as provisionally accredited. This is the same designation the RD17 levee has had since publication of the City's last Flood Risk Disclosure document in January 2008. Due to the uncertain timing of RD17's levee fortification completion and the associated documentation coupled with DWR's pending review criterion, the City cannot predict when the RD17 levee will earn full accreditation from FEMA.

The foregoing information is subject to revision or update at any time, and the City does not guarantee its accuracy or completeness in any way. In its sole discretion, the City may update this portion of its website with additional information about ongoing FEMA and DWR processes affecting the RD17 levee and the Combined District Area. Finally, the City does not intend the posting of this to be official or unofficial disclosure by the City for the reference of bond investors or others.