

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS  
ACTION AGENDA SUMMARY

DEPT: Chief Executive Office

BOARD AGENDA # B-13

Urgent  Routine

AGENDA DATE October 5, 2010

CEO Concurs with Recommendation YES  NO   
(Information Attached)

4/5 Vote Required YES  NO

SUBJECT:

Approval of a Resolution Approving Documents Relating to the Transfer of Assets by the Gallo Center for the Arts, a Limited Liability Company to Gallo Center for the Arts, Incorporated; and Related Actions

STAFF RECOMMENDATIONS:

1. Approve the Resolution of the Board of Supervisors of Stanislaus County to approve documents related to the transfer of assets by the Gallo Center for the Arts, Limited Liability Company (LLC) to Gallo Center for the Arts, Incorporated (Inc.) and authorize the Chairman to sign the Resolution on behalf of the County.
2. Approve the form of an Assignment and Assumption Agreement between the Gallo Center for the Arts, LLC and the Gallo Center for the Arts, Inc.
3. Approve transferring the responsibilities under the original Operating Agreement from the Gallo Center for the Arts, LLC to the Gallo Center for the Arts, Inc.

(Continued on Page 2)

FISCAL IMPACT:

The Gallo Center for the Arts effort was a joint effort between the County and the Central Valley for the Arts/Gallo Center for the Arts to create a Performing Arts Center in Stanislaus County. On February 17, 2004, the Board of Supervisors approved the County's financing plan for the County's portion of the project and convened as the Stanislaus County Financing Authority (CIFA) to Consider the Issuance of Conduit Revenue Bonds on behalf of the Central Valley Center for the Arts and the Gallo Arts Center to approve the issuance of not to exceed \$14 million of Variable Rate Demand Revenue Bonds for the purpose of financing the Gallo Centers portion of the project. This action resulted in no additional fiscal impact to the County beyond the County's contribution to the project.

(Continued on Page 2)

BOARD ACTION AS FOLLOWS:

No. 2010-631

On motion of Supervisor Chiesa, Seconded by Supervisor Monteith

and approved by the following vote,

Ayes: Supervisors: O'Brien, Chiesa, Monteith, DeMartini, and Chairman Grover

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) X Approved as recommended

2) \_\_\_\_\_ Denied

3) \_\_\_\_\_ Approved as amended

4) \_\_\_\_\_ Other:

MOTION:

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

**STAFF RECOMMENDATIONS: (Continued)**

4. Authorize the Chairman of the Board of Supervisors or his designee to execute and sign the Assignment and Assumption Agreement on behalf of the Stanislaus County Board of Supervisors and to execute any and all other documents required to complete the transaction as requested by Bond Counsel.
5. Authorize the Chief Executive Officer, or his designee, to recover and collect any legal fees and costs temporarily incurred by the County from the Gallo Center from the Arts, Inc. related to this transfer of assets.

**FISCAL IMPACT: (Continued)**

At that time, the Central Valley Center for the Arts (CVCA) requested CIFA to serve as the governmental agency to issue the CVCA's conduit revenue bonds, a requirement of the original financing requirements. There was no fiscal impact to the County related to the issuance of bonds, as the annual debt service obligation and all costs associated with the issuance of the bonds are the sole responsibility of the CVCA.

Under the resolution previously approved by the Board, in the event the CVCA is unable to re-pay the annual debt service on its bonds, investors will look to the Bank of America for re-payment of the bonds under the terms of its Letter of Credit, which protects the County's credit rating. The term of the financing was approved over 30 years.

The action before the Board of Supervisors at this time is to approve the transfer of assets of the Gallo Center for the Arts, LLC to the Gallo Center for the Arts, Inc, a transfer of companies within the Center organization, in order for the Gallo Center, as a nonprofit organization, to do business in a more tax advantageous manner instead of as a limited liability company. Under California law, nonprofits doing business as a limited liability company are required to pay a tax on their gross receipts. Currently the Gallo Center is paying \$12,000/per year gross receipts tax. In these challenging economic times, the Gallo Center is cutting expenses wherever it can so that it can better serve its mission.

The Center's objective is to operate as a nonprofit public benefit corporation as opposed to a non profit limited liability company. The Gallo Center for the Arts was always envisioned to operate as a nonprofit and to be exempt from state and federal taxation. This restructuring of the companies and transfer of operations to the nonprofit corporation will allow for the original assumptions for state and federal tax obligations to be implemented. The organization is still entirely responsible for their own debt and for operating the Center in accordance with all the original agreements with the County.

Attachment 1 is a letter dated September 16, 2010, Gallo Center for the Arts requesting the Board of Supervisors approve the transfer of the assets of the Gallo Center for the

Arts, LLC to the Gallo Center for the Arts, Inc. because as a nonprofit it is more advantageous to do business as a corporation instead of as a limited liability company.

At this time, the Chief Executive Office is returning to the Board of Supervisors to approve a Resolution (See Attachment 2) of the Board of Supervisors to approve documents related to the transfer of assets by the Gallo Center for the Arts, Limited Liability Company (LLC) to Gallo Center for the Arts, Incorporated (Inc.); to approve an Assignment and Assumption Agreement (See Attachment 3) between the Gallo Center for the Arts, LLC and the Gallo Center for the Arts, Inc., the terms of which will be consented to by the County and the CIFA.

With the Board of Supervisor's approval, the Gallo Center for the Arts, Inc. will assume all obligations of the Gallo Center for the Arts, LLC. The Gallo Center for the Arts, Inc. will assume all repayment obligations under the terms of the original borrowing and annual debt service obligations. With the Board's approval, the Gallo Center for the Arts, Inc. will assume all obligations of the Gallo Center for the Arts, LLC. The Gallo Center for the Arts, Inc. will assume all repayment obligations under the terms of the original borrowing and annual debt service obligations. Staff is also requesting the authority to charge the Gallo Center for the Arts for all legal fees associated with this transfer of assets.

#### **DISCUSSION:**

On February 17, 2004, the Board of Supervisors approved a resolution authorizing the issuance of \$14 million of variable rate conduit revenue bonds for the purpose of financing the Gallo Center for the Arts (not the County's obligation) for the acquisition, construction, and certain furnishings and equipment for the Gallo Center for the Arts. The CVCA and the Gallo Center for the Arts, LLC entered into a Loan Agreement dated as of March 1, 2004. Section 15(a) of the Loan Agreement provides that the LLC will maintain its existence as a limited liability company of which CVCA is the sole member, and it would not dissolve, consolidate with or merge into another entity.

In a letter dated September 16, 2010, Gallo Center for the Arts (See Attachment 1) advised the Board of Supervisors that it is recommending the transfer of the assets of the Gallo Center for the Arts, LLC to the Gallo Center for the Arts, Inc. because as a nonprofit it is more advantageous to do business as a corporation instead of as a limited liability company.

Under the original Operating Agreement to the Gallo Center for the Arts, Inc., Section 22 of the Operating Agreement provides that neither the Operating Agreement nor any interest in the Operating Agreement is assignable without the consent of the Board of Supervisors.

At the direction of the Chief Executive Office, the matter was referred to the Bond Counsel firm of Stradling, Yocca, Carlson and Rauth for expert opinion and advice on this matter. Counsel has advised how to proceed with the changes requested in a manner which protects the County and provides no change in exposure to the operations of the Gallo Center for the Arts relative to the County. As a result, the recommended actions include (1) Amending the original Loan Agreement between the Central Valley Center for the Arts and the Gallo Center for the Arts, LLC; and (2) receipt of Bond Counsel Opinion to the effect that the transfer of Assets will not adversely affect the tax-exempt status of interest on the bonds. Both are attached.

At this time, the Chief Executive Office and Counsel recommend that the Board of Supervisors approve a Resolution (Attachment 2) to approve documents related to the transfer of assets by the Gallo Center for the Arts, Limited Liability Company (LLC) to Gallo Center for the Arts, Incorporated (Inc.); and approve an Assignment and Assumption Agreement (Attachment 3) between the Gallo Center for the Arts, LLC and the Gallo Center for the Arts, Inc., the terms of which will be consented to by the County and the CIFA. The Board of Supervisors will also be required to convene the Stanislaus County Financing Authority (CIFA) to take the necessary actions needed to complete the requested transaction.

With the Board of Supervisor's approval, the Gallo Center for the Arts, Inc. will assume all obligations of the Gallo Center for the Arts, LLC. The Gallo Center for the Arts, Inc. will assume all repayment obligations under the terms of the original borrowing and annual debt service obligations. With the Board's approval, the Gallo Center for the Arts, Inc. will assume all obligations of the Gallo Center for the Arts, LLC. The Gallo Center for the Arts, Inc. will assume all repayment obligations under the terms of the original borrowing and annual debt service obligations. Staff is also requesting the authority to collect any legal fees and costs from the Gallo Center for the Arts, Inc. related to this transfer of assets.

**STAFFING IMPACT:**

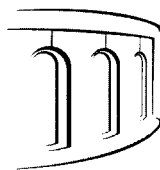
Existing Chief Executive Office and County Counsel staff collaborated with the Bond Counsel and the Gallo Center for the Arts staff to Consent to an Assignment and Assumption Agreement to Reassign all Obligations of the Gallo Center for the Arts, LLC to the Gallo Center for the Arts, Inc.

**POLICY ISSUES:**

Approval of the recommended actions will ensure the Efficient Delivery of Public Services and Effective Partnerships.

**CONTACT PERSON:**

Patricia Hill Thomas, Chief Operations Officer. Telephone: (209) 525-6333



GALLO CENTER  
FOR THE ARTS

September 16, 2010

Board of Supervisors  
County of Stanislaus  
1010 10<sup>th</sup> Street, Suite 6800  
Modesto, CA 95354

Dear Board of Supervisors:

As you know, the contracting entity with the County of Stanislaus is the Gallo Center for the Arts, LLC. Even though the Gallo Center for the Arts, LLC is a tax-exempt entity with both the Internal Revenue Service and the California Franchise Tax Board, the state of California imposes a gross receipts tax on all entities, regardless of their tax-exempt status.

Currently, based on our ticket sales, the Gallo Center for the Arts, LLC is paying a gross receipts tax in the amount of \$12,000 per year. We would not have to pay this tax if we were doing business as a corporation instead of as a limited liability company. As such, we have formed a new corporate entity, the Gallo Center for the Arts, Inc. and have obtained tax-exempt status from both the Internal Revenue Service and the Franchise Tax Board for this new entity.

We, therefore, want to start doing business under our corporate entity versus our limited liability company entity. The Board of Directors of the Gallo Center for the Arts is requesting that the County of Stanislaus agree to substitute the Gallo Center for the Arts, Inc. in place and instead of the Gallo Center for the Arts, LLC. as the contracting party in the operating agreement between the County of Stanislaus and the Gallo Center for the Arts, LLC.

Please let me know if there is any information that you may need to respond to my request.

Very truly yours,

Lynn Dickerson  
Chief Executive Officer  
Gallo Center for the Arts

RESOLUTION NO. 2010-631

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS APPROVING THE TRANSFER OF ASSETS BY THE GALLO CENTER FOR THE ARTS, LLC AND APPROVING AN AGREEMENT AND CERTAIN ACTIONS RELATING THERETO

**WHEREAS**, the Stanislaus County Capital Improvements Financing Authority is a joint powers authority organized and existing under the laws of the State of California (the "Authority") with the authority to assist in the financing of public capital improvements to be owned by the County of Stanislaus, a body corporate and politic of the State of California (the "County"); and

**WHEREAS**, under Article 1, Article 2 and Article 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "JPA Law"), the Authority is authorized to issue revenue bonds or other forms of indebtedness in order to assist in financing projects and purposes serving the public interest; and

**WHEREAS**, pursuant to a request from the Central Valley Center for the Arts, Inc., a non-profit public benefit corporation organized and existing under the laws of the State of California ("CVCA"), the Authority issued its \$14,000,000 Variable Rate Demand Revenue Bonds (Gallo Center for the Arts) Series 2004 (the "Bonds") on March 4, 2004 for the purpose of providing funds to the County for the acquisition, construction, furnishing and equipping of certain arts facilities to be known as "Gallo Center for the Arts" (the "Project") which is owned by the County and operated by the Gallo Center for the Arts, LLC, a California limited liability company ("LLC"); and

**WHEREAS**, prior to the issuance of the Bonds, the County, CVCA and LLC entered into an Operating Agreement dated as of February 17, 2004 (the "Operating Agreement"); and

**WHEREAS**, LLC has advised the County that it desires to transfer its assets to the Gallo Center for the Arts, Inc., a nonprofit public benefit corporation ("INC"), in order to eliminate as an expense of the Gallo Center for the Arts the state taxes that LLC is required to pay and to have INC assume its rights and obligations as the operator of the Project; and

**WHEREAS**, the County desires to facilitate the transfer of assets by LLC to INC by adopting this Resolution; and

**WHEREAS**, to accomplish the transfer of assets by LLC to INC, it is necessary for the County to approve an Assignment and Assumption Agreement, the form of which has been presented to the County at this meeting;

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Supervisors of the County of Stanislaus, as follows:

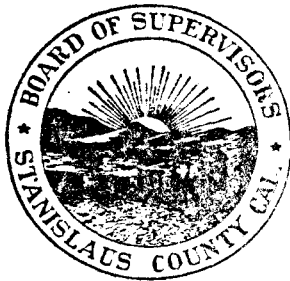
Section 1. The above recitals, and each of them, are true and correct.

Section 2. The form, terms and provisions of the Assignment and Assumption Agreement (the "Agreement") on file with the Clerk of the Board of Supervisors is hereby approved, and the Chair or the Clerk of the Board of Supervisors, or their designees, and such other officers of the County as the Chair of the Board of Supervisors may designate (collectively, the "Authorized Officers"), are each hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Agreement in substantially said form, with such changes therein as are recommended or approved by Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel"), and approved by the Authorized Officer executing the same, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. All actions heretofore taken by the officers and agents of the County with respect to the proposed transfer of assets by LLC to INC are hereby approved, confirmed and ratified, and the officers of the County and their authorized deputies and agents are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all certificates and other documents in addition to those enumerated herein which they or Bond Counsel may deem necessary or advisable in order to consummate the transfer of assets by LLC to INC and otherwise to effectuate the purposes of this Resolution.

Section 4. This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED this 5<sup>th</sup> day of October 2010.



[Seal]

Chair of the of the Board of Supervisors of  
the County of Stanislaus

Clerk of the Board of Supervisors of the  
County of Stanislaus

SECRETARY'S CERTIFICATE

I, Christine Ferraro Tallman, Clerk of the Board of Supervisors of the County of Stanislaus, hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted at a meeting of the Board of Supervisors of the County of Stanislaus duly and regularly held on October 5, 2010, of which meeting all of the members of said Board had due notice and at which a majority thereof were present; and that at said meeting said resolution was adopted by the following vote:

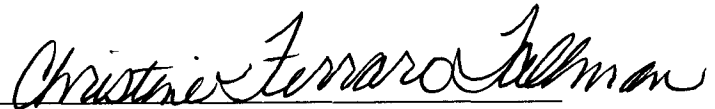
AYES: O'Brien, Chiesa, Monteith, DeMartini, and Chairman Grover

NOES: None

ABSENT OR NOT VOTING: None

I further certify that I have carefully compared the same with the original minutes of said meeting on file and of record in my office; that the foregoing resolution is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

Dated: October 5, 2010



Clerk of the of the Board of Supervisors of the  
County of Stanislaus



**ASSIGNMENT AND ASSUMPTION AGREEMENT**

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment and Assumption Agreement") is dated as of October \_\_, 2010 (the "Effective Date"), by and between Gallo Center for the Arts, LLC, a California limited liability company (the "LLC"), and Gallo Center for the Arts, Inc., a California corporation (the "INC"), with reference to the following:

A. LLC is the operator of the Gallo Center for the Arts (the "Project") which is owned by the County of Stanislaus (the "County");

B. On March 4, 2004, the Stanislaus County Capital Improvements Financing Authority (the "Authority") issued its \$14,000,000 Variable Rate Demand Revenue Bonds (Gallo Center for the Arts) Series 2004 (the "Bonds") for the purpose of providing funds to the County for the acquisition, construction, furnishing and equipping of the Project, which Bonds are secured, in part, by a letter of credit provided by Bank of America, N.A. (the "Bank") under the terms of that certain Indenture by and between the Authority and Wells Fargo Bank, N.A., as Trustee (the "Trustee");

C. Prior to the issuance of the Bonds, LLC, the County and the Central Valley Center for the Arts, Inc. ("CVCA") entered into that certain Operating Agreement dated as of February 17, 2004 (the "Operating Agreement") pursuant to which LLC agreed to operate the Project on the terms set forth therein;

D. In connection with the issuance of the Bonds, LLC, CVCA and the Authority entered into that certain Loan Agreement dated as of March 1, 2004 which has been amended by that First Amendment to Loan Agreement dated as of October 5, 2010 (together, the "Loan Agreement");

E. In connection with the issuance of the Bonds, LLC, CVCA and Banc of America Securities LLC ("BAS") entered into that certain Remarketing Agreement dated as of March 1, 2004 (the "Remarketing Agreement");

F. LLC desires to transfer its assets to INC and in connection with the execution and delivery of this Assignment and Assumption Agreement INC is prepared to assume all of the rights and obligations of LLC under the Operating Agreement, the Loan Agreement and the Remarketing Agreement (together the "Borrower Documents")

G. Concurrently with the execution and delivery of this Assignment and Assumption Agreement, the County, the Authority, the Trustee, the Bank and BAS have provided their written consent to the transfer of assets by LLC to INC, which consents are attached hereto, and INC's counsel has delivered an opinion to the Authority, the County, the Trustee, the Bank and BAS that INC has assumed in full the obligations of LLC under the Borrower Documents.

**NOW, THEREFORE**, in consideration of the consent of the Authority to the transfer of the Project to INC, the parties hereto hereby agree as follows:

1. Assumption of LLC's Obligations under the Borrower Documents.

1.1. LLC hereby assigns to INC all of LLC's rights in and under the Borrower Documents from and after the Effective Date and INC hereby accepts such rights. LLC further delegates to INC all of LLC's duties and obligations under the Borrower Documents arising or

accruing after the Effective Date, and INC unconditionally accepts and assumes all such duties and obligations and agrees to perform all such duties and obligations arising or accruing after the Effective Date in accordance with the terms of the Borrower Documents.

1.2. INC hereby represents and warrants that the performance of INC's obligations under the Borrower Documents and compliance with the terms thereof will not result in a breach of any of the terms and provisions of, or constitute a default under, any contract, lease, indenture, deposit agreement, mortgage, deed of trust or other agreement to which INC is a party or by which it is bound.

1.3. INC acknowledges that it has received and reviewed the Borrower Documents, that it understands the provisions, contents and effect thereof, and agrees to perform all obligations of LLC under the Borrower Documents arising from and after the Effective Date.

1.4. Notwithstanding anything to the contrary contained herein, the assumption by INC of LLC's rights, duties and obligations as described above shall not release LLC from any liability or obligation for events occurring prior to the Effective Date or the representation and warranty set forth in Section 2 below.

2. No Defaults. LLC represents that (i) no material default in the performance or observance of any covenant, agreement or obligation of LLC set forth in the Borrower Documents has occurred and is continuing under the Borrower Documents, and no event has occurred and is continuing which, with the giving of notice or passage of time, or both, would constitute an event of default or default under the Borrower Documents with respect to any of LLC's obligations, (ii) all amounts owing by LLC under the Borrower Documents payable to the Authority are current, and (iii) it has not received any notice of default relating to amounts owing by LLC under the Borrower Documents.

3. Miscellaneous.

3.1. This Assignment and Assumption Agreement shall be binding upon the parties hereto, and upon their successors in interest and assigns.

3.2. This Assignment and Assumption Agreement may be executed in counterparts, each of which shall be deemed an original upon execution.

3.3. This Assignment and Assumption Agreement shall be effective on the Effective Date.

3.4. This Assignment and Assumption Agreement has been negotiated and executed in the State of California and shall be governed by and construed under the laws of the State of California. In the event of any legal action to enforce or interpret this Assignment and Assumption Agreement, the sole and exclusive venue shall be a court of competent jurisdiction located in Stanislaus County, California, and the parties hereto agree to and do hereby submit to the jurisdiction of such court, notwithstanding California Code of Civil Procedure Section 394.

3.5. The County, the Authority, the Trustee, the Bank and BAS are express third party beneficiaries of the Assignment and Assumption Agreement and shall be entitled to enforce the provisions of this Assignment and Assumption Agreement against LLC and INC

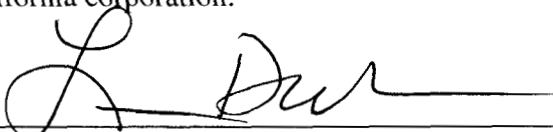
3.6. All correspondence and notices given or required to be given under this Assignment and Assumption Agreement, or to INC under the Borrower Documents, shall be addressed to INC as follows:

Gallo Center for the Arts, Inc.  
1000 "I" Street  
Modesto, California 95354  
Attention: Lynn Dickerson

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto have executed this Assignment and Assumption Agreement as of the date first above written.

**GALLO CENTER FOR THE ARTS, INC.,**  
a California corporation:

By:   
\_\_\_\_\_  
Lynn Dickerson, CEO

[SIGNATURES CONTINUED ON NEXT PAGE]

[SIGNATURE PAGE CONTINUED]

**GALLO CENTER FOR THE ARTS, LLC,  
a California limited liability company**

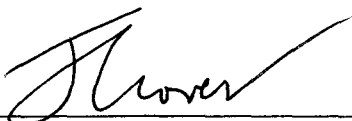
By: CENTRAL VALLEY CENTER FOR THE  
ARTS, INC., its sole member

By:   
\_\_\_\_\_  
Ron Emerzian, Chairman

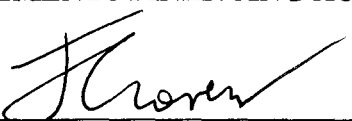
**CONSENT OF COUNTY AND AUTHORITY**

The County of Stanislaus and the Stanislaus County Capital Improvements Financing Authority, hereby consent to the terms of the foregoing Assignment and Assumption Agreement and to the transfer of assets by LLC to INC.

**COUNTY OF STANISLAUS**

By: 

**STANISLAUS COUNTY CAPITAL  
IMPROVEMENTS FINANCING AUTHORITY**

By: 

**ATTEST:**

CHRISTINE FERRARO TALLMAN,  
Clerk of the Board of Directors

By: 

**CONSENT OF TRUSTEE**

Wells Fargo Bank, N.A. hereby consents to the terms of the foregoing Assignment and Assumption Agreement and to the transfer of assets by LLC to INC.

**WELLS FARGO BANK, N.A.**

By: Cecil D. Bobey

Cecil D. Bobey  
Vice President

**CONSENT OF BANK**

Bank of America, N.A. hereby consents to the terms of the foregoing Assignment and Assumption Agreement and to the transfer of assets by LLC to INC.

**BANK OF AMERICA, N.A.**


By: Sebastian Luni



**CONSENT OF BANC OF AMERICA SECURITIES LLC**

Bank of America Securities LLC, hereby consents to the terms of the foregoing Assignment and Assumption Agreement and to the transfer of assets by LLC to INC.

**BANC OF AMERICA SECURITIES LLC**

By: 

STRADLING YOCCA CARLSON & RAUTH

A PROFESSIONAL CORPORATION  
ATTORNEYS AT LAW  
660 NEWPORT CENTER DRIVE, SUITE 1600  
NEWPORT BEACH, CA 92660-6422  
TELEPHONE (949) 725-4000  
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ORANGE COUNTY  
(949) 725-4000  
SAN DIEGO  
(858) 926-3000  
SAN FRANCISCO  
(415) 283-2240  
SANTA BARBARA  
(805) 730-6800  
SACRAMENTO  
(916) 449-2350

October 5, 2010

Stanislaus County Capital Improvements Financing Authority  
Modesto, California

Wells Fargo Bank, National Association.  
San Francisco, California

Re: *\$14,000,000 Stanislaus County Capital Improvements Financing Authority  
Variable Rate Demand Revenue Bonds (Gallo Center for the Arts) Series 2004*

Ladies and Gentlemen:

We acted as bond counsel to the Stanislaus County Capital Improvements Financing Authority (the "Authority") in connection with the issuance by the Authority of its \$14,000,000 Stanislaus County Capital Improvements Financing Authority Variable Rate Demand Revenue Bonds (Gallo Center for the Arts) Series 2004 (the "Bonds"). The Bonds were issued on March 4, 2004 (the "Bond Issuance Date") under that certain Indenture of Trust dated as of March 1, 2004, by and between Wells Fargo Bank, National Association (the "Trustee") and the Authority (the "Indenture"). The Indenture provides that the Bonds are issued for the purpose of making a loan of the proceeds thereof to Central Valley Center for the Arts, Inc., a California non-profit public benefit corporation ("CVCA") and Gallo Center for the Arts, LLC, a California limited liability company solely owned by CVCA ("LLC" and together with CVCA, the "Borrower") pursuant to a loan agreement, dated as of March 1, 2004 (the "Original Loan Agreement"), by and among the Authority and the Borrower.

We understand that on the date hereof, LLC will transfer its assets (the "Transfer") to Gallo Center for the Arts, Inc., a California corporation ("Inc"). To effectuate the Transfer, the Original Loan Agreement will be amended by the First Amendment to Loan Agreement, dated as of October 5, 2010 (together the "Loan Agreement") by and among the Authority and the Borrower and Inc will be assuming all the rights and obligations of LLC pursuant to the terms of an Assignment and Assumption Agreement dated October 5, 2010 by and between LLC and Inc (the "Assignment Agreement"). Capitalized terms not defined herein shall have the meanings set forth in the Loan Agreement.

Section 15(a) of the Loan Agreement provides that as a condition precedent to any consolidation, merger, sale or other transfer, the Trustee and Authority shall receive an Opinion of

Bond Counsel to the effect that such merger, consolidation, sale or other transfer will not in and of itself adversely affect the Tax-Exempt status of interest on the Bonds.

In rendering this opinion, we have reviewed the Indenture, the Loan Agreement, the Assignment Agreement, a resolution of Board of Directors of the Authority and the Board of Supervisors of the County of Stanislaus relating to the Transfer, the Tax Certificate, dated March 4, 2004 (the "Tax Certificate") executed by the Authority and the Borrower, the Supplement To Tax Certificate, dated October 5, 2010, a Tax Questionnaire executed by Inc, an opinion of Damrell, Nelson, Schrimp, Pallios, Pacher & Silva, dated October 5, 2010 with respect to Inc (the "Opinion"), and we have relied upon certain representations of fact and certifications made by the Authority, the County of Stanislaus (the "County"), Inc and others, and such other information and documents as we consider necessary to render this opinion. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

In order for interest on the Bonds to remain excludable from gross income for federal income tax purposes subsequent to the Bond Issuance Date, it is necessary that applicable provisions of the Internal Revenue Code of 1986, as amended, be complied with on a continuous basis. Because we have made no independent investigation as to whether there has been such compliance in the present case, for purposes of this opinion and with your consent, we have assumed that interest on the Bonds is excludable from gross income for federal income tax purposes and exempt from State of California personal income taxes as of the date of this opinion. We express no opinion as to whether interest on the Bonds is excludable from gross income for federal income tax purposes or exempt from State of California personal income taxes as of the date of this opinion, and this opinion does not constitute a reaffirmation of our opinion dated the Bond Issuance Date or any other opinion previously rendered by our firm in connection with the Bonds.

Based upon and subject to the foregoing, and in reliance thereon, we are of the opinion that the Transfer will not, in and of itself, adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Loan Agreement, the Tax Certificate, as supplemented, and other documents related to the Bonds may be changed and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents. We express no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest on any Bond if any such change occurs or action is taken or omitted upon advice or approval of bond counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

We are admitted to the practice of law only in the State of California and our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction and express no opinion as to the enforceability of the choice of law provisions contained in the Indenture.

The opinions expressed herein are based upon an analysis of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. Other than as specifically stated herein, we express no other opinion regarding federal income tax consequences with respect to the Bonds.

Our engagement with respect to the matters described herein terminates as of the date of this opinion and we expressly disclaim any obligation to update you as to the matters described herein subsequent to the date hereof.

We call attention to the fact that the foregoing opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur). We disclaim any obligation to update the matters set forth herein.

Respectfully submitted,

STRADLING YOCCA CARLSON & RAUTH

CLL:nc