

**ECONOMIC DEVELOPMENT SUBSIDY REPORT
PURSUANT TO GOVERNMENT CODE SECTION 53083**

**FOR THE OPERATING COVENANT AGREEMENT
BY AND BETWEEN
CITY OF CORONA**

AND

LLR, INC.

**DOING BUSINESS IN CALIFORNIA AS LLR LULAROE, INC.
(ADOPTED BY RESOLUTION NO. XXXX-XX: XX-XX-XX)**

Pursuant to Government Code Section 53083, the City Council of the City of Corona must hold a noticed public hearing and, prior to the public hearing, provide all of the following information in written form and available to the public and through the City's website, regarding a proposed economic development subsidy to be provided by the City pursuant to that certain LuLaRoe (LLR, Inc.) Operating Covenant Agreement by and between the City of Corona and LLR, Inc, a Wyoming corporation doing business in California as LLR LuLaRoe, Inc. ("LLR"). Notice was published in the local newspaper for a public hearing to be held on August 2, 2017.

The City and LLR intend to enter into that certain LuLaRoe (LLR, Inc.) Operating Covenant Agreement dated August 2, 2017 ("Agreement") for the purposes of providing an incentive to establish a regional sales office and/ or buying company within the City, to expand its existing retail operations within the City and to remain in the City for not less than 40 years.

The purpose of this report is to provide the information required pursuant to Government Code Section 53083 in regards to the Agreement. This report shall remain available to the public and posted on the City's website until the end date of the economic development subsidy, as further described in number 2 below.

1. The name and address of all corporations or any other business entities, except for sole proprietorships, that are the beneficiary of the economic development subsidy.

The Agreement is with LLR, Inc.NC, a Wyoming corporation, doing business in California as LLR LuLaRoe, Inc. LLR is the sole beneficiary of the economic development subsidy.

LLR, Inc.
830 E. Parkridge Ave.
Corona, CA 92879

2. The start and end dates and schedule, if applicable, for the economic development subsidy.

As provided in the Agreement, the start date of the economic development subsidy commenced on the first day of Computation Quarter 1, as defined in the Agreement, which is July 1, 2017. The end date under the Agreement is established as the date that is no later than 40 years after the start date, on or around June 30, 2057. The term of the Agreement will automatically renew for subsequent 60 month periods, unless terminated pursuant to

the terms of the Agreement, either before the end date of the Agreement or during any subsequent renewal period. If the term is automatically renewed, accordingly, the economic development subsidy shall continue for such 60 month renewal period.

The economic development subsidy is paid quarterly (every 3 months), within 120 days of the end of each Computation Quarter. Computation Quarters run from January 1 to March 31, April 1 to June 30, July 1 to September 30, and October 1 to December 31.

3. A description of the economic development subsidy, including the estimated total amount of the expenditure of public funds by, or of revenue lost to, the local agency as a result of the economic development subsidy.

The economic development subsidy is calculated based on LLR's projected sales tax revenue received by the City during a Computation Quarter, which is estimated to be equal to the sum of \$500,000 of the Sales Tax Revenues attributable to LLR's annual taxable sales.

The City estimates that the total amount of the expenditure of public funds as a result of the economic development subsidy under the Agreement will be \$40,000,000.

4. A statement of the public purposes for the economic development subsidy.

Through this Agreement, LLR will be committed to operating and maintaining a regional retail sales office in the City for transacting merchandise sales. LLR will be the retailer, as that term is used in Section 6015 of the California Revenue and Taxation Code, for all LLR merchandise shipped to California customers. LLR's regional sales office in the City will be the only sales office in California for the sale of LLR merchandise. LLR also has the option of forming a buying company, which is a separate legal entity created for the purpose of performing administrative functions, including acquiring goods and services, for the other entity. If formed, the buying company would create another opportunity for increased sales tax generation within the City

The public purpose of the economic development subsidy includes, but is not limited to, having a company establish and maintain a physical presence in the City which will create jobs and stimulate the economic recovery of the Inland Empire. LLR has agreed to establish a regional sales office within the City, which will serve as the only sales office in California, and remain in the City for a period of not less than 40 years from the Effective Date of the Agreement. Although LLR has existing operations within the City, LLR, itself, does not currently generate much, if any, sales tax within the City. The Agreement will create an incentive for LLR to maintain its existing operations and expand its operations with the new regional sales office, which will solidify a long term presence in the City and the corresponding sales tax revenue received by the City. The City has determined that the establishment of the regional sales office within the City will generate substantial revenue for the City and create new jobs. As a result, there may be opportunity for community and public improvements that might not otherwise be available to the community for many years. Additionally, by having a company like LLR maintain a physical presence in Corona we will be adding diversity to and generating new opportunities for economic growth.

Further, the sales office serves the additional public purpose of fostering a business and civic environment that may attract additional businesses and investment in the community due to the availability of the increased public and private services and economic activity resulting therefrom, thereby assisting the City in its goal of furthering the development of the community.

5. The projected tax revenue to the local agency as a result of the economic development subsidy.

The City anticipates that the expanded operation of a regional sales office within the City by LLR will result in an increase of sales tax revenue by approximately \$2,000,000 per year, minus the covenant payments to be paid to LLR, as set forth in number 2 above.

6. The estimated number of jobs created by the economic development subsidy, broken down by full-time, part-time, and temporary positions.

The continued operation of the sales office within the City is anticipated to result in the retention of approximately up to 1,010 jobs over the term of the Agreement, as follows:

- Up to 1,000 full-time jobs
- Up to 70 part-time jobs
- Up to 40 temporary positions