

SUPPLEMENT TO OFFICIAL STATEMENT
RICHMOND COMMUNITY REDEVELOPMENT AGENCY
(Richmond, California)

\$65,400,000
Subordinate Tax Allocation Bonds
(Merged Project Areas)
2007 Series A
(Reset Auction Mode Securities – RAMS™*)
CUSIP No. 764424 BF3

This document supplements the Official Statement for the above referenced issue dated June 28, 2007 (the "Official Statement"). All capitalized terms herein shall have the meanings ascribed thereto in the Official Statement.

The Official Statement incorrectly states that the first Interest Payment Date for the Series 2007A Bonds is August 30, 2007 and that the first Auction Period for the Series 2007A Bonds ends on and includes August 29, 2007.

The correct dates are as follows:

End of first Auction Period for Series 2007A Bonds: August 15, 2007

First Interest Payment Date for Series 2007A Bonds: August 16, 2007

All references to such dates in the Official Statement are hereby amended to refer to the corrected dates listed above.

Dated: July 11, 2007

RICHMOND COMMUNITY
REDEVELOPMENT AGENCY

/s/ Steve Duran _____

* RAMS™ is a trademark of RBC Dain Rauscher, Inc.

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Agency, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2007A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2007A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007A Bonds. See "TAX MATTERS – Series 2007A Bonds" herein.

In the opinion of Bond Counsel, interest on the Series 2007B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code, but is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other federal or state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007B Bonds. See "TAX MATTERS – Series 2007B Bonds" herein.

RICHMOND COMMUNITY REDEVELOPMENT AGENCY (Richmond, California)

\$65,400,000
Subordinate Tax Allocation Bonds
(Merged Project Areas)
2007 Series A
(Reset Auction Mode Securities – RAMS™)

\$9,772,621.50
Housing Set-Aside
Subordinate Tax Allocation Bonds
(Merged Project Areas)
(Taxable) 2007 Series B
(Capital Appreciation Bonds)

Dated: Date of Delivery

Due: September 1, as shown on the inside front cover

This cover page contains information for quick reference only. It is not intended to be a summary of all factors relevant to an investment in the Bonds. Investors should read the entire Official Statement before making any investment decision. Capitalized terms used in this cover page shall have the meanings given such terms herein.

The Subordinate Tax Allocation Bonds, 2007 Series A (Reset Auction Mode Securities – RAMS™) (the "Series 2007A Bonds") are being issued by the Richmond Community Redevelopment Agency (the "Agency") in accordance with an Indenture, dated as of July 1, 2007 (the "Master Non-Housing Indenture"), as supplemented by a First Supplemental Indenture, dated as of July 1, 2007 (the "First Supplemental Non-Housing Indenture," and together with the Master Non-Housing Indenture, the "Non-Housing Indenture"), each by and between the Agency and Union Bank of California, N.A., San Francisco, California, as trustee (the "Non-Housing Trustee" or the "Trustee"). The Housing Set-Aside Subordinate Tax Allocation Bonds, (Taxable) 2007 Series B (the "Series 2007B Bonds," and together with the Series 2007A Bonds, the "Bonds") are being issued by the Agency in accordance with an Indenture, dated as of July 1, 2007 (the "Master Housing Indenture"), as supplemented by a First Supplemental Indenture, dated as of July 1, 2007 (the "First Supplemental Housing Indenture," and together with the Master Housing Indenture, the "Housing Indenture"), by and between the Agency and Union Bank of California, N.A., San Francisco, California, as trustee (the "Housing Trustee" or the "Trustee") (the Housing Indenture and the Non-Housing Indenture collectively referred to herein as the "Indentures"). The proceeds of the Series 2007A Bonds will be used to (i) pay the amount of \$22,000,000 to the City of Richmond (the "City") to assist with the financing of certain portions of the Civic Center Project, (ii) finance certain redevelopment projects of the Agency; and (iii) pay certain costs related to the issuance of the Series 2007A Bonds. The proceeds of the Series 2007B Bonds will be used to (i) finance certain low and moderate income housing activities of the Agency, and (ii) pay certain costs related to the issuance of the Series 2007B Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS."

The Bonds will each be issued as fully registered Bonds and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, as more fully described in APPENDIX D. The Series 2007A Bonds will be dated the date of their initial execution and delivery and will be issued initially as Reset Auction Mode Securities - RAMS™. Wells Fargo Bank, N.A. is appointed as the initial Auction Agent and RBC Dain Rauscher, Inc. doing business under the name RBC Capital Markets is appointed as the Initial Broker-Dealer. The Series 2007A Bonds will be issued only in registered form in denominations of \$25,000 or any integral multiple thereof and will bear interest at an initial Auction Period Rate and including the first ARB Interest Payment Date as described herein. This Official Statement only describes the terms of the Series 2007A Bonds while they bear interest at an Auction Period Rate. See "THE 2007A BONDS." The Series 2007B Bonds will be dated the date of their initial execution and delivery and will be issued as capital appreciation bonds. The Series 2007B Bonds will be issued only in registered form in increments of \$5,000 Maturity Value or any integral multiple thereof. The Series 2007B Bonds will not bear current interest, but will increase in value by the accumulation of earned interest from their date of delivery to their respective Maturity Values at maturity, as set forth on the inside cover. Interest on the Series 2007B Bonds will be compounded semiannually at such rate on each March 1 and September 1, commencing September 1, 2007. No payments will be made on the Series 2007B Bonds prior to the maturity thereof. See "THE 2007B BONDS."

The Agency has entered into an interest rate swap (the "2007 Swap") with respect to the Series 2007A Bonds pursuant to a Master Agreement, dated June 26, 2007, as supplemented by the Schedule thereto, dated June 26, 2007, and evidenced by the Confirmation, dated June 26, 2007, each between the Agency and Royal Bank of Canada (the "Swap Provider") (collectively, the "Swap Agreement").

The 2007A Bonds are subject to redemption prior to their respective maturities under certain conditions, as described herein. See "THE 2007A BONDS – Redemption for the Series 2007A Bonds." The 2007B Bonds are not subject to redemption prior to their respective maturities. See "THE 2007B BONDS – Redemption for the Series 2007B Bonds."

The Series 2007A Bonds are limited obligations of the Agency and are payable from, and will be secured by, a pledge of certain tax revenues and certain other funds as provided in the Non-Housing Indenture. The Series 2007B Bonds are limited obligations of the Agency and are payable from, and will be secured by, a pledge of certain tax revenues and certain other funds as provided in the Housing Indenture.

The Agency's obligation to make certain debt service payments on the Bonds and Parity Obligations under the Non-Housing Indenture (the "Non-Housing Debt Service Payments") and certain debt service payments on the Bonds and Parity Obligations under the Housing Indenture (the "Housing Debt Service Payments," and together with the Non-Housing Debt Service Payments, the "Debt Service Payments") are secured by a pledge of certain tax increment revenues derived from taxable property within the Agency's merged redevelopment project areas, identified in the Indentures as the "Merged Project Area." See "TAX ALLOCATION FINANCING," "SECURITY FOR THE SERIES 2007A BONDS – Pledge of Subordinate Non-Housing Tax Revenues" and "SECURITY FOR THE SERIES 2007B BONDS – Pledge of Subordinate Housing Tax Revenues."

Certain tax increment revenues derived from the Harbour Project Area, located within the Merged Project Area, are subject to a lien prior and senior to the lien of the Non-Housing Indenture. Additionally, the Non-Housing Debt Service Payments are payable from certain tax increment revenues derived from the Merged Project Area on a basis subordinate to the lien of loan and guaranty agreements entered into in connection with the bonds issued on behalf of the Agency by the Richmond Joint Powers Financing Authority in 2000 and 2003 (collectively, the "Senior Merged Area Obligations"). See "SECURITY FOR THE SERIES 2007A BONDS – Pledge of Subordinate Non-Housing Tax Revenues" and "Outstanding Non-Housing Senior Obligations."

The Housing Debt Service Payments are payable from certain tax increment revenues derived from the Merged Project Area on a basis subordinate to the lien of the Pre-2004 Loan Agreement, but only with respect to the payments thereunder required to be paid from amounts allocable to the Agency's Housing Fund in respect of the Richmond Joint Powers Financing Authority Housing Set-Aside Tax Allocation Revenue Bonds, Series 2000B (Taxable) (the "Senior Merged Area Housing Obligations"). See "SECURITY FOR THE SERIES 2007B BONDS – Pledge of Subordinate Housing Tax Revenues" and "Outstanding Housing Senior Obligations."

The scheduled payment of principal of (or, in the case of the Series 2007B Bonds, the Maturity Value) and interest on the Bonds when due will be insured by two financial guaranty insurance policies and two surety bonds, as applicable, to be issued simultaneously with the delivery of the Bonds by MBIA Insurance Corporation (the "Insurer") as described herein. Certain payment obligations of the Agency under the Swap Agreement will be insured by an Interest Rate Swap Insurance Policy to be issued simultaneously by the Insurer with the delivery of the Series 2007A Bonds. See "DESCRIPTION OF THE INSURER."



THE OBLIGATION OF THE AGENCY TO PAY DEBT SERVICE ON THE BONDS IS LIMITED AS SET FORTH HEREIN. THE BONDS ARE LIMITED OBLIGATIONS OF THE AGENCY AND AS SUCH ARE NOT A DEBT OF THE CITY OF RICHMOND, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS; AND NEITHER THE CITY OF RICHMOND, THE STATE OF CALIFORNIA, NOR ANY OF ITS POLITICAL SUBDIVISIONS ARE LIABLE THEREON. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The Bonds are being issued for sale to the Richmond Joint Powers Financing Authority (the "Authority") and will be simultaneously resold by the Authority to the Underwriter.

The Bonds are offered, when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Orrick, Herrington & Sutcliffe LLP Bond and Disclosure Counsel to the Agency, and to certain other conditions. Certain matters in connection with this offering are subject to the approval of the legality thereof by the Interim City Attorney, as counsel for the Authority, the City and the Agency, by Goldfarb & Lipman LLP, as counsel to the Agency and by Lofton & Jennings, as counsel to the Underwriter. It is expected that the Bonds in book-entry only form will be available for delivery through the facilities of DTC in New York, New York on or about July 12, 2007.

RBC CAPITAL MARKETS

Dated: June 28, 2007

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MATURITY SCHEDULE

\$65,400,000
Subordinate Tax Allocation Bonds
(Merged Project Areas)
2007 Series A
(Reset Auction Mode Securities – RAMS™*)

Maturity (September 1)	Principal Amount	Interest Rate	Price	CUSIP Number
2036	\$65,400,000	variable	100%	764424 BF3

\$9,772,621.50
Housing Set-Aside
Subordinate Tax Allocation Bonds
(Merged Project Areas)
(Taxable) 2007 Series B
(Capital Appreciation Bonds)

Maturity (September 1)	Denominational Amount	Yield to Maturity	Maturity Value	Price	CUSIP Number (Base No. 764424)
2008	\$436,862.85	5.57%	\$465,000	93.949%	AA5
2009	475,261.90	5.62	535,000	88.834	AB3
2010	486,272.00	5.70	580,000	83.840	AC1
2011	494,962.50	5.72	625,000	79.194	AD9
2012	503,482.50	5.79	675,000	74.590	AE7
2013	508,341.00	5.87	725,000	70.116	AF4
2017	514,549.20	5.98	935,000	55.032	AK3
2018	510,869.70	6.03	990,000	51.603	AL1
2019	504,524.80	6.05	1,040,000	48.512	AM9
2020	643,442.95	6.09	1,415,000	45.473	AN7
2021	438,677.00	6.13	1,030,000	42.590	AP2
2022	432,481.00	6.17	1,085,000	39.860	AQ0
2023	427,474.30	6.20	1,145,000	37.334	AR8
2024	412,695.25	6.20	1,175,000	35.123	AS6
2025	405,703.20	6.21	1,230,000	32.984	AT4
2026	397,964.50	6.22	1,285,000	30.970	AU1
2027	587,274.60	6.23	2,020,000	29.073	AV9
2028	226,482.10	6.24	830,000	27.287	AW7
2029	212,073.30	6.26	830,000	25.551	AX5
2030	199,698.60	6.28	835,000	23.916	AY3
2031	186,847.95	6.30	835,000	22.377	AZ0
2032	174,757.15	6.32	835,000	20.929	BA4
2033	163,384.45	6.34	835,000	19.567	BB2
2034	152,688.10	6.36	835,000	18.286	BC0
2035	142,643.05	6.38	835,000	17.083	BD8
2036	133,207.55	6.40	835,000	15.953	BE6
	<u>\$9,772,621.50</u>		<u>\$24,460,000</u>		

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**RICHMOND COMMUNITY REDEVELOPMENT AGENCY
AND
CITY OF RICHMOND**

GOVERNING BOARD/CITY COUNCIL

Gayle McLaughlin
Chair/Mayor

Nathaniel Bates
Vice Chair/Vice Mayor

Maria Viramontes
Board Member/Councilmember

Tom Butt
Board Member/Councilmember

Ludmyrna Lopez
Board Member/Councilmember

John E. Marquez
Board Member/Councilmember

Jim Rogers
Board Member/Councilmember

Harpreet Sandhu
Board Member/Councilmember

Tony K. Thurmond
Board Member/Councilmember

AGENCY AND CITY ADMINISTRATION

William A. Lindsay
*City Manager and
CEO of the Agency*

James C. Goins
*Finance Director and
Treasurer of the Agency*

Steve Duran
*Community & Economic
Development Director
and Executive Director
of the Agency*

Louise Renne
Interim City Attorney

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San Francisco, California

Agency Counsel
Goldfarb & Lipman LLP
Oakland, California

Fiscal Consultant
Fraser & Associates
Roseville, California

Financial Advisor
Tamalpais Advisors, Inc.
Sausalito, California

Trustee
Union Bank of California, N.A.
San Francisco, California

Auction Agent
Wells Fargo Bank, N.A.

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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.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement that 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 a representation of fact.

The information set forth herein has been obtained from official 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 Authority, the Agency or the City. 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 has been no change in the affairs of the Authority, the Agency or the City since the date hereof. All summaries contained herein of the Indenture and other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions.

No dealer, broker, salesperson or other person has been authorized by the Authority, the Agency or the City 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 any of the foregoing. 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 any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

When used in this Official Statement and in any continuing disclosure by the Agency, in any press release and in any oral statement made with the approval of an authorized officer of the Agency, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements." Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Agency since the date hereof.

RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets (the "Underwriter") has provided the following sentence for inclusion in this official statement. The Underwriter has reviewed the information in this official statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL ON THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The issuance and sale of the Series 2007A Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

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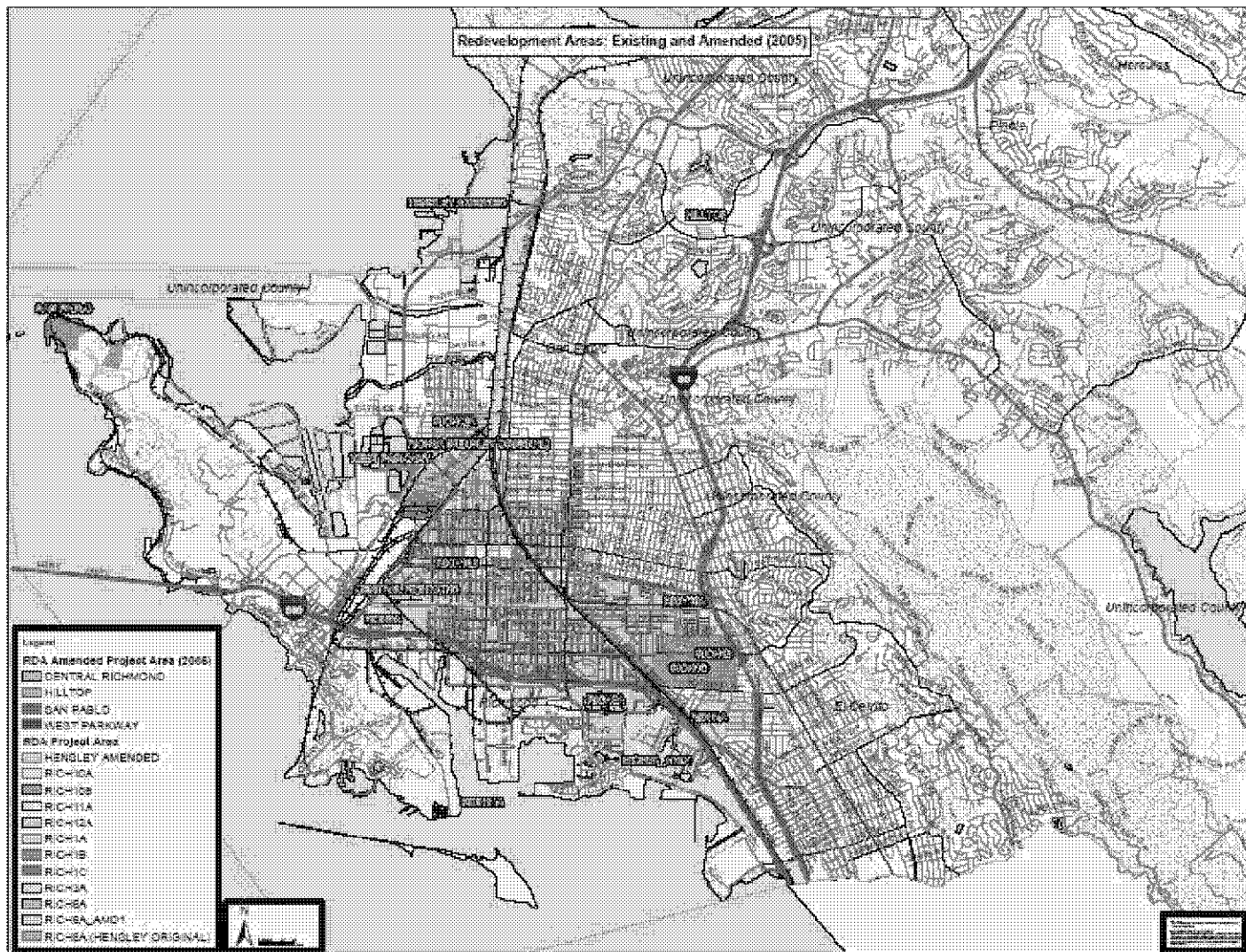
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MERGED PROJECT AREA MAP



OFFICIAL STATEMENT

RICHMOND COMMUNITY REDEVELOPMENT AGENCY

\$65,400,000
Subordinate Tax Allocation Bonds
(Merged Project Areas)
2007 Series A
(Reset Auction Mode Securities – RAMS™*)

\$9,772,621.50
Housing Set-Aside
Subordinate Tax Allocation Bonds
(Merged Project Areas)
(Taxable) 2007 Series B
(Capital Appreciation Bonds)

INTRODUCTION

This Introduction is subject in all respects to the more complete information and definitions contained elsewhere in this Official Statement and the offering of the Bonds to potential purchasers is made only by means of the entire Official Statement. Investors are instructed to view this entire Official Statement as well as the documents summarized in the Appendices hereto prior to making an investment decision. Capitalized terms used but not defined in this Official Statement are defined in Appendix B and Appendix C hereto.

The purpose of this Official Statement, which includes the cover page through the Appendices hereto (collectively, the “Official Statement”), is to provide certain information concerning the Richmond Community Redevelopment Agency (the “Agency”) and the issuance by the Agency of \$65,400,000 aggregate principal amount of its Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A (the “Series 2007A Bonds”) (Reset Auction Mode Securities – RAMS™*) and \$9,772,621.50 aggregate principal amount of its Housing Set-Aside Subordinate Tax Allocation Bonds (Merged Project Areas), (Taxable) 2007 Series B (the “Series 2007B Bonds” and, together with the Series 2007A Bonds, the “Bonds”).

Legal Authority

The Agency is a redevelopment agency organized and existing under the Community Redevelopment Law, being Part 1, commencing with Section 33000, of Division 1 of the California Health and Safety Code (the “Redevelopment Law”).

The Bonds are being issued by the Agency in accordance with the Redevelopment Law and pursuant to a resolution of the Agency adopted on June 5, 2007 (the “Resolution”). The Series 2007A Bonds are being issued pursuant to an Indenture, dated as of July 1, 2007 (the “Master Non-Housing Indenture”), by and between the Agency and Union Bank of California, N.A., San Francisco, California, as trustee (the “Non-Housing Trustee” or the “Trustee”), as supplemented by a First Supplemental Indenture (the “First Supplemental Non-Housing Indenture,” and together with the Master Non-Housing Indenture, the “Non-Housing Indenture”) between the Agency and the Non-Housing Trustee. The Series 2007B Bonds are being issued pursuant to an Indenture, dated as of July 1, 2007 (the “Master Housing Indenture”), by and between the Agency and Union Bank of California, N.A., San Francisco, California, as trustee (the “Housing Trustee” or the “Trustee”), as supplemented by a First Supplemental Indenture

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(the “First Supplemental Housing Indenture,” and together with the Master Housing Indenture, the “Housing Indenture”) between the Agency and the Housing Trustee (the Housing Indenture and the Non-Housing Indenture are collectively referred to herein as the “Indentures”). See “THE 2007A BONDS” and “THE 2007B BONDS.”

Financing Purpose

Series 2007A Bonds. The proceeds of the Series 2007A Bonds will be used to (i) pay the amount of \$22,000,000 to the City of Richmond (the “City”), consisting of approximately \$8,000,000 as prepaid rent to the City for Agency office space in the new Civic Center and approximately \$14,000,000 toward the cost of certain other components of the Civic Center Project, (ii) finance certain redevelopment projects of the Agency; and (iii) pay certain costs related to the issuance of the Series 2007A Bonds.

Series 2007B Bonds. The proceeds of the Series 2007B Bonds will be used to (i) finance certain low and moderate income housing activities of the Agency and (ii) pay certain costs related to the issuance of the Series 2007B Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS.”

Tax Allocation Financing

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a redevelopment project area. Pursuant to the Redevelopment Law, the “base roll” is established by determining the taxable value of property within a project area last equalized prior to adoption of a redevelopment plan by a redevelopment agency. Except for any period during which the taxable value drops below the base year level, the taxing agency thereafter receives the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected on any increase in taxable value over the base roll (commonly known as “tax increment revenues”) are allocated to a redevelopment agency and, subject to certain limitations discussed herein, may be pledged by the redevelopment agency to the repayment of indebtedness incurred in financing or refinancing a redevelopment project. Under Section 33334.2 and Section 33334.6 of the Redevelopment Law, redevelopment agencies are generally required, unless certain annual findings are made, to set aside 20% of all tax increment revenues allocated annually in a low- and moderate-income housing fund to be used within the jurisdiction of the agency to increase and improve the supply of low- and moderate-income housing. See “SECURITY FOR THE SERIES 2007A BONDS” and “SECURITY FOR THE SERIES 2007B BONDS.”

Security for the Bonds

Security for the 2007A Bonds. The Series 2007A Bonds and any Additional Non-Housing Bonds (as defined below) and other Non-Housing Parity Obligations (as defined below) are equally secured by and are payable from an exclusive pledge of Subordinate Non-Housing Pledged Tax Revenues (as defined below), all moneys deposited in the Non-Housing Special Fund (as defined below) (including the Interest Account, the Principal Account, the Sinking Fund Account and the Debt Service Reserve Account created therein), and the Non-Housing Redemption Fund (as defined below). The Subordinate Non-Housing Pledged Tax Revenues, so long as any Non-Housing Bonds are outstanding and provided that all deposits required to be made with respect to Senior Non-Housing Bonds (as defined below) have occurred, shall be deposited by the Agency in the Non-Housing Special Fund to the extent required under the Non-Housing Indenture, which fund is to be held by and maintained with the Trustee. See “APPENDIX B — SUMMARY OF THE NON-HOUSING INDENTURE — Non-Housing Special Fund.”

Security for the 2007B Bonds. The Series 2007B Bonds and any Additional Housing Bonds (as defined below) and other Housing Parity Obligations (as defined below) are equally secured by and are payable from an exclusive pledge of Subordinate Housing Pledged Tax Revenues (as defined below), all moneys deposited in the Housing Special Fund (as defined below) (including the Interest Account, the Principal Account, the Sinking Fund Account and the Debt Service Reserve Account created therein), and the Housing Redemption Fund (as defined below). The Subordinate Housing Pledged Tax Revenues, so long as any Housing Bonds are outstanding and provided that all deposits required to be made with respect to Senior Housing Bonds (as defined below) have occurred, shall be deposited by the Agency in the Housing Special Fund to the extent required under the Housing Indenture, which fund is to be held by and maintained with the Trustee. See “APPENDIX C — SUMMARY OF THE HOUSING INDENTURE — Housing Special Fund.”

Bond Insurance. The scheduled payment of principal of (or, in the case of the Series 2007B Bonds, the Maturity Value) and interest on each series of Bonds when due will be insured by separate financial guaranty insurance policies (the “Series 2007A Financial Guaranty Insurance Policy” and the “Series 2007B Financial Guaranty Insurance Policy,” respectively and together, the “Financial Guaranty Insurance Policy”) to be issued simultaneously with delivery of the Bonds by MBIA Insurance Corporation (the “Insurer”). The Insurer will also issue an interest rate swap insurance policy with respect to the Series 2007A Bonds. See “DESCRIPTION OF THE INSURER” and “APPENDIX G – SPECIMEN FINANCIAL GUARANTY INSURANCE POLICIES.”

Reserve Accounts. Under the Indentures, the Agency is required to maintain separate Reserve Accounts for the Series 2007A Bonds and the Series 2007B Bonds, each in the amount of the respective Reserve Requirement. The Agency will satisfy the requirements for each Reserve Account by depositing therein a Debt Service Reserve Surety Bond (the “Series 2007A Surety Bond” and the “Series 2007B Surety Bond,” respectively) to be issued by the Insurer. See “SECURITY FOR THE SERIES 2007A BONDS – Non-Housing Debt Service Reserve Account” and “SECURITY FOR THE SERIES 2007B BONDS – Housing Debt Service Reserve Account.”

Limited Obligations. The Bonds are not a debt of the City, the State of California or any of its political subdivisions, and neither the City, the State of California nor any of its political subdivisions is liable thereon. In no event shall the Bonds or any interest or redemption premium thereon or Parity Obligations be payable out of any funds or properties other than those of the Agency as set forth in the Indentures. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the members of the Agency nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance. See “SECURITY FOR THE SERIES 2007A BONDS – Pledge of Subordinate Non-Housing Pledged Tax Revenues” and “SECURITY FOR THE SERIES 2007B BONDS – Pledge of Subordinate Housing Pledged Tax Revenues.”

2007 Swap. The Agency has entered into an interest rate swap (the “2007 Swap”) with respect to the Series 2007A Bonds pursuant to an International Swap and Derivative Association Inc. (“ISDA”) Master Agreement, dated June 26, 2007, as supplemented by the Schedule thereto, dated June 26, 2007, and evidenced by the Confirmation, dated June 26, 2007, each between the Agency and Royal Bank of Canada (the “Swap Provider”) (collectively, the “Swap Agreement”). Royal Bank of Canada is the parent company of RBC Dain Rauscher, Inc. doing business under the name RBC Capital Markets.

The 2007 Swap will be in a notional amount equal to the aggregate principal amount of the Series 2007A Bonds Outstanding and under the 2007 Swap. The Agency will pay amounts to the Swap Provider based upon a fixed rate of 3.990% and receive amounts based upon a variable rate (based on 68% of the One-Month London Interbank Offering Rate (“LIBOR”)). The notional amount of the 2007

Swap will be subject to reduction corresponding to the mandatory sinking fund redemption of Series 2007A Bonds. The payment obligations of the Agency under the Swap Agreement (excluding Termination Payments thereunder) will constitute a Non-Housing Parity Obligation and will be insured by the Interest Rate Swap Insurance Policy issued by the Insurer. The payments received by the Agency under the 2007 Swap will be pledged to the payment of the Series 2007A Bonds. The payment obligations of the Agency under the 2007 Swap that constitute Termination Payments are junior and subordinate in all respects to Non-Housing Parity Obligations as Subordinate Non-Housing Obligations (as defined in the Non-Housing Indenture). See “SUMMARY OF THE NON-HOUSING INDENTURE – Provisions Relating to Termination Payments under the 2007 Swap.”

The Agency has entered into the 2007 Swap in connection with the Series 2007A Bonds for the purpose of receiving amounts expected to be approximately equal to the floating rate interest payments the Agency is obligated to make with respect to the Series 2007A Bonds in exchange for making fixed rate payments. Payments to and from the Swap Provider will be paid from or deposited into the Interest Account under the Non-Housing Indenture. Under certain circumstances, the 2007 Swap is subject to early termination prior to the scheduled termination date and prior to the maturity of the Series 2007A Bonds, in which event, the Agency may be obligated to make a Termination Payment to the Swap Provider and the Agency may be required to make a substantial supplemental appropriation for such purpose. Neither the holders of the Series 2007A Bonds nor any other person other than the Agency will have any other rights under the 2007 Swap or against the Swap Provider.

Senior Bonds. The payment of debt service on the Series 2007A Bonds and any Additional Non-Housing Bonds and payments under any Non-Housing Parity Obligations issued or executed under the Non-Housing Indenture are subordinate to the payment of debt service on the Agency’s Senior Bonds as defined in the Non-Housing Indenture (the “Senior Non-Housing Bonds”) and to the payment of Senior Harbour Debt Service, as defined in the Non-Housing Indenture (the “Senior Harbour Debt Service”). Pursuant to the Non-Housing Indenture, the Agency has agreed that, so long as the Series 2007A Bonds, any Additional Non-Housing Bonds or other Non-Housing Parity Obligations are outstanding, it will not issue any additional bonds (including refunding bonds) on a parity with the Senior Non-Housing Bonds or the Senior Harbour Indenture (as defined below). See “SECURITY FOR THE SERIES 2007A BONDS – Outstanding Non-Housing Senior Obligations.”

The payment of debt service on the Series 2007B Bonds and any Additional Housing Bonds and payments under any Housing Parity Obligations issued or executed under the Housing Indenture are subordinate to the payment of debt service on the Agency’s Senior Housing Bonds as defined in the Housing Indenture (the “Senior Housing Bonds”). Pursuant to the Housing Indenture, the Agency has agreed that, so long as the Series 2007B Bonds, any Additional Housing Bonds or other Housing Parity Obligations are outstanding, it will not issue any additional bonds (including refunding bonds) on a parity with the Senior Housing Bonds. See “SECURITY FOR THE SERIES 2007B BONDS – Outstanding Housing Senior Obligations.”

Parity Bonds. The obligations under the 2004 Non-Housing Loan Agreement (as defined below) and any Additional Non-Housing Bonds are secured on a parity basis with the Series 2007A Bonds. See “SECURITY FOR THE SERIES 2007A BONDS – Outstanding Non-Housing Parity Obligations.”

The obligations under the 2004 Housing Loan Agreement (as defined below) and any Additional Housing Bonds are secured on a parity basis with the Series 2007B Bonds. See “SECURITY FOR THE SERIES 2007B BONDS – Outstanding Housing Parity Obligations.”

Fiscal Consultant Report

Included as Appendix H to this Official Statement is a Fiscal Consultant Report (the “Consultant Report”) prepared by Fraser & Associates (the “Consultant”) which, among other things, analyzes the tax increment revenues generated from taxable property within the Merged Project Area and pledged to the repayment of the Bonds. The findings and projections in the Consultant Report are subject to a number of assumptions that should be reviewed and considered by prospective investors. No assurances can be given that the projections and expectations discussed in the Consultant Report will be achieved. Actual results may differ materially from the projections described therein. See “APPENDIX H – Fiscal Consultant Report” and “THE MERGED PROJECT AREA – Merger and Amendment of the Project Areas.”

Other Information

The Bonds are being issued for sale by the Agency to the Richmond Joint Powers Financing Authority (the “Authority”) pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the California Government Code (the “JPA Law”). See “THE AUTHORITY.” The Bonds purchased by the Authority will be simultaneously resold to the Underwriter.

There follows in this Official Statement descriptions of the Bonds, the Indentures, the Merged Project Area, the Agency and the City. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document and, with respect to certain rights and remedies, to laws and principles of equity relating to or affecting creditors’ rights generally. Capitalized terms not defined herein or in Appendix B hereto shall have the meanings set forth in the Indentures. Copies of the Indentures are available for inspection upon reasonable notice during business hours at the office of the Trustee in San Francisco, California.

PURPOSE OF THE BONDS

The Bonds are being issued by the Agency to finance Agency projects and certain low- and moderate-income housing activities of the Agency. See “THE MERGED PROJECT AREA.” The Agency will also use a portion of the proceeds of the Series 2007A Bonds to assist the City by providing funds for financing a portion of the Civic Center Project. See “THE MERGED PROJECT AREA - The Constituent Project Areas - Nevin Center Project Area.”

ESTIMATED SOURCES AND USES OF FUNDS

Following is a table of estimated sources and uses of funds with respect to the Bonds.

	<u>Series 2007A Bonds</u>	<u>Series 2007B Bonds</u>
Sources:		
Bond Proceeds	\$65,400,000	\$9,772,621.50
Total Sources	\$65,400,000	\$9,772,621.50
Uses:		
Deposit to Redevelopment Project Funds	\$41,854,500	\$7,620,000.00
Other Uses	22,000,000 ⁽¹⁾	1,797,155.00 ⁽²⁾
Costs of Issuance	1,055,000 ⁽³⁾	233,308.73 ⁽³⁾
Underwriter's Discount	490,500	122,157.77
Total Uses	\$65,400,000	\$9,772,621.50

⁽¹⁾ Transfer to City for deposit to Civic Center Project Account.

⁽²⁾ Represents prepayment of California Housing Finance Agency Loan due in Fiscal Year 2009-10.

⁽³⁾ Includes legal, financing and consultant fees, fees of the Trustee, rating agency fees, bond insurance and surety bond premiums and certain miscellaneous expenses.

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THE 2007A BONDS

Authority for Issuance

The Series 2007A Bonds are being issued pursuant to the Non-Housing Indenture in accordance with the Redevelopment Law and other applicable laws and the Constitution of the State of California. A summary of certain provisions of the Non-Housing Indenture is set forth in “APPENDIX B – SUMMARY OF THE NON-HOUSING INDENTURE.”

The Series 2007A Bonds will be issued only in registered form in denominations of \$25,000 or any integral multiple thereof as Reset Auction Mode Securities – RAMSTM* (also, under the terms of the Non-Housing Indenture, as auction rate bonds (“ARBs”) bearing interest at an Auction Period Rate, as more fully described below.) The Series 2007A Bonds will be dated the date of their initial execution and delivery. *This Official Statement only describes the terms of the Series 2007A Bonds while they bear interest at an Auction Period Rate.* The following provisions contain only brief descriptions of the ARBs, which are more fully described in “APPENDIX J – AUCTION PROCEDURES.” Capitalized terms used but not defined below shall have the meanings given in said Appendix J or in “APPENDIX B – SUMMARY OF THE NON-HOUSING INDENTURE.” The terms “ARBs” and “RAMSTM” may be used interchangeably in this Official Statement to refer to the Series 2007A Bonds while they bear interest at Auction Period Rates.

Maturity Date; Registered Ownership

The Series 2007A Bonds mature (subject to prior redemption) on September 1, 2036 (the “Series 2007A Maturity Date”).

The Series 2007A Bonds will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be evidenced by one Series 2007A Bond for each maturity of the Series 2007A Bonds in the principal amount of the respective maturities of the Series 2007A Bonds. Registered ownership of the Series 2007A Bonds, or any portion thereof, may not thereafter be transferred except as described in “APPENDIX D – BOOK ENTRY ONLY SYSTEM.”

General Terms of Auction Rate Bonds

Authorized Denominations. The ARBs will be issued in fully registered form in denominations of \$25,000 or any integral multiple thereof.

Interest Payment Dates. Interest on the ARBs is payable on each ARB Interest Payment Date, which is defined as initially August 30, 2007, and (i) with respect to each Daily Interest Rate Period, the fifth Business Day of each calendar month, (ii) with respect to each Weekly Interest Rate Period, the first Wednesday of each calendar month (or the next succeeding Business Day if such Wednesday is not a Business Day); (iii) with respect to each Long-Term Interest Rate Period, each March 1 and September 1 or if any such March 1 and September 1 is not a Business Day, the next succeeding Business Day; provided that the first interest payment made for any Long-Term Interest Rate Period shall be at least ninety (90) days from the first day of such period; (iv) with respect to each Series 2007A Bond in a Commercial Paper Interest Rate Period, the day next succeeding the last day of each Commercial Paper Term for such Series 2007A Bond; (v) with respect to each Index Interest Rate Period, the first Business Day of each calendar month and the Maturity Date; (vi) with respect to each ARB Interest Rate Period,

* RAMSTM is a trademark of RBC Dain Rauscher Inc.

each ARB Interest Payment Date; (vii) with respect to each Interest Rate Period, the day next succeeding the last day thereof; and (viii) with respect to Credit Provider Bonds, the dates set forth in the applicable Credit Support Instrument.

Payments on Auction Rate Bonds

Accrual of Interest. During the ARB Interest Rate Period, interest on the Series 2007A Bonds for each Auction Period shall be payable on each ARB Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date (*i.e.*, for other than the first ARB Interest Payment Date, the immediately preceding ARB Interest Payment Date) and ending on the day immediately preceding such Interest Payment Date. In any event, interest on the Series 2007A Bonds shall be payable for the final Interest Rate Period to but not including the date on which the Series 2007A Bonds shall have been paid in full.

Medium of Payment. Unless otherwise requested by the Securities Depositories, the interest on each Bond shall be payable on each Interest Payment Date for such Series 2007A Bond and shall be paid by check of the Trustee mailed on such Interest Payment Date to the Owner of such Series 2007A Bond shown on the Bond Register as of the close of business on the Record Date immediately preceding such Interest Payment Date. Owners of at least \$1,000,000 aggregate principal amount of Series 2007A Bonds may, at any time prior to a Record Date with respect to the payment of interest on such Series 2007A Bonds, give the Trustee written instructions for payment of such interest on each succeeding Interest Payment Date for such Series 2007A Bonds by wire transfer or by deposit to an account.

The principal or Redemption Price of the Series 2007A Bonds will be payable in lawful money of the United States of America at the Principal Office of the Trustee upon surrender of the Series 2007A Bonds to the Trustee for cancellation.

ARB Payment Defaults. The Trustee shall determine not later than 2:00 p.m., New York City time, on each ARB Interest Payment Date, whether an ARB Payment Default has occurred. If an ARB Payment Default has occurred, the Trustee shall, not later than 2:30 p.m. New York City time on such Business Day, send a Notice of ARB Payment Default to the Auction Agent and the Broker-Dealer by telecopy or similar means and, if such ARB Payment Default is cured, the Trustee shall immediately send a Notice of Cure of ARB Payment Default to the Auction Agent and the Broker-Dealer by telecopy or similar means.

Calculation of Auction Rate

The Auction Rate for the first Auction Period for the ARBs will be determined prior to delivery of the ARBs. Thereafter the Auction Rate for each subsequent Auction Period will be determined under the Auction Procedures described in “APPENDIX J – AUCTION PROCEDURES.”

Generally, the Auction Period Rate will be determined by a Dutch auction procedure, but may under certain circumstances be based on indexes and other factors. Further, the Auction Period Rate generally may not exceed 12%. Interest shall be computed, in the case of an Auction Period of less than 180 days, on the basis of a 360-day year and the number of days actually elapsed. Interest shall be computed, in the case of an Auction Period equal to or more than 180 days, on the basis of a 360-day year of twelve 30-day months.

Auction Periods

Auction Periods. The first Auction Period for the ARBs will begin on and include the Closing Date and will end on and include August 29, 2007. The first Interest Payment Date for the ARBs will be August 30, 2007. Thereafter, the City expects the Auction Period for the ARBs to be, initially, a 35-day Auction Period, as described below.

The various Auction Periods for the ARBs are described below:

Flexible Auction Period. A Flexible Auction Period;

Daily Auction Period. With respect to a Series of Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day unless such Business Day is the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, in which case the daily Auction Period shall extend to, but not include, the next ARB Interest Payment Date;

Seven day Auction Period. With respect to a Series of Bonds in a seven-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table below, a period of generally seven days beginning on the day of the week specified in column B of the table below (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table below) and ending on the day of the week specified in column C of the table below in the next succeeding week (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day):

(A) When Auctions Occur <u>on this day</u>	(B) Auction Period Generally <u>Begins this day</u>	(C) Auction Periods Generally <u>End this day</u>
Friday	Monday	Sunday
Monday	Tuesday	Monday
Tuesday	Wednesday	Tuesday
Wednesday	Thursday	Wednesday
Thursday	Friday	Thursday

28-day Auction Period. With respect to a Series of Bonds in a 28-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 28 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the same day of the week specified in column C of the table above four weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

35-day Auction Period. With respect to a Series of Bonds in a 35-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 35 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the day of the week specified in column C of the table above five weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

Three-month Auction Period. With respect to a Series of Bonds in a three-month Auction Period, a period of generally three months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the calendar day immediately preceding the first Business Day of the month that is the third calendar month following the beginning date of such Auction Period; and

Six-month Auction Period. With respect to a Series of Bonds in a six-month Auction Period, a period of generally six months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding date set forth in the Auction Procedures.

Provided, however, that if there is a conversion of a Series of Bonds with Auctions generally conducted on the day of the week specified in column A of the table above, (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the next succeeding day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the ARB Interest Payment Date for the prior Auction Period) and shall end of the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion.

Notwithstanding the foregoing, if an Auction is for an Auction Period of more than seven days and the Auction Rate on such Auction Date is the ARB Maximum Rate as the result of a lack of Sufficient Clearing Bids, the Auction Period shall automatically convert to a seven-day Auction Period. On the following Auction Date, the Auction shall be conducted for an Auction Period of the same length as the Auction Period prior to such automatic conversion. If such Auction is successful, the Auction Period shall revert to the length prior to the automatic conversion, and, if such Auction is not successful, the Auction Period shall be another seven-day period.

Changes in Auction Period or Auction Date

Changes in Auction Period. During any ARB Interest Rate Period, the Agency, may, from time to time on the ARB Interest Payment Date immediately following the end of any Auction Period, change the length of the Auction Period with respect to all of the Bonds of a Series among daily, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds. The Agency shall initiate the change in the length of the Auction Period by giving written notice to the Insurer, the Trustee, the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

Any such changed Auction Period shall be for a period of one day, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period and shall be for all of the Bonds of such Series.

The change in length of the Auction Period shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such new Auction Period. For purposes of the Auction for such new Auction Period only, except to the extent any Existing Owner submits an Order with respect to such Bonds of any Series, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Bonds of such Series if the change is to a longer Auction Period and a Hold Order if the change is to a shorter Auction Period. If there are not Sufficient Clearing Bids for the first Auction Period, the Auction Rate for the new Auction Period shall be the ARB Maximum Rate, and the Auction Period shall be a seven-day Auction Period. In the event that the Series 2007A Bonds bear interest at the ARB Maximum Rate for the lesser of three consecutive Auction periods or 90 days, the Agency will use best efforts to cause a conversion to another Auction Period or an Interest Rate Period acceptable to the Insurer.

Changes in Auction Date. During any ARB Interest Rate Period, the Auction Agent, at the direction of the Agency, may specify an earlier or later Auction Date (but in no event more than five Business Days earlier or later) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne by the Bonds. The Auction Agent shall provide notice of the Agency's direction to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Agency and the Broker-Dealers with a copy to the Securities Depository. In the event the Auction Agent is instructed to specify an earlier Auction Date, the days of the week on which an Auction Period begins and ends, the day of the week on which a Flexible Auction Period ends and the ARB Interest Payment Date relating to a Flexible Auction Period shall be adjusted accordingly.

Changes Resulting from Unscheduled Holidays. If, in the opinion of the Auction Agent and the Broker-Dealers, there is insufficient notice of an unscheduled holiday to allow the efficient implementation of the Auction Procedures set forth herein, the Auction Agent and the Broker-Dealers may, as they deem appropriate, set a different Auction Date and adjust any ARB Interest Payment Dates and Auction Periods affected by such unscheduled holiday. In the event there is not agreement among the Broker-Dealers, the Auction Agent shall set the different Auction Date and make such adjustments as directed by a majority of the Broker-Dealers, and, if there is not a majority, as the Auction Agent in its sole discretion shall determine is appropriate.

Initial Auction Agent, Broker-Dealer and Market Agent

Auction Agent. Wells Fargo Bank, N.A. (the "Auction Agent") is appointed as the initial Auction Agent for the ARBs under the Non-Housing Indenture and under an Auction Agent Agreement dated as of July 1, 2007, by and between the Trustee and the Auction Agent.

Broker-Dealer. RBC Dain Rauscher, Inc., doing business under the name RBC Capital Markets (the "Broker-Dealer") is appointed as the initial Broker-Dealer for the ARBs under the Non-Housing Indenture and a Broker-Dealer Agreement dated as of July 1, 2007, between the Auction Agent and the Broker-Dealer.

The Broker-Dealer may take certain actions affecting the ARBs and the auction process, and certain other information, sale or transfer limitations, and historical events may affect the ARBs. See "CERTAIN CONSIDERATIONS AFFECTING AUCTION RATE SECURITIES." Initially, RBC Capital Markets will be the only Broker-Dealer.

Redemption for the Series 2007A Bonds

Optional Redemption. While any ARB Interest Rate Period is in effect, the Series 2007A Bonds are also subject to redemption prior to their stated maturity, at the option of the Agency, in whole or in part (in such amounts as may be specified by the Agency) (with a corresponding reduction in the notional amount of the 2007 Swap), on any ARB Interest Payment Date at a Redemption Price equal to the principal amount of Series 2007A Bonds to be redeemed, plus unpaid accrued interest thereon to the date fixed for redemption, without premium. After any partial redemption pursuant to the Indenture, there shall not be less than \$10,000,000 in aggregate principal amount of Series 2007A Bonds Outstanding unless otherwise consented to by the Broker-Dealer.

After any partial redemption pursuant to the Non-Housing Indenture, there shall not be less than \$10,000,000 in aggregate principal amount of Series 2007A Bonds Outstanding unless otherwise consented to by the Broker-Dealer.

If any Series 2007A Bonds are to be redeemed in part and such Bonds are held by a Securities Depository, the Agency shall include in the notice of the call for redemption delivered to the Securities Depository (i) a date placed under an item entitled "Publication Date for Securities Depository Purposes" and such date shall be three Business Days after the Auction Date immediately preceding such redemption date (in the case of a daily Auction Period, such date shall be three Business Days immediately preceding the date of redemption) and (ii) an instruction to the Securities Depository to (x) determine on such Publication Date after the Auction held on the immediately preceding Auction Date has settled, the Securities Depository Participants whose Securities Depository positions shall be redeemed and the principal amount of such ARBs to be redeemed from each such position (the "Securities Depository Redemption Information"), and (y) notify the Trustee immediately after such determination of (1) the positions of the Securities Depository Participants in such Bonds immediately prior to such Auction settlement, (2) the position of the Securities Depository Participants in such ARBs immediately following such Auction settlement, and (3) the Securities Depository Redemption Information. Immediately upon receipt of the notice referred to in (y) of the preceding sentence, the Trustee shall send a copy of such notice to the Auction Agent.

So long as the Series 2007A Financial Guaranty Insurance Policy is in effect, no amount of the Series 2007A Bonds which constitute Hedged Bonds shall be redeemed pursuant to the Non-Housing Indenture unless (i) the Agency causes a corresponding reduction in the notional amount of the 2007 Swap, or any applicable Qualified Swap Agreement, and provides for payment of related Termination Payments, if any, or (ii) the Insurer waives this aforementioned condition in writing.

Mandatory Redemption. The Series 2007A Bonds are also subject to redemption in part prior to their stated maturity from Sinking Fund Installments (with a corresponding reduction in the notional amount of the 2007 Swap) on each September 1 on and after September 1, 2008, as set forth below, at a Redemption Price equal to the principal amount of the Bonds to be redeemed together with unpaid accrued interest thereon to the date fixed for redemption, without premium. Notwithstanding the foregoing, when any Series 2007A Bond to be redeemed pursuant to Sinking Fund Installments is subject to an ARB Interest Rate Period, if such September 1 is not an ARB Interest Payment Date, the redemption from Sinking Fund Installments shall occur on the ARB Interest Payment Date immediately preceding such September 1.

Redemption Date (September 1)	Redemption Amount
2008	\$1,125,000
2009	1,525,000
2010	1,600,000
2011	1,675,000
2012	1,750,000
2013	1,825,000
2014	1,900,000
2015	2,000,000
2016	2,100,000
2017	2,200,000
2018	2,275,000
2019	2,000,000
2020	4,275,000
2021	1,775,000
2022	1,850,000
2023	3,675,000
2024	2,100,000
2025	2,200,000
2026	2,275,000
2027	7,200,000
2028	1,675,000
2029	1,750,000
2030	1,850,000
2031	1,925,000
2032	2,000,000
2033	2,075,000
2034	2,175,000
2035	2,275,000
2036*	2,350,000

*(final maturity)

Notice of Redemption

Notice of redemption will be mailed by first class mail by the Trustee not less than 30 nor more than 60 days prior to the redemption date to the registered Owner of each Series 2007A Bond to be redeemed at the address shown on the registration books of the Trustee with a copy of such notice to the relevant Credit Provider, if any.

Receipt of such notice will not be a condition precedent to the redemption of Series 2007A Bonds and failure of any Owner of a Series 2007A Bond to receive any such notice or any insubstantial defect in such notice will not affect the validity of the proceedings for the redemption of Series 2007A Bonds. Any defect in such notice given to the Owners of less than all of the Series 2007A Bonds to be redeemed will not affect the validity of the proceedings for the redemption of the Series 2007A Bonds as to which the notice of redemption did not contain such defect.

The notice of redemption will specify the maturity date of the Series 2007A Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2007A Bonds are to be redeemed, the letters and numbers or

other distinguishing marks of such Series 2007A Bonds so to be redeemed, and, in the case of Series 2007A Bonds to be redeemed in part only, such notice will also specify the respective portions of the principal amount thereof to be redeemed. Such notice will further state that on such date there will become due and payable upon each Series 2007A Bond to be redeemed the redemption price thereof, or the redemption price of the specified portions of the principal amount thereof to be redeemed in the case of Series 2007A Bonds to be redeemed in part only, and that from and after such date interest on such Bond or the portion of such Series 2007A Bond to be redeemed will cease to accrue and be payable,

In the event that funds required to pay the Redemption Price of the Series 2007A Bonds are not on deposit with the Trustee at the time the notice with respect to any redemption of Series 2007A Bonds at the option of the Agency is given, such notice will state that such redemption is conditional upon the receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys sufficient to pay the Redemption Price of the Series 2007A Bonds to be redeemed, and that if such moneys have not been so received, said notice will be of no force and effect and the Agency will not be required to redeem such Series 2007A Bonds. In the event a notice of redemption of Series 2007A Bonds contains such a condition and such moneys are not so received, the redemption of Series 2007A Bonds as described in the conditional notice of redemption will not be made and the Trustee will, within a reasonable time after the date on which such redemption was to occur, give notice to the persons and in the manner in which the notice of redemption was given that such moneys were not so received and that there will be no redemption of Series 2007A Bonds pursuant to the conditional notice of redemption.

If upon the expiration of 60 days succeeding any redemption date, any Series 2007A Bonds called for redemption have not been presented to the Trustee for payment, the Trustee will no later than 90 days following such redemption date, send written notice by first class mail to the Owner of each Series 2007A Bond not so presented. Failure to mail the notices required by this subsection to any Owner, or any defect in any notice so mailed, will not affect the validity of the proceedings for redemption of any Series 2007A Bonds nor impose any liability on the Trustee.

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The scheduled debt service for the Series 2007A Bonds will be as follows:

Year Ending September 1	Principal	Interest	Broker-Dealer Fees	Total Debt Service
2008	\$1,125,000.00	\$2,964,636.50	\$168,095.92	\$4,257,732.42
2009	1,525,000.00	2,564,572.50	165,204.37	4,254,776.87
2010	1,600,000.00	2,503,725.00	161,284.70	4,265,009.70
2011	1,675,000.00	2,439,885.00	157,172.26	4,272,057.26
2012	1,750,000.00	2,373,052.50	152,867.05	4,275,919.55
2013	1,825,000.00	2,303,227.50	148,369.07	4,276,596.57
2014	1,900,000.00	2,230,410.00	143,678.32	4,274,088.32
2015	2,000,000.00	2,154,600.00	138,794.80	4,293,394.80
2016	2,100,000.00	2,074,800.00	133,654.25	4,308,454.25
2017	2,200,000.00	1,991,010.00	128,256.68	4,319,266.68
2018	2,275,000.00	1,903,230.00	122,602.07	4,300,832.07
2019	2,000,000.00	1,812,457.50	116,754.70	3,929,212.20
2020	4,275,000.00	1,732,657.50	111,614.15	6,119,271.65
2021	1,775,000.00	1,562,085.00	100,626.23	3,437,711.23
2022	1,850,000.00	1,491,262.50	96,064.00	3,437,326.50
2023	3,675,000.00	1,417,447.50	91,308.99	5,183,756.49
2024	2,100,000.00	1,270,815.00	81,863.23	3,452,678.23
2025	2,200,000.00	1,187,025.00	76,465.66	3,463,490.66
2026	2,275,000.00	1,099,245.00	70,811.05	3,445,056.05
2027	7,200,000.00	1,008,472.50	64,963.68	8,273,436.18
2028	1,675,000.00	721,192.50	46,457.71	2,442,650.21
2029	1,750,000.00	654,360.00	42,152.50	2,446,512.50
2030	1,850,000.00	584,535.00	37,654.52	2,472,189.52
2031	1,925,000.00	510,720.00	32,899.51	2,468,619.51
2032	2,000,000.00	433,912.50	27,951.73	2,461,864.23
2033	2,075,000.00	354,112.50	22,811.19	2,451,923.69
2034	2,175,000.00	271,320.00	17,477.87	2,463,797.87
2035	2,275,000.00	184,537.50	11,887.52	2,471,425.02
2036	2,350,000.00	93,765.00	6,040.15	2,449,805.15
	<u>\$65,400,000.00</u>	<u>\$41,893,071.50</u>	<u>\$2,675,783.88</u>	<u>\$109,968,855.38</u>

CERTAIN CONSIDERATIONS AFFECTING AUCTION RATE SECURITIES

Role of Broker-Dealer

The Broker-Dealer has been appointed by the issuers or obligors of various auction rate securities to serve as a dealer in the auctions for those securities and is paid by the issuers or obligors for its services. The Broker-Dealer receives broker-dealer fees from such issuers or obligors at an agreed-upon annual rate that is applied to the principal amount of securities sold or successfully placed through the Broker-Dealer in such auctions.

The Broker-Dealer is designated in the Broker-Dealer Agreement as the Broker-Dealer to contact Existing Owners and Potential Owners and solicit Bids for the Series 2007A Bonds. The Broker-Dealer will receive Broker-Dealer Fees from the Agency with respect to the Series 2007A Bonds sold or successfully placed through it in Auctions for the Series 2007A Bonds. The Broker-Dealer may share a

portion of such fees with other dealers that submit Orders through it that are filled in the Auction for the Series 2007A Bonds.

Bidding by Initial Broker-Dealer

The Broker-Dealer is permitted, but not obligated, to submit Orders in Auctions for its own account either as a Bidder or a Seller and routinely does so in the auction rate securities market in its sole discretion. If the Broker-Dealer submits an Order for its own account, it would have an advantage over other Bidders because the Broker-Dealer would have knowledge of some or all of the other Orders placed through the Broker-Dealer in that Auction and, thus, could determine the rate and size of its Order so as to ensure that its Order is likely to be accepted in the Auction and that the Auction is likely to clear at a particular rate. For this reason, and because the Broker-Dealer is appointed and paid by the Agency to serve as a Broker-Dealer in the Auction, Broker-Dealer's interests in conducting an Auction may differ from those of Existing Holders and Potential Holders who participate in Auctions. *See* "Auction Dealer Fees." The Broker-Dealer would not have knowledge of Orders submitted to the Auction Agent by any other firm that is, or may in the future be, appointed to accept Orders pursuant to a Broker-Dealer Agreement.

The Broker-Dealer may routinely place one or more Bids in an Auction for its own account to acquire the Series 2007A Bonds for its inventory, to prevent an Auction Failure Event (which would result in the Auction Rate being set at the Maximum Rate) or an Auction from clearing at a rate that the Broker-Dealer believes does not reflect the market for the Series 2007A Bonds. The Broker-Dealer may place such Bids even after obtaining knowledge of some or all of the other Orders submitted through it. When bidding for its own account, the Broker-Dealer may also bid outside or inside the range of rates that it posts in its Price Talk. *See* "Price Talk."

The Broker-Dealer also may routinely encourage bidding by others in Auctions, including to prevent an Auction Failure Event or an Auction from clearing at a rate that the Broker-Dealer believes does not reflect the market for the Series 2007A Bonds. The Broker-Dealer may routinely encourage such Bids even after obtaining knowledge of some or all of the other Orders submitted through it.

Bids by the Broker-Dealer or by those it may encourage to place Bids are likely to affect (i) the Auction Rate — including preventing the Auction Rate from being set at the Maximum Rate or otherwise causing Bidders to receive a higher or lower rate than they might have received had the Broker-Dealer not bid or not encouraged others to bid and (ii) the allocation of Series 2007A Bonds being auctioned — including displacing some Bidders who may have their Bids rejected or receive fewer Series 2007A Bonds than they would have received if the Broker-Dealer had not bid or encouraged others to bid. Because of these practices, the fact that an Auction clears successfully does not mean that an investment in the Series 2007A Bonds involves no significant liquidity or credit risk. The Broker-Dealer is not obligated to continue to place such bids or encourage other Bidders to do so in any particular Auction to prevent an Auction from failing or clearing at a rate the Broker-Dealer believes does not reflect the market for the securities. Investors should not assume that the Broker-Dealer will do so or that Auction Failure Events will not occur. Investors should also be aware that Bids by the Broker-Dealer or by those it may encourage to place Bids may cause unfavorable Auction Rates to occur.

In any particular Auction, if all outstanding Series 2007A Bonds are the subject of Submitted Hold Orders, the Auction Rate for the next succeeding Distribution Period will be the Minimum Rate (such a situation is called an "All Hold Auction"). The Broker-Dealer is under no obligation to advise existing holders of the fact that an All Hold Auction is likely.

If the Broker-Dealer holds any Series 2007A Bonds for its own account on an Auction Date, the Broker-Dealer will submit a Sell Order into the Auction with respect to such Series 2007A Bonds, which would prevent that Auction from being an All Hold Auction. The Broker-Dealer may, but is not obligated to, submit Bids for its own account in that same Auction, as set forth above.

Auction Dealer Fees

For many auction rate securities, the Broker-Dealer has been appointed by the issuer of the securities to serve as a dealer for the related auctions and is paid by the issuer for its services. With respect to the Series 2007A Bonds in this offering, the Broker-Dealer has been appointed to serve as a dealer in the Auctions pursuant to the Broker-Dealer Agreement between Agency and the Broker-Dealer. That Agreement provides that the Broker-Dealer will receive from Agency auction dealer fees at an annual rate of a percentage of the principal amount of the Series 2007A Bonds sold or successfully placed through the Broker-Dealer. As a result, Broker-Dealer's interests in conducting Auctions may differ from those of investors who participate in Auctions.

The Broker-Dealer may share a portion of the auction dealer fees it receives from the Agency with other broker-dealers that submit orders through the Broker-Dealer that the Broker-Dealer successfully places in the Auction. In general, auction dealers may share with the Broker-Dealer a portion of the fees they receive from an issuer when those dealers submit orders for the Broker-Dealer (on behalf of the Broker-Dealer or its customers) into auctions in which the Broker-Dealer does not serve as a dealer. Similarly, with respect to auctions for other auction rate securities for which the Broker-Dealer does not serve as a dealer, the other broker-dealers who serve as dealers in those auctions may share auction dealer fees with the Broker-Dealer for orders that the Broker-Dealer submits through those broker-dealers that those broker-dealers successfully place in those auctions.

Price Talk

Before the start of an Auction, the Broker-Dealer may, in its discretion, make available to Existing Holders and Potential Holders Broker-Dealer's good faith judgment of the range of likely clearing rates for the Auction based on market and other information. This is known as "Price Talk." Price Talk is not a guaranty, and Existing Holders and Potential Holders are free to use it or ignore it. If the Broker-Dealer provides Price Talk, the Broker-Dealer will make the Price Talk available to all Existing Holders and Prospective Holders. the Broker-Dealer may occasionally update and change the Price Talk based on changes in issuer credit quality or macroeconomic factors that are likely to result in a change in interest rate levels, such as an announcement by the Federal Reserve Board of a change in the Federal Funds rate or an announcement by the Bureau of Labor Statistics of unemployment numbers. The Broker-Dealer will make such changes available to all Existing Holders and Potential Holders that were given the original Price Talk.

All-or-Nothing Bids

The Broker-Dealer does not accept "all-or-nothing" bids (*i.e.*, bids whereby the bidder proposes to reject an allocation smaller than the entire quantity bid) or any other type of bid that allows the bidder to avoid auction procedures that require the pro rata allocation of securities where there are not sufficient sell orders to fill all bids at the clearing rate.

No Assurances Regarding Auction Outcomes

The Broker-Dealer provides no assurance as to the outcome of any Auction. Nor does the Broker-Dealer provide any assurance that any Bid will be accepted or that the Auction will clear at a rate that a

Bidder considers acceptable. Bids may be rejected or may be only partially filled, and the rate on any Series 2007A Bonds purchased or retained may be lower than the Bidder expected.

Deadlines/Auction Periods

Each particular Auction has a formal time deadline by which all Bids must be submitted by the Broker-Dealer to the Auction Agent. This deadline is called the “Submission Deadline.” To provide sufficient time to process and submit customer Bids to the Auction Agent before the Submission Deadline, the Broker-Dealer imposes an earlier deadline — called the “Internal Submission Deadline” — by which Bidders must submit Bids to the Broker-Dealer. The Internal Submission Deadline is subject to change by the Broker-Dealer. The Broker-Dealer may allow for correction of clerical errors after the Internal Submission Deadline and prior to the Submission Deadline. The Broker-Dealer may submit Bids for its own account at any time until the Auction Submission Deadline. Some auction agents allow for the correction of clerical errors for a specified period of time after the Auction Submission Deadline.

The Auction Procedures provide that until one hour after the Auction Agent completes the dissemination of the results of an Auction, new Orders can be submitted to the Auction Agent if such Orders were received by the Broker-Dealer or generated by the Broker-Dealer for its own account prior to the Submission Deadline and the failure to submit such Orders prior to the Submission Deadline was the result of force majeure, a technological failure or a clerical error. In addition until one hour after the Auction Agent completes the dissemination of the results of an Auction, a Broker-Dealer may modify or withdraw an Order submitted to the Auction Agent prior to the Submission Deadline if the Broker-Dealer determines that such Order contained a clerical error. In the event of such a submission, modification or withdrawal the Auction Agent will rerun the Auction, if necessary, taking into account such submission, modification or withdrawal.

During any Auction period, the Agency of the Series 2007A Bonds may, pursuant to the terms of the Auction Agreement, change the length of the next Auction period. In Auctions that are subject to the changed Auction period, the Broker-Dealer may place a bid to buy the Series 2007A Bonds that may effectively place an upper limit on the rate that can be set at the Auction at a rate that is below the “maximum” rate.

Existing Holder’s Ability to Resell Auction Rate Securities May Be Limited

Existing Holders will be able to sell all of the Series 2007A Bonds in an Auction that are the subject of submitted Sell Orders only if there are Bidders willing to purchase all those Series 2007A Bonds offered for sale in the Auction.

If sufficient clearing Bids have not been made, Existing Holders that have submitted Sell Orders will not be able to sell in the Auction all, and may not be able to sell any, of the Series 2007A Bonds subject to such submitted Sell Orders. As discussed above (see “ – Bidding by Initial Broker-Dealer”), the Broker-Dealer may submit a Bid in an Auction to keep it from failing, but it is not obligated to do so. There may not always be enough Bidders to prevent an Auction from failing in the absence of the Broker-Dealer bidding in the Auction for its own account or encouraging others to bid. Therefore, Auction Failure Events are possible, especially if Agency’s credit were to deteriorate, a market disruption were to occur or if, for any reason, the Broker-Dealer were unable or unwilling to bid.

Between Auctions, there can be no assurance that a secondary market for the Series 2007A Bonds will develop or, if it does develop, that it will provide Existing Holders the ability to resell the Series 2007A Bonds in the secondary market on the terms or at the times desired by an Existing Holder.

The Broker-Dealer may, in its own discretion, decide to buy or sell the Series 2007A Bonds in the secondary market for its own account to or from investors at any time and at any price, including at prices equivalent to, below, or above the par value of the Series 2007A Bonds. However, the Broker-Dealer is not obligated to make a market in the Series 2007A Bonds, and may discontinue trading in the Series 2007A Bonds without notice for any reason at any time. Existing Holders who resell between Auctions may receive less than par value, depending on market conditions.

The ability to resell the Series 2007A Bonds will depend on various factors affecting the market for the Series 2007A Bonds, including news relating to Agency, the attractiveness of alternative investments, the perceived risk of owning the Series 2007A Bonds (whether related to credit, liquidity or any other risk), the tax or accounting treatment accorded the Series 2007A Bonds (including recent clarification of U.S. generally accepted accounting principles as they apply to the accounting treatment of auction rate securities), reactions of market participants to regulatory actions (such as those described in “– Securities and Exchange Commission Inquiries,”) or press reports, financial reporting cycles and market conditions generally. Demand for the Series 2007A Bonds may change without warning, and declines in demand may be short-lived or continue for longer periods.

Resignation of the Auction Agent Under the Auction Agent Agreement or the Broker-Dealer Under the Broker-Dealer Agreement Could Impact the Ability to Hold Auctions

The Auction Agent Agreement provides that the Auction Agent may resign from its duties as Auction Agent by giving at least 30 days notice to the Agency, the Trustee and the Broker-Dealer and does not require, as a condition to the effectiveness of such resignation, that a replacement Auction Agent be in place if its fee has not been paid. The Broker-Dealer Agreement provides that the Broker-Dealer thereunder may resign upon 30 days notice or immediately, in certain circumstances, and does not require, as a condition to the effectiveness of such resignation, that a replacement Broker-Dealer be in place. For any Auction Period during which there is no duly appointed Auction Agent, or during which there is no duly appointed Broker-Dealer, it will not be possible to hold Auctions, with the result that the interest rate on the Series 2007A Bonds will be determined as described in the Non-Housing Indenture.

Securities and Exchange Commission Settlements

On May 31, 2006, the U.S. Securities and Exchange Commission (the “SEC”) announced that it had settled its investigation of 15 firms, including the Broker-Dealer, that participate in the auction rate securities market regarding their respective practices and procedures in this market. The SEC alleged in the settlement that the firms had managed auctions for auction rate securities in which they participated in ways that were not adequately disclosed or that did not conform to disclosed auction procedures. As part of the settlement, the Broker-Dealer agreed to pay a civil penalty. In addition, the Broker-Dealer, without admitting or denying the SEC’s allegations, agreed to provide to customers written descriptions of its material auction practices and procedures, and to implement procedures reasonably designed to detect and prevent any failures by the Broker-Dealer to conduct the auction process in accordance with disclosed procedures. No assurance can be offered as to how the settlement may affect the market for auction rate securities or the Series 2007A Bonds.

THE 2007B BONDS

Authority for Issuance

The Series 2007B Bonds are being issued pursuant to the Housing Indenture in accordance with the Redevelopment Law and other applicable laws and the Constitution of the State of California. A

summary of certain provisions of the Housing Indenture is set forth in “APPENDIX B – SUMMARY OF THE HOUSING INDENTURE.”

Description of the Series 2007B Bonds

The Series 2007B Bonds will be dated as of the date of their delivery. The Series 2007B Bonds will be issued as capital appreciation bonds. The Series 2007B Bonds will not bear current interest; instead, each Series 2007B Bond will increase in value by the accumulation of earned interest from its initial principal amount (“Denominational Amount”) on the date of issuance (as stated on the inside cover hereof) to its Maturity Value on the date of maturity, as stated on the inside cover hereof. Interest commences to accrue on the date of delivery, and is compounded on March 1 and September 1, commencing September 1, 2007 (each, an “Interest Date”). The Maturity Value of the Series 2007B Bonds is payable in lawful money of the United States of America upon the surrender thereof at the principal corporate trust office of the Trustee at the maturity thereof. The Series 2007B Bonds will be issued only as one fully registered Bond for each maturity, in the name of Cede & Co., as nominee for DTC, as registered owner of all Series 2007B Bonds. See “APPENDIX D – BOOK ENTRY ONLY SYSTEM.” The Series 2007B Bonds will be issued in increments of \$5,000 of Maturity Value or integral multiples thereof. Ownership may be changed only upon the registration books maintained by the Trustee as provided in the Indenture. See “– Transfer and Exchange of Series 2007B Bonds.

The rate of interest at which a Series 2007B Bond’s Maturity Value is discounted to its Denominational Amount is known as the “Yield to Maturity”; an estimate of Yield to Maturity is stated on the inside cover hereof. For any Series 2007B Bond, the value of principal plus accrued interest on any given Interest Date prior to maturity may be calculated by discounting the Maturity Value of the Series 2007B Bond from its maturity date to that Interest Date at a discount rate equal to the Yield to Maturity, assuming a year of 360 days comprising twelve 30-day months. The imputed value on any other date may be calculated on the basis of a straight-line interpolation between the values calculated for the Interest Dates immediately preceding and following the date in question. See “TAX MATTERS” for Bond Counsel’s discussion of the federal tax treatment of accrued interest on the Series 2007B Bonds.

The Underwriter has prepared the Tables of Accreted Values shown in Appendix K hereto, in order to provide the value per \$5,000 of Maturity Value for each Series 2007A Bond on each Interest Date prior to maturity. The Agency takes no responsibility for these tables. See “TAX MATTERS” herein for Bond Counsel’s discussion of the federal tax treatment of accrued interest on the Series 2007A Bonds.

The scheduled debt service for the Series 2007B Bonds will be as follows:

Year Ending September 1	Denominational Amount	Maturity Value	Total Debt Service
2008	\$436,862.85	\$465,000.00	\$465,000.00
2009	475,261.90	535,000.00	535,000.00
2010	486,272.00	580,000.00	580,000.00
2011	494,962.50	625,000.00	625,000.00
2012	503,482.50	675,000.00	675,000.00
2013	508,341.00	725,000.00	725,000.00
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017	514,549.20	935,000.00	935,000.00
2018	510,869.70	990,000.00	990,000.00
2019	504,524.80	1,040,000.00	1,040,000.00
2020	643,442.95	1,415,000.00	1,415,000.00
2021	438,677.00	1,030,000.00	1,030,000.00
2022	432,481.00	1,085,000.00	1,085,000.00
2023	427,474.30	1,145,000.00	1,145,000.00
2024	412,695.25	1,175,000.00	1,175,000.00
2025	405,703.20	1,230,000.00	1,230,000.00
2026	397,964.50	1,285,000.00	1,285,000.00
2027	587,274.60	2,020,000.00	2,020,000.00
2028	226,482.10	830,000.00	830,000.00
2029	212,073.30	830,000.00	830,000.00
2030	199,698.60	835,000.00	835,000.00
2031	186,847.95	835,000.00	835,000.00
2032	174,757.15	835,000.00	835,000.00
2033	163,384.45	835,000.00	835,000.00
2034	152,688.10	835,000.00	835,000.00
2035	142,643.05	835,000.00	835,000.00
2036	133,207.55	835,000.00	835,000.00
	\$9,772,621.50	\$24,460,000.00	\$24,460,000.00

Redemption for the Series 2007B Bonds

The Series 2007B Bonds are not subject to optional or mandatory sinking fund redemption prior to their respective maturity dates.

TAX ALLOCATION FINANCING

General

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a project area. The taxable valuation of property within a project area last equalized prior to adoption of the redevelopment plan, or base roll, is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies thereafter

receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in taxable valuation over the base roll (commonly known as “tax increment revenues”) are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. Redevelopment agencies themselves have no authority to levy property taxes and must rely specifically on the allocation of tax increment revenues.

Allocation of Taxes

Under the provisions of the California Constitution and the Redevelopment Law, taxes, including possessory interest taxes, levied upon taxable property within a project area each year by any taxing agency are allocated according to the following procedures:

(i) To Other Taxing Agencies: That portion of the taxes which would be produced by levying the particular tax rate each year for each of the taxing agencies upon the total assessed value of taxable property in a project area as shown upon the assessment roll last equalized prior to the effective date of the Agency’s ordinance adopting the Redevelopment Plan is allocated to the respective taxing agencies as those taxes are paid and collected. For the purpose of allocating taxes levied for any taxing agency or agencies which did not include the territory located in a project area on the effective date of such ordinance, but to which such territory has been annexed or otherwise included after such effective date, the assessment roll of the county last equalized prior to the effective date of said ordinance is used in determining the assessed valuation of the taxable property in the project area on said effective date; and

(ii) To the Agency: That portion of said levied taxes each year in excess of the foregoing amount is allocated to a special fund of the Agency to pay the principal of and interest on loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed or otherwise) incurred by the Agency to finance or refinance, in whole or in part, the redevelopment of a project area. Unless and until the total assessed valuation of taxable property in a project area exceeds the total assessed value of said property as shown by the last equalized assessment roll referred to in the preceding paragraph, all of the taxes levied and collected upon the taxable property in the project area are paid to the respective taxing agencies other than the Agency.

The Agency has no power to levy and collect taxes, and any legislative property tax de-emphasis or shift or provision of additional sources of income to taxing agencies having the effect of reducing the property tax rate will reduce the amount of tax allocations that would otherwise be available to pay the principal of, premium, if any, and interest on the Bonds. See “BOND OWNERS’ RISKS” and “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS.” Likewise, broadened property tax exemptions or any limitation on the rate of taxation by taxing agencies could have a similar effect.

Teeter Plan. The Board of Supervisors of Contra Costa County (the “County”) utilizes the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, the County calculates tax increment to redevelopment project areas by applying the current year secured tax rate to secured and unsecured incremental taxable value. See “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS – Property Tax Collection Procedures – County Tax Loss Reserve Fund (Teeter Plan).”

Tax increment is allocated to the Agency based on 100% of the County calculated levy. Under the Teeter Plan, the Agency is shielded from the impact of delinquent property taxes and the County does

not adjust tax increment payments for roll corrections, such as refunds of property taxes due to successfully appealed assessments.

Pass-Through Payments. Historically, redevelopment agencies entered into agreements to pay tax increment revenues to taxing agencies that had territory within a redevelopment project area in an amount which the agency and the taxing agency agreed was appropriate to alleviate any financial burden or detriment caused by the redevelopment project. These agreements provided for a pass through of tax increment revenues directly to the affected taxing agency and were commonly referred to as “Pass-Through Agreements.” The Agency, however, has not entered into any such Pass-Through Agreements. Assembly Bill 1290 (“AB 1290”) replaced this negotiating process with a statutory tax increment sharing formula for all redevelopment project areas established on or after January 1, 1994 and with respect to additional territory added to existing redevelopment project areas after January 1, 1994. AB 1290 requires statutory pass through payments (“Pass-Through Payments”) to all taxing entities, however a redevelopment agency may subordinate the Pass-Through Payments to the payment of loans, bonds or other debt of the redevelopment agency if the redevelopment agency obtains the consent of the affected taxing entity prior to incurring such debt. The Agency has not subordinated any Pass-Through Payments to date.

In addition, if an agency makes certain types of amendments to a redevelopment plan, such as the 1999 Amendments (as defined herein), the Redevelopment Law provides that either pre-AB 1290 pass through payments continue or, if none are being paid, that Pass-Through Payments be made at the point in time the first of such amendments become operative. The amount of the statutory Pass-Through Payment is calculated against the amount of assessed value by which the then current year assessed value exceeds the adjusted base year assessed value, which is the assessed value of the project area the first year in which one or more of the new limitations takes effect. For these purposes, the relevant amendments are those which extend the time frame to incur debt, increase the amount of tax increment revenue to be received by the agency or extend the effectiveness of a redevelopment plan. See “THE MERGED PROJECT AREA – Merger and Amendment of the Project Areas” and “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS – Certain Required Payments of Tax Revenues to Taxing Entities (AB 1290).”

SECURITY FOR THE SERIES 2007A BONDS

Pledge of Subordinate Non-Housing Pledged Tax Revenues

The term “Subordinate Pledged Tax Revenues,” as defined in the Non-Housing Indenture (the “Subordinate Non-Housing Pledged Tax Revenues”), means, for any period of time, (a) all taxes (including all payments, reimbursements and subventions, if any, specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations) eligible for allocation to the Agency pursuant to the Law in connection with the Project Area during such period, excluding (i) amounts, if any, received by the Agency pursuant to Section 16111 of the Government Code during such period, (ii) “Senior Debt Service,” as defined in the Non-Housing Indenture (the “Senior Non-Housing Debt Service”) payable during such period, (iii) except to the extent subordinated to Debt Service on Non-Housing Parity Obligations (as defined below), amounts, if any, payable to a taxing entity pursuant to Section 33607.5 and Section 33607.7 of the California Health and Safety Code during such period and (iv) Set Aside Revenues required to be deposited by the Agency in the Low and Moderate Income Housing Fund of the Agency pursuant to Section 33334.2 or 33334.6 of the Law, as provided in the Redevelopment Plan, during such period, and (b) all receipts and payments made to the Agency pursuant to Non-Housing Public Finance Contracts entered into in connection with any Non-Housing Bonds.

The Series 2007A Bonds, any Additional Non-Housing Bonds and other Non-Housing Parity Obligations are equally secured by and are payable from an exclusive pledge of Subordinate Non-Housing Pledged Tax Revenues, all moneys deposited in the Non-Housing Special Fund (including the Interest Account, the Principal Account, the Sinking Fund Account and the Debt Service Reserve Account created therein), and the Non-Housing Redemption Fund. The Subordinate Non-Housing Pledged Tax Revenues, so long as any Non-Housing Bonds are outstanding and provided that all deposits required to be made with respect to Senior Non-Housing Bonds have occurred, shall be deposited by the Agency in the Non-Housing Special Fund to the extent required under the Non-Housing Indenture, which fund is to be held by and maintained with the Trustee. See “APPENDIX B — SUMMARY OF THE NON-HOUSING INDENTURE — Non-Housing Special Fund.”

Pursuant to the Non-Housing Indenture, the Agency is entitled to issue Additional Non-Housing Bonds and other Non-Housing Parity Obligations (the “Non-Housing Parity Obligations”) having a parity lien on the Subordinate Non-Housing Pledged Tax Revenues and otherwise on a parity with the Series 2007A Bonds. For a further discussion of Additional Non-Housing Bonds, see “SECURITY FOR THE SERIES 2007A BONDS — Additional Non-Housing Bonds and Other Non-Housing Parity Obligations” and “APPENDIX B — SUMMARY OF THE NON-HOUSING INDENTURE — Additional Bonds” and “— Conditions to Issuance of Non-Housing Parity Obligations.”

None of the Agency’s contractual or statutory obligations have been subordinated to the payment of debt service on the Series 2007A Bonds or the obligations under the 2004 Non-Housing Loan Agreement. See “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS – Certain Required Payments of Tax Revenues to Taxing Entities (AB 1290)” and “TAX ALLOCATION FINANCING – Allocation of Taxes.”

THE SERIES 2007A BONDS ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE CITY, THE STATE OF CALIFORNIA NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREON. IN NO EVENT SHALL THE SERIES 2007A BONDS OR ANY INTEREST OR REDEMPTION PREMIUM THEREON OR PARITY OBLIGATIONS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AGENCY AS SET FORTH IN THE NON-HOUSING INDENTURE. THE SERIES 2007A BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE AGENCY NOR ANY PERSONS EXECUTING THE SERIES 2007A BONDS ARE LIABLE PERSONALLY ON THE SERIES 2007A BONDS BY REASON OF THEIR ISSUANCE.

Non-Housing Debt Service Reserve Account

The Trustee is required to set aside from the Non-Housing Special Fund and deposit in a Non-Housing Debt Service Reserve Account established under the Non-Housing Indenture an amount equal to the Non-Housing Debt Service Reserve Requirement, which, as of any date of calculation, is an amount equal to the least of (a) ten percent (10%) of the initial offering price to the public of the Non-Housing Bonds as determined under the Code, or (b) the greatest amount of Bond Debt Service in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Bond is due, or (c) 125% of the sum of the Bond Debt Service for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the execution and delivery of any Non-Housing Bonds) and terminating with the last Fiscal Year in which any Bond Debt Service is due, divided by the number of such Fiscal Years, all as computed and determined by the Agency and specified in writing to the Trustee; provided, however, that in determining Bond Debt Service with respect to any

Non-Housing Bonds or Series of Non-Housing Bonds that constitute Variable Rate Indebtedness, (A) with respect to Hedged Non-Housing Bonds, the interest on such Non-Housing Bonds shall be assumed to be equal to the Agency's fixed payments under the applicable Qualified Swap Agreement, and (B) with respect to other Non-Housing Bonds that constitute Variable Rate Indebtedness, the interest rate on such Non-Housing Bonds for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Non-Housing Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Non-Housing Bonds shall have been Outstanding; provided, further, that, to the extent the Agency elects in a Supplemental Indenture to maintain a separate account for any Series of Non-Housing Bonds, the Debt Service Reserve Requirement with respect to such Series shall be as set forth in such Supplemental Indenture.

In lieu of the deposits and transfers to the Non-Housing Debt Service Reserve Account required by the Non-Housing Indenture, the Agency will cause to be deposited in the Non-Housing Debt Service Reserve Account a Debt Service Reserve Surety Bond (the "Series 2007A Surety Bond") to be issued by the Insurer in an amount equal to the Non-Housing Debt Service Reserve Requirement, which is \$4,603,096.78 as of the delivery of the Series 2007A Bonds. The Trustee shall draw upon or otherwise take such action as is necessary in accordance with the terms of the Series 2007A Surety Bond to receive payments with respect to the Series 2007A Surety Bond (including the giving of notice as required thereunder): (i) on any date on which moneys shall be required to be withdrawn from the Non-Housing Debt Service Reserve Account and applied to the payment of principal or Redemption Price of, or interest on, any Non-Housing Bonds and such withdrawal cannot be met by amounts on deposit in the applicable accounts in the Non-Housing Debt Service Reserve Account; (ii) on the first Business Day which is at least ten days prior to the expiration date of each Series 2007A Surety Bond, in an amount equal to the deficiency which would exist in the Non-Housing Debt Service Reserve Account if the Series 2007A Surety Bond expired, unless a substitute Series 2007A Surety Bond with an expiration date not earlier than 180 days after the expiration date of the expiring Series 2007A Surety Bond is acquired prior to such date or the Agency deposits funds in the Non-Housing Debt Service Reserve Account on or before such date such that the amount in the Non-Housing Debt Service Reserve Account on such date (without regard to such expiring Series 2007A Surety Bond) is at least equal to the Debt Service Reserve Requirement. See "DESCRIPTION OF THE INSURER – Debt Service Reserve Fund Surety Bond."

The Trustee will establish and maintain within the Non-Housing Debt Service Reserve Account a sub-account known as the "Series 2007A Coverage Reserve Subaccount." Amounts in the Series 2007A Coverage Reserve Subaccount shall be applied as provided in the Non-Housing Indenture to the payment of the Series 2007A Bonds prior to any draw on the Series 2007A Surety Bond. See "APPENDIX B — SUMMARY OF THE NON-HOUSING INDENTURE."

Outstanding Non-Housing Senior Obligations

The payment of debt service on the Series 2007A Bonds and any Additional Non-Housing Bonds and payments under any Non-Housing Parity Obligations issued or executed under the Non-Housing Indenture are subordinate to the payment of debt service on the Agency's Senior Bonds as defined in the Non-Housing Indenture (the "Senior Non-Housing Bonds") and to the payment of Senior Harbour Debt Service. Pursuant to the Non-Housing Indenture, the Agency has agreed that, so long as the Series 2007A Bonds, any Additional Non-Housing Bonds or other Non-Housing Parity Obligations are outstanding, it will not issue any additional bonds (including refunding bonds) on a parity with the Senior Non-Housing Bonds or the Senior Harbour Indenture (as defined below).

Under that certain Indenture, dated as of January 1, 1992, as amended by a First Supplemental Indenture, dated as of February 1, 1998, all by and between the Agency and U.S. Bank Trust, N.A. (as

successor to First Trust of California, N.A.) (the “Senior Harbour Indenture”), the Agency issued its Harbour Redevelopment Project 1991 Tax Allocation Bonds (the “1991 Bonds”) and its Harbour Redevelopment Project Tax Allocation Refunding Bonds, 1998 Series A (the “1998 Bonds”), secured by a senior lien on tax increment revenues generated from the Harbour Project Area. Although under the Senior Harbour Indenture, the Agency may issue future parity obligations equal to and on a parity with the lien and charge securing the 1991 Bonds and the 1998 Bonds, the Agency has covenanted not to issue any such parity obligations so long as any portion of the Non-Housing Bonds remain unpaid or any portion of the Series 2004A Bonds remains Outstanding. The 1991 Bonds, the 1998 Bonds and any parity obligations issued under the Senior Harbour Indenture (the “Senior Harbour Bonds”) are secured by a lien which is senior in all respects to the lien on that portion of the Subordinate Non-Housing Pledged Tax Revenues derived from the Harbour Project Area and pledged to the repayment of the Series 2007A Non-Housing Bonds. For the fiscal year 2006-07, tax increment revenues from the Harbour Project Area are projected to represent 50% of the Subordinate Non-Housing Pledged Tax Revenues. See “PROJECTED DEBT SERVICE COVERAGE.”

Under that certain Trust Agreement, dated as of November 1, 2000, by and between the Authority and Union Bank of California, N.A., San Francisco, California, as trustee (the “2000 Trust Agreement”), the Authority issued its Housing Set-Aside Tax Allocation Revenue Bonds Series 2000A (Tax-Exempt) (the “2000A Bonds”), secured by a lien on tax increment revenues generated from taxable property within certain project areas within the Merged Project Area, defined in the Pre-2004 Loan Agreement (the “Pre-2004 Limit Area”). In addition, the Series 2000A Bonds are secured by a lien on tax increment revenues generated from taxable property within certain other project areas within the Merged Project Area, defined in the Post-2004 Guaranty Agreement (the “Post-2004 Limit Area”). The Pre-2004 Limit Area and the Post-2004 Limit Area together comprised all of the Merged Project Area as of the date of issuance of the Series 2000A Bonds.

Under that certain Trust Agreement, dated as of August 1, 2003, by and between the Authority and Union Bank of California, N.A., San Francisco, California, as trustee (the “2003 Trust Agreement”), the Authority issued the 2003 Bonds, secured by a lien on tax increment revenues generated from taxable property within the Post-2004 Limit Area only.

The Pre-2004 Loan Agreement, the Post-2004 Guaranty Agreement and the 2003 Loan Agreement (the “Senior Merged Area Obligations”) are secured by liens which are senior in all respects to the lien on the Subordinate Non-Housing Pledged Tax Revenues pledged to the Series 2007A Bonds and other Non Housing Parity Obligations.

Following is a listing of all of the outstanding senior obligations of the Agency.

1991 Bonds. In January 1992, the Agency issued the 1991 Bonds. The Agency refunded a portion of the 1991 Bonds with the proceeds of the 1998 Bonds. On April 1, 2007, the 1991 Bonds had a remaining principal balance of \$155,000. The 1991 Bonds mature on July 1, 2009. The 1991 Bonds are special, limited obligations of the Agency and, except to the extent payable out of moneys attributable to the 1991 Bonds proceeds, are payable solely from a pledge on the tax revenues generated by the Harbour Project Area. The 1991 Bonds are not secured by tax revenues generated by other project areas.

1998 Bonds. In February 1998, the Agency issued the 1998 Bonds. On April 1, 2007, the 1998 Bonds had a remaining principal balance of \$20,292,779. The 1998 Bonds mature on July 1, 2023. The 1998 Bonds are special, limited obligations of the Agency and, except to the extent payable out of moneys attributable to the 1998 Bonds proceeds, are payable solely from a pledge on the tax revenues generated by the Harbour Project Area. The 1998 Bonds are not secured by tax revenues generated by other project areas. The 1998 Bonds are secured on a parity with the 1991 Bonds.

2000A Bonds. In November 2000, the Authority issued the 2000A Bonds. On April 1, 2007, the 2000A Bonds had a remaining principal balance of \$21,000,000. The 2000A Bonds mature on September 1, 2029. The 2000A Bonds are special, limited obligations of the Authority and, except to the extent payable out of moneys attributable to the 2000A Bonds proceeds, are payable from a pledge on the tax revenues generated by the Pre-2004 Limit Area and the Post-2004 Limit Area as described above. The 2000A Bonds are secured on a basis senior to the Series 2007A Bonds.

2003 Bonds. In August 2003, the Authority issued the 2003 Bonds. On April 1, 2007, the 2003A Bonds had a remaining principal balance of \$16,080,000. On April 1, 2007, the 2003B Bonds had a remaining principal balance of \$12,500,000. The 2003 Bonds mature on September 1, 2025. The 2003 Bonds are special, limited obligations of the Authority and, except to the extent payable out of moneys attributable to the 2003 Bonds proceeds, are payable solely from a pledge on the tax revenues generated by the Post-2004 Limit Area as described above. The 2003 Bonds are secured on a basis senior to the Series 2007A Bonds.

Outstanding Non-Housing Parity Obligations

2004A Non-Housing Bonds. In October 2004, the Agency entered into a Loan Agreement (Non-Housing) with the Authority (the “2004 Non-Housing Loan Agreement”), the obligations under which secure a portion of the Richmond Joint Powers Financing Authority, Tax Allocation Revenue Bonds, Series 2004A (Taxable) (the “Series 2004A Bonds”). On April 1, 2007, the outstanding principal balance of the loan under the 2004 Non-Housing Loan Agreement was \$9,629,400. The Series 2004A Bonds mature on September 1, 2026. The obligations under the 2004 Non-Housing Loan Agreement and any Additional Non-Housing Bonds are secured on a parity basis with the Series 2007A Bonds.

2007 Swap. In connection with the Series 2007A Bonds, the Agency is also entering into the 2007 Swap, certain obligations of the Agency under which are Non-Housing Parity Obligations under the Non-Housing Indenture. See “INTRODUCTION — Security for the Bonds – 2007 Swap.”

Additional Non-Housing Bonds and Other Non-Housing Parity Obligations

Under the Non-Housing Indenture, the Agency may issue one or more series of Additional Non-Housing Bonds and other Non-Housing Parity Obligations (collectively, the “Additional Non-Housing Parity Obligations”), payable on a parity from the Subordinate Non-Housing Pledged Tax Revenues, provided certain conditions precedent to the issuance of such Additional Non-Housing Parity Obligations, as set forth in the Non-Housing Indenture, are satisfied, including the condition that the Agency provide a certificate or certificates, prepared by the Agency or at the Agency’s option by a Consultant, showing that: the Non-Housing Tax Revenues (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Agency’s adoption of the issuing instrument providing for the issuance of the Additional Non-Housing Parity Obligations, but taking into account the reductions in Non-Housing Tax Revenues resulting from the expiration of the Agency’s authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area) expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which the Additional Non-Housing Parity Obligations are Outstanding shall be in an amount equal to at least 140% of the Combined Adjusted Annual Debt Service on all then Outstanding Non-Housing Parity Obligations, Senior Non-Housing Obligations and such Additional Non-Housing Parity Obligations and any unsubordinated loans, advances or indebtedness payable from Non-Housing Tax Revenues pursuant to the Law.

“Tax Revenues” are defined in the Non-Housing Indenture (the “Non-Housing Tax Revenues”) to mean, for any period of time, (a) all taxes (including all payments, reimbursements and subventions, if

any, specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations) eligible for allocation to the Agency pursuant to the Law in connection with the Project Area during such period, excluding (i) amounts, if any, received by the Agency pursuant to Section 16111 of the California Government Code during such period, (ii) except to the extent subordinated to Senior Non-Housing Debt Service and Debt Service on Non-Housing Parity Obligations, amounts, if any, payable to a taxing entity pursuant to Section 33607.5 and Section 33607.7 of the California Health and Safety Code during such period, (iii) Set Aside Revenues required to be deposited by the Agency in the Low and Moderate Income Housing Fund of the Agency pursuant to Section 33334.2 or 33334.6 of the Law, as provided in the Redevelopment Plan, during such period and (iv) Senior Harbour Debt Service Payable during such period, and (b) all receipts and payments made to the Agency pursuant to Non-Housing Public Finance Contracts entered into in connection with any Non-Housing Bonds.

For the purposes of the issuance of Additional Non-Housing Parity Obligations, Outstanding Non-Housing Parity Obligations shall not include any Non-Housing Bonds the proceeds of which are deposited in an escrow fund held by a escrow agent, provided that the Supplemental Non-Housing Indenture authorizing issuance of such Non-Housing Bonds shall provide that: (i) such proceeds shall be deposited or invested with or secured by an institution rated “AA” or higher by Standard & Poor’s and “Aa” or higher by Moody’s at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Debt Service on the foregoing Non-Housing Bonds; (ii) moneys may be transferred from said escrow fund only if (a) Non-Housing Tax Revenues expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Non-Housing Bonds are Outstanding (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the transfer from said escrow fund, but taking into account the reductions in Non-Housing Tax Revenues resulting from the expiration of the Agency’s authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area) shall be in an amount equal to at least 140% of the Combined Adjusted Annual Debt Service on all then Outstanding Non-Housing Parity Obligations (exclusive of disqualified Non-Housing Bonds), Senior Non-Housing Obligations and such Non-Housing Bonds and any unsubordinated loans, advances or indebtedness payable from Non-Housing Tax Revenues pursuant to the Law less a principal amount of Non-Housing Bonds which is equal to moneys on deposit in said escrow fund after each such transfer.

The Agency may issue Refunding Non-Housing Bonds without meeting the coverage requirements set forth above if, after the issuance of the Refunding Non-Housing Bonds, the Combined Adjusted Annual Debt Service on all then Outstanding Non-Housing Parity Obligations, Senior Non-Housing Obligations, such Refunding Non-Housing Bonds and any unsubordinated loans, advances or indebtedness payable from Non-Housing Tax Revenues is not greater than the Combined Adjusted Annual Debt Service on all then Outstanding Non-Housing Parity Obligations, Senior Non-Housing Obligations and any unsubordinated loans if such Refunding Non-Housing Bonds were not issued. The Agency may issue such Refunding Non-Housing Bonds as Crossover Refunding Obligations if the Agency delivers to the Trustee (i) an Accountant’s Certificate to the effect that the moneys scheduled to be available in the applicable Crossover Refunding Escrow are sufficient to pay the applicable Crossover Escrow Requirements when due; and (ii) a copy of the Crossover Escrow Instructions relating to such Series of Refunding Non-Housing Bonds and the Non-Housing Parity Obligations to be refunded.

Additionally, the Agency may issue or enter into Qualified Swap Agreements, the Net Payments under which constitute Non-Housing Parity Obligations, without regard to the coverage requirement described above, provided (i) the Qualified Swap Agreement shall relate to a principal amount of Outstanding Non-Housing Parity Obligations or investments held under an Issuing Instrument for Non-Housing Parity Obligations, in each case specified by an Authorized Agency Representative; (ii) the notional amount of the Qualified Swap Agreement shall not exceed the principal amount of the related

Parity Obligation or the amount of such investments, as applicable; (iii) the Agency has received a Rating Confirmation from each Rating Agency with respect to such Qualified Swap Agreement and (iv) the prior written consent of each Credit Provider, whose consent is required by a Supplemental Indenture or a Credit Support Agreement, is obtained with respect to the Qualified Swap Agreement.

For additional conditions relating to the issuance of Non-Housing Parity Obligations, including the definitions of the capitalized terms used above, see “APPENDIX B — SUMMARY OF THE NON-HOUSING INDENTURE — Definitions” and “— Additional Bonds and Conditions to Issuance of Parity Obligations.”

Subordinated Non-Housing Obligations

Under the Non-Housing Indenture, the Agency may also issue or incur Subordinated Non-Housing Obligations (the “Subordinated Non-Housing Obligations) payable from Subordinate Non-Housing Pledged Tax Revenues, the payment of which is junior and subordinate to the prior payment of all amounts due to be paid with respect to the Non-Housing Bonds and Non-Housing Parity Obligations, without meeting the coverage requirements described above under the caption “Additional Non-Housing Bonds and Non-Housing Parity Obligations.” Such Subordinated Non-Housing Obligations shall be payable out of amounts of the Subordinate Non-Housing Pledged Tax Revenues as may from time to time be available therefor, provided that any such payment shall be, and shall be expressed to be, subordinate and junior in all respects to the payment of such Non-Housing Parity Obligations as may be Outstanding from time to time, including Non-Housing Parity Obligations issued after the issuance of such Subordinated Non-Housing Obligations. Termination payments, if any, due under the 2007 Swap are designated as Subordinated Obligations under the Non-Housing Indenture. See “APPENDIX B — SUMMARY OF THE NON-HOUSING INDENTURE — Conditions to Issuance of Subordinated Obligations.”

SECURITY FOR THE SERIES 2007B BONDS

Pledge of Subordinate Housing Pledged Tax Revenues

The term “Subordinate Pledged Tax Revenues,” as defined in the Housing Indenture (the “Subordinate Housing Pledged Tax Revenues”), means, for any period of time, (a) Set Aside Revenues, excluding (i) amounts, if any, received by the Agency pursuant to Section 16111 of the Government Code during such period and (ii) “Senior Debt Service,” as defined in the Housing Indenture (the “Senior Housing Debt Service”) payable during such period, and (b) all receipts and payments made to the Agency pursuant to Housing Public Finance Contracts entered into in connection with any Housing Bonds.

The Series 2007B Bonds, any Additional Housing Bonds and other Housing Parity Obligations (the “Housing Parity Obligations”) are equally secured by and are payable from an exclusive pledge of Subordinate Housing Pledged Tax Revenues, all moneys deposited in the Housing Special Fund (including the Interest Account, the Principal Account, the Sinking Fund Account and the Debt Service Reserve Account created therein), and the Housing Redemption Fund. The Subordinate Housing Pledged Tax Revenues, so long as any Housing Bonds are outstanding and provided that all deposits required to be made with respect to Senior Housing Bonds have occurred, shall be deposited by the Agency in the Housing Special Fund to the extent required under the Housing Indenture, which fund is to be held by and maintained with the Trustee. See “APPENDIX C — SUMMARY OF THE HOUSING INDENTURE — Housing Special Fund.”

Pursuant to the Housing Indenture, the Agency is entitled to issue Additional Housing Bonds and other Housing Parity Obligations having a parity lien on the Subordinate Housing Pledged Tax Revenues and otherwise on a parity with the Series 2007B Bonds. For a further discussion of Additional Housing Bonds, see “SECURITY FOR THE SERIES 2007B BONDS — Additional Housing Bonds and Other Housing Parity Obligations” and “APPENDIX C — SUMMARY OF THE HOUSING INDENTURE — Additional Bonds” and “— Conditions to Issuance of Housing Parity Obligations.”

None of the Agency’s contractual or statutory obligations have been subordinated to the payment of Housing Bond Debt Service on the Series 2007B Bonds and the obligations under the 2004 Housing Loan Agreement. See “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS – Certain Required Payments of Tax Revenues to Taxing Entities (AB 1290)” and “TAX ALLOCATION FINANCING – Allocation of Taxes.”

THE SERIES 2007B BONDS ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE CITY, THE STATE OF CALIFORNIA NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREON. IN NO EVENT SHALL THE SERIES 2007B BONDS OR ANY INTEREST OR REDEMPTION PREMIUM THEREON OR PARITY OBLIGATIONS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AGENCY AS SET FORTH IN THE HOUSING INDENTURE. THE SERIES 2007B BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE AGENCY NOR ANY PERSONS EXECUTING THE SERIES 2007B BONDS ARE LIABLE PERSONALLY ON THE SERIES 2007B BONDS BY REASON OF THEIR ISSUANCE.

Housing Debt Service Reserve Account

The Trustee is required to set aside from the Housing Special Fund and deposit in a Housing Debt Service Reserve Account established under the Housing Indenture an amount equal to the Housing Debt Service Reserve Requirement, which, as of any date of calculation, is an amount equal to the least of (a) ten percent (10%) of the initial offering price to the public of the Housing Bonds as determined under the Code, or (b) the greatest amount of Bond Debt Service in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Bond is due, or (c) 125% of the sum of the Bond Debt Service for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the execution and delivery of any Housing Bonds) and terminating with the last Fiscal Year in which any Bond Debt Service is due, divided by the number of such Fiscal Years, all as computed and determined by the Agency and specified in writing to the Trustee; provided, however, that in determining Bond Debt Service with respect to any Housing Bonds or Series of Housing Bonds that constitute Variable Rate Indebtedness, (A) with respect to Hedged Housing Bonds, the interest on such Housing Bonds shall be assumed to be equal to the Agency’s fixed payments under the applicable Qualified Swap Agreement, and (B) with respect to other Housing Bonds that constitute Variable Rate Indebtedness, the interest rate on such Housing Bonds for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Housing Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Housing Bonds shall have been Outstanding; provided, further, that, to the extent the Agency elects in a Supplemental Indenture to maintain a separate account for any Series of Housing Bonds, the Debt Service Reserve Requirement with respect to such Series shall be as set forth in such Supplemental Indenture.

In lieu of the deposits and transfers to the Housing Debt Service Reserve Account required by the Housing Indenture, the Agency will cause to be deposited in the Housing Debt Service Reserve Account a Debt Service Reserve Surety Bond (the “Series 2007B Surety Bond”) to be issued by the Insurer in an amount equal to the Housing Debt Service Reserve Requirement, which is \$977,262.15 as of the delivery of the Series 2007B Bonds. The Trustee shall draw upon or otherwise take such action as is necessary in accordance with the terms of the Series 2007B Surety Bond to receive payments with respect to the Series 2007B Surety Bond (including the giving of notice as required thereunder): (i) on any date on which moneys shall be required to be withdrawn from the Housing Debt Service Reserve Account and applied to the payment of principal or Redemption Price of, or interest on, any Housing Bonds and such withdrawal cannot be met by amounts on deposit in the applicable accounts in the Housing Debt Service Reserve Account; (ii) on the first Business Day which is at least ten days prior to the expiration date of each Series 2007B Surety Bond, in an amount equal to the deficiency which would exist in the Housing Debt Service Reserve Account if the Series 2007B Surety Bond expired, unless a substitute Series 2007B Surety Bond with an expiration date not earlier than 180 days after the expiration date of the expiring Series 2007B Surety Bond is acquired prior to such date or the Agency deposits funds in the Housing Debt Service Reserve Account on or before such date such that the amount in the Housing Debt Service Reserve Account on such date (without regard to such expiring Series 2007B Surety Bond) is at least equal to the Debt Service Reserve Requirement. See “DESCRIPTION OF THE INSURER – Debt Service Reserve Fund Surety Bond.”

The Trustee will establish and maintain within the Housing Debt Service Reserve Account a sub-account known as the “Series 2007B Coverage Reserve Subaccount.” Amounts in the Series 2007B Coverage Reserve Subaccount shall be applied as provided in the Housing Indenture to the payment of the Series 2007B Bonds prior to any draw on the Series 2007B Surety Bond. See “APPENDIX C – SUMMARY OF THE HOUSING INDENTURE.”

Outstanding Housing Senior Obligations

The payment of debt service on the Series 2007B Bonds and any Additional Housing Bonds and payments under any Housing Parity Obligations issued or executed under the Housing Indenture are subordinate to the payment of debt service on the Agency’s Senior Housing Bonds as defined in the Housing Indenture (the “Senior Housing Bonds”). Pursuant to the Housing Indenture, the Agency has agreed that, so long as the Series 2007B Bonds, any Additional Housing Bonds or other Housing Parity Obligations are outstanding, it will not issue any additional bonds (including refunding bonds) on a parity with the Senior Housing Bonds.

Under the 2000 Trust Agreement, the Authority issued its Housing Set-Aside Tax Allocation Revenue Bonds Series 2000B (Taxable) (the “2000B Bonds”), secured by a lien on tax increment revenues generated from taxable property within the Pre-2004 Limit Area pledged to the repayment of the 2000B Bonds under the Pre-2004 Loan Agreement and additionally secured by a lien on tax increment revenues generated from taxable property within the Post-2004 Limit Area pledged to the repayment of the 2000B Bonds under the Post-2004 Guaranty Agreement.

The Pre-2004 Loan Agreement and the Post-2004 Guaranty Agreement, but only with respect to the payments thereunder required to be paid from amounts allocable to the Housing Fund in respect of the 2000B Bonds (the “Senior Merged Area Housing Obligations”), are secured by a lien which is senior in all respects to the lien on the Subordinate Housing Pledged Tax Revenues pledged to the Series 2007B Bonds. On April 1, 2007, the 2000B Bonds had a remaining principal balance of \$4,550,000. The 2000B Bonds mature on September 1, 2029.

Outstanding Housing Parity Obligations

2004 Housing Bonds. In October 2004, the Agency entered into a Loan Agreement (Housing) with the Authority (the “2004 Housing Loan Agreement”), the obligations under which secure the Richmond Joint Powers Financing Authority, Housing Set-Aside Tax Allocation Revenue Bonds, Series 2004B (Tax-Exempt) (the “Series 2004B Bonds”) and a portion of the Series 2004A Bonds (and together with the 2004B Bonds, the “2004 Bonds”). On April 1, 2007, the outstanding principal balance of the loans under the 2004 Housing Loan Agreement were \$1,860,000 with respect to the Series 2004B Bonds and \$4,960,600 with respect to the Series 2004A Bonds. The 2004B Bonds mature on September 1, 2026. The obligations under the 2004 Housing Loan Agreement and any Additional Housing Bonds are secured on a parity basis with the Series 2007B Bonds.

Additional Housing Bonds and Other Housing Parity Obligations

Under the Housing Indenture, the Agency may issue one or more series of Additional Housing Bonds and other Housing Parity Obligations (collectively, the “Additional Housing Parity Obligations”), payable on a parity from the Subordinate Housing Pledged Tax Revenues, provided certain conditions precedent to the issuance of such Additional Housing Parity Obligations, as set forth in the Housing Indenture, are satisfied, including the condition that the Agency provide a certificate or certificates, prepared by the Agency or at the Agency’s option by a Consultant, showing that: the Housing Tax Revenues (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Agency’s adoption of the issuing instrument providing for the issuance of the Additional Housing Parity Obligations, but taking into account the reductions in Housing Tax Revenues resulting from the expiration of the Agency’s authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area) expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which the Additional Housing Parity Obligations are Outstanding shall be in an amount equal to at least 140% of the Combined Adjusted Annual Debt Service on all then Outstanding Housing Parity Obligations, Senior Housing Obligations and such Additional Housing Parity Obligations and any unsubordinated loans, advances or indebtedness payable from Housing Tax Revenues pursuant to the Law.

“Tax Revenues” are defined in the Housing Indenture (the “Housing Tax Revenues”) to mean, for any period of time, (a) Set Aside Revenues, excluding amounts, if any, received by the Agency pursuant to Section 16111 of the California Government Code during such period, and (b) all receipts and payments made to the Agency pursuant to Housing Public Finance Contracts entered into in connection with any Housing Bonds.

For the purposes of the issuance of Additional Housing Parity Obligations, Outstanding Housing Parity Obligations shall not include any Housing Bonds the proceeds of which are deposited in an escrow fund held by a escrow agent, provided that the Supplemental Housing Indenture authorizing issuance of such Housing Bonds shall provide that: (i) such proceeds shall be deposited or invested with or secured by an institution rated “AA” or higher by Standard & Poor’s and “Aa” or higher by Moody’s at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Debt Service on the foregoing Housing Bonds; (ii) moneys may be transferred from said escrow fund only if (a) Housing Tax Revenues expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Housing Bonds are Outstanding (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the transfer from said escrow fund, but taking into account the reductions in Housing Tax Revenues resulting from the expiration of the Agency’s authority to collect tax increment revenue under the Redevelopment Plan and

the Law with respect to sub-areas of the Project Area) shall be in an amount equal to at least 140% of the Combined Adjusted Annual Debt Service on all then Outstanding Housing Parity Obligations (exclusive of disqualified Housing Bonds), Senior Housing Obligations and such Housing Bonds and any unsubordinated loans, advances or indebtedness payable from Housing Tax Revenues pursuant to the Law less a principal amount of Housing Bonds which is equal to moneys on deposit in said escrow fund after each such transfer.

The Agency may issue Refunding Housing Bonds without meeting the coverage requirements set forth above if, after the issuance of the Refunding Housing Bonds, the Combined Adjusted Annual Debt Service on all then Outstanding Housing Parity Obligations, Senior Housing Obligations, such Refunding Housing Bonds and any unsubordinated loans, advances or indebtedness payable from Housing Tax Revenues is not greater than the Combined Adjusted Annual Debt Service on all then Outstanding Housing Parity Obligations, Senior Housing Obligations and any unsubordinated loans if such Refunding Housing Bonds were not issued. The Agency may issue such Refunding Housing Bonds as Crossover Refunding Obligations if the Agency delivers to the Trustee (i) an Accountant's Certificate to the effect that the moneys scheduled to be available in the applicable Crossover Refunding Escrow are sufficient to pay the applicable Crossover Escrow Requirements when due; and (ii) a copy of the Crossover Escrow Instructions relating to such Series of Refunding Housing Bonds and the Housing Parity Obligations to be refunded.

Additionally, the Agency may issue or enter into Qualified Swap Agreements, the Net Payments under which constitute Housing Parity Obligations, without regard to the coverage requirement described above, provided (i) the Qualified Swap Agreement shall relate to a principal amount of Outstanding Housing Parity Obligations or investments held under an Issuing Instrument for Housing Parity Obligations, in each case specified by an Authorized Agency Representative; (ii) the notional amount of the Qualified Swap Agreement shall not exceed the principal amount of the related Parity Obligation or the amount of such investments, as applicable; (iii) the Agency has received a Rating Confirmation from each Rating Agency with respect to such Qualified Swap Agreement and (iv) the prior written consent of each Credit Provider, whose consent is required by a Supplemental Indenture or a Credit Support Agreement, is obtained with respect to the Qualified Swap Agreement.

For additional conditions relating to the issuance of Housing Parity Obligations, including the definitions of the capitalized terms used above, see "APPENDIX C — SUMMARY OF THE HOUSING INDENTURE — Definitions" and "— Additional Bonds and Conditions to Issuance of Parity Obligations."

Subordinated Housing Obligations

Under the Housing Indenture, the Agency may also issue or incur Subordinated Housing Obligations (the "Subordinated Housing Obligations) payable from Subordinate Housing Pledged Tax Revenues, the payment of which is junior and subordinate to the prior payment of all amounts due to be paid with respect to the Housing Bonds and Housing Parity Obligations, without meeting the coverage requirements described above under the caption "Additional Housing Bonds and Housing Parity Obligations." Such Subordinated Housing Obligations shall be payable out of amounts of the Subordinate Housing Pledged Tax Revenues as may from time to time be available therefor, provided that any such payment shall be, and shall be expressed to be, subordinate and junior in all respects to the payment of such Housing Parity Obligations as may be Outstanding from time to time, including Housing Parity Obligations issued after the issuance of such Subordinated Housing Obligations. See "APPENDIX C — SUMMARY OF THE HOUSING INDENTURE — Conditions to Issuance of Subordinated Obligations."

DESCRIPTION OF THE INSURER

The following information has been supplied by the Insurer for inclusion in this Official Statement. No representation is made by the Authority, the Agency or the Underwriter as to the accuracy or completeness of the information.

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation (“MBIA”) for use in this Official Statement. Reference is made to APPENDIX G for a specimen of MBIA's policy (the “Policy”).

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and MBIA set forth under the heading “Description of the Insurer”. Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The MBIA Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Agency to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the MBIA Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a “Preference”).

MBIA's Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA's Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's Policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds,

such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

MBIA Insurance Corporation (“MBIA”) is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the “Company”). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions. In February 2007, MBIA Corp. incorporated a new subsidiary, MBIA México, S.A. de C.V. (“MBIA Mexico”), through which it intends to write financial guarantee insurance in Mexico beginning in 2007. To date, MBIA Mexico has had no operating activity.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA “Aaa.”

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA “AAA.”

Fitch Ratings rates the financial strength of MBIA “AAA.”

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. MBIA does not

guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2006, MBIA had admitted assets of \$10.9 billion (audited), total liabilities of \$6.9 billion (audited), and total capital and surplus of \$4.0 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2007, MBIA had admitted assets of \$11.2 billion (unaudited), total liabilities of \$7.0 billion (unaudited), and total capital and surplus of \$4.2 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2006 and December 31, 2005 and for each of the three years in the period ended December 31, 2006, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2006 and the consolidated financial statements of MBIA and its subsidiaries as of March 31, 2007 and for the three month period ended March 31, 2007 and March 31, 2006 included in the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2007, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at <http://www.mbia.com> and at no cost, upon request to MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

The Company's Annual Report on Form 10-K for the year ended December 31, 2006; and

The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2006, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.;

(iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA at its principal executive offices.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

Debt Service Reserve Fund Surety Bond

The Insurer has issued a commitment to issue two surety bonds, assuming delivery of the Bonds, one for the Debt Service Reserve Account under the Housing Indenture (the "Housing Surety Bond") and one for the Debt Service Reserve Account under the Non-Housing Indenture (the "Non-Housing Surety Bond", and together the "Debt Service Reserve Fund Surety Bonds"). The Debt Service Reserve Fund Surety Bonds will provide that upon notice from the Trustee to the Insurer under either Indenture, as appropriate, to the effect that insufficient amounts are on deposit in either Debt Service Reserve Account to pay the principal of (at maturity or pursuant to mandatory redemption requirements, and in the case of the Series 2007B Bonds, the Maturity Value) and interest on the Bonds, the Insurer will promptly deposit with the Trustee the lesser of an amount sufficient to pay the principal of (and in the case of the Series 2007B Bonds, the Maturity Value) and interest on the Bonds or the available amount of the Housing Surety Bond or the Non-Housing Surety Bond, as applicable. Upon the later of: (i) three days after receipt by the Insurer of a Demand for Payment in the form attached to the Housing Surety Bond or the Non-Housing Surety Bond, duly executed by the Trustee; or (ii) the payment date of the Bonds as specified in the Demand for Payment presented by the Trustee to the Insurer, the Insurer will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

The available amount of either of the Debt Service Reserve Fund Surety Bonds is the initial face amount of either of the Debt Service Reserve Fund Surety Bonds less the amount of any previous deposits by the Insurer with the Trustee which have not been reimbursed by the Agency. The Agency and the Insurer have, for each Debt Service Reserve Fund Surety Bond, entered into a Financial Guaranty Agreement (each, an "Agreement", and together the "Agreements"). Pursuant to the Agreements, the Agency is required to reimburse the Insurer, within one year of any deposit, the amount of such deposit made by the Insurer with the Trustee under either of the Debt Service Reserve Fund Surety Bonds, as applicable. Such reimbursement shall be made only after all required deposits to the Interest Account and the Principal Account of the Special Fund under the applicable Indenture have been made.

Under the terms of the Agreements, the Trustee is required to reimburse the Insurer, with interest, until the face amount of the applicable Debt Service Reserve Fund Surety Bond is reinstated before any deposit is made to the Surplus Fund. No optional redemption of the Series 2007A Bonds may be made until the Insurer's Non-Housing Surety Bond is reinstated. The Debt Service Reserve Fund Surety Bonds will be held by the Trustee in the applicable Debt Service Reserve Accounts and are provided as alternatives to the Agency depositing funds equal to the respective Debt Service Reserve Requirements for outstanding Bonds. The Debt Service Reserve Fund Surety Bonds will be issued in the face amount equal to the respective Debt Service Reserve Requirements for the Series 2007A Bonds and the Series 2007B Bonds and the premium therefor will be fully paid by the Agency at the time of delivery of the Bonds.

THE AGENCY

The City Council organized the Agency by Ordinance No. 4687 in October 1949 to exercise the powers granted by the Redevelopment Law.

The Agency was one of the first redevelopment agencies formed in the United States and its original objectives were to acquire and clear wartime housing, provide new housing for low and moderate income families and upgrade and broaden the City's economic base through development of industrial parks and commercial areas. To accomplish these objectives, the Agency has formed and administered eleven redevelopment projects.

The Agency has the authority to acquire, administer, develop and sell or lease property, including the right of eminent domain, and the right to issue bonds and expend the proceeds. The Agency can clear buildings and other improvements, can develop as a building site any real property owned or acquired, and in connection with such development, can cause streets, highways and sidewalks to be constructed or reconstructed and public utilities to be installed.

Financial Statements

The Agency's basic financial statements for the Fiscal Year Ending June 30, 2006 are attached hereto as APPENDIX I. The Fiscal Year 2005-06 financial statements were audited by Maze & Associates, Certified Public Accountants (the "Independent Auditors"). The Independent Auditors have not reviewed this Official Statement and the Agency has not requested the Independent Auditors to consent to the inclusion of the Fiscal Year 2005-06 basic financial statements herein.

Swap Policy

The Agency has previously adopted a standard policy (the "Swap Policy") governing utilization of hedging instruments, including interest rate swaps. The 2007 Swap is in compliance with the Swap Policy.

Governance and Administration

The Agency is administered by a governing board of nine members (the "Board"), who are the elected Mayor and members of the City Council. Pursuant to the Redevelopment Law, the Agency is a separate public body and exercises governmental functions in planning and implementing improvement projects. In 2008, pursuant to an amendment to the City Charter passed by the voters of the City, the number of City Council members and therefore the number of Agency board members will decrease to seven.

The members of the Agency, their respective positions on the Board and the ending date of their respective terms follow.

<u>Member</u>	<u>Board Position</u>	<u>Term Expiration</u>
Gayle McLaughlin	Chair	November 2010
Nathaniel Bates	Vice Chair	November 2008
Thomas K. Butt	Member	November 2008
Ludmyrna Lopez	Member	November 2010
John E. Marquez	Member	November 2008
Jim Rogers	Member	November 2010
Harpreet Sandhu	Member	November 2008
Tony K. Thurmond	Member	November 2008
Maria T. Viramontes	Member	November 2010

A discussion of senior management of the Agency and City and their respective positions and duties follows.

William A. Lindsay is the *Chief Executive Officer* of the Agency and *City Manager* of the City. As City Manager, Mr. Lindsay is responsible for implementing City Council policy and directing the City's administrative functions, including initiation and development of short and long-term special projects, oversight of the annual budget process, direction of the City's inter-governmental relations and public information functions, and direction of major economic development projects. Mr. Lindsay was appointed by the City Council to his present position in May 2005. Mr. Lindsay began his professional career as a Consultant with Deloitte Haskins & Sells (now Deloitte Touche) in their Management Advisory Services Group. He then began working in the public sector as Finance Director/Assistant to the City Manager with the City of Hercules, California, as Administrative Services Director with the City of San Ramon, California, and then as City Manager with the City of Orinda, California for nine years. Mr. Lindsay has been the City Manager of Richmond since February 2005. Mr. Lindsay earned a bachelor's degree in Economics from Yale University and a master's degree in General Management from the University of California at Berkeley.

James C. Goins, *Director of Finance and Treasurer*, serves as the chief financial officer of the City and the Treasurer of the Agency. He directs all financial functions for the City, including the preparation of the budget and the audit. Mr. Goins was appointed by the City Council to his present position in August 2005. He has 35 years of experience in local governmental affairs, including 19 years in the public sector and 16 years as an investment banker in municipal securities. Mr. Goins began his professional career with the Salt Lake County Government as the Director of Intergovernmental Relations and was promoted to the Chief Administrative Officer. Following his county service, Mr. Goins served as City Manager for the City of Compton, California. Immediately prior to his appointment at the City of Richmond as the Finance Director and Treasurer in August 2005, Mr. Goins was the Managing Director of Public Finance with Hoefler & Arnett, headquartered in San Francisco. He is a NASD registered Municipal Securities principal (Series 53) and a General Securities Representative (Series 7 and 63). Mr. Goins earned degrees in Business Administration and Social Psychology from the University of Utah.

Steve Duran, *Executive Director* of the Agency and *Community & Economic Development Director* of the City, has served in that capacity since June, 2002. Mr. Duran's experience includes 30 years of real estate and redevelopment experience, most of which was in the private sector. Mr. Duran came to the City from the San Jose Redevelopment Agency, where he served as a Senior Negotiations Officer before being promoted to Manager, Downtown Development and Implementation. Mr. Duran holds an A.S. Degree in Real Estate from Contra Costa College, a B.S. Degree in Business

Administration from California State University at Hayward and an M.B.A. in Management from Golden Gate University.

Recent Ratings Changes

The City experienced significant financial and operating difficulties between 2002 and 2005. As a result of uncertainty over the City's financial condition and the impact of deficits in the City's pooled cash account, on January 13, 2004, Standard & Poor's suspended the Agency's credit ratings, and in March of 2004, Moody's Investors Service also suspended the Agency's credit ratings. The City announced in March of 2004 that it had a significant deficit in its pooled cash investment account as a result of negative balances for the general fund of the City as well as several special funds, all of which were held in the pooled cash account. The Agency's funds were also held in the City's pooled cash account, but had a positive balance.

In June of 2004, the City Council, in its own capacity and in its capacity as the governing board of the Agency, took the following actions:

- Amended the Agency's Bylaws to require that all Agency funds be held in accounts separate and distinct from any City funds, and not commingled with any City funds;
- Appointed a Redevelopment Director who is not otherwise an employee of the City and gave the Director power to approve all expenditures of Agency funds (along with the Treasurer of the Agency, who is also the Finance Director of the City); and
- Transferred all Agency funds to separate bank accounts.

In October of 2004, Standard & Poor's and Moody's restored the Agency's credit ratings on its Outstanding Bonds, and Standard & Poor's assigned an "A-" underlying rating on the Bonds secured by the Merged Project Area, including the 2004 Bonds. In February 2007, Standard & Poor's confirmed its rating on the Agency's Outstanding Bonds. The Agency believes that, as a result of the actions taken in June 2004 and the estimated tax increment and other revenues to be received by the Agency, the Agency will be able to meet all of its debt service obligations, continue to aggressively pursue its redevelopment programs and activities, and maintain financial stability into the future.

THE MERGED PROJECT AREA

Redevelopment Plans

The Agency is responsible for redevelopment in eleven project areas consisting of approximately 5,338 acres within the City. The City is located in Contra Costa County, 10 miles northeast of San Francisco. Under the Redevelopment Law, every redevelopment agency is required to adopt, by ordinance, a redevelopment plan for each redevelopment project area. A redevelopment plan is a legal document, the content of which is largely prescribed in the Redevelopment Law.

The goal of a redevelopment plan is to eliminate blighted conditions in the project area by undertaking appropriate projects pursuant to the Redevelopment Law. The objectives of the City's Redevelopment Plans are summarized as follows: (i) eliminate physical and economic blight in the project areas; (ii) stimulate residential, commercial, industrial, transit and port development in the project areas; (iii) provide for a range of commercial and industrial uses to stimulate strong local economic

growth and job opportunities for residents; (iv) remove impediments to land development, guide development toward a high level of design standards, and aid in the removal or rehabilitation of functionally or structurally substandard buildings; (v) improve safety and security in the project areas; (vi) increase and improve the supply of low and moderate income housing in the City through the use of tax increment funds; and (vii) provide tax increment funds for the redevelopment activities that are needed to alleviate blighting conditions and repay bonded indebtedness.

Merger and Amendment of the Project Areas

The Agency amended and merged together nine of its project areas for financial and time limit purposes which together constitute the “Merged Project Area”. The Merged Project Area consists of nine formerly “independent” redevelopment project areas which were merged together on July 13, 1999 (the “1999 Amendments”) and include: Eastshore No. 1-A (the “Eastshore Project Area”); Potrero No. 1-C (the “Potrero Project Area”); Galvin No. 3-A (the “Galvin Project Area”); Harbor Gate No. 6-A (the “Harbor Gate Project Area”); Hensley No. 8-A (the “Hensley Project Area”); Downtown No. 10-A (the “Downtown Project Area”); Nevin Center No. 10-B (the “Nevin Center Project Area”); Harbour No. 11-A (the “Harbour Project Area”) and North Richmond No. 12-A (the “North Richmond Project Area”). Under the Redevelopment Law, the merger of nine of the Agency’s constituent project areas does not affect the senior pledge of tax increment revenues derived from the Harbour Project Area to the repayment of the Senior Harbour Bonds.

As part of the merger process, territory was added to the Eastshore Project Area, the Harbor Gate Project Area, the Hensley Project Area, the Downtown Project Area, the Nevin Center Project Area and the Harbour Project Area in 2000 (the “2000 Amendment Areas”), and additional territory was added to the Nevin Center Project Area in 2005 (the “2005 Amendment Area”, and together with the 2000 Amendment Areas, the “Added Areas”).

Redevelopment Plan Limitations and Land Usage

In 1993, the California Legislature enacted AB 1290. AB 1290 provides for, among other things, the placement of time limits on the effectiveness of every redevelopment plan and provides that after ten years from the termination date of a plan’s effectiveness, subject to certain exceptions, no redevelopment agency shall pay indebtedness or receive property tax in connection therewith. AB 1290 further places a time limit on the incurrence of debt to the later of 20 years from the adoption of the redevelopment plan or January 1, 2004. This time limit to incur debt does not prevent agencies from refinancing indebtedness after expiration of the time limit if the indebtedness is not increased and the time during which the indebtedness is to be repaid does not exceed the date on which the original indebtedness would have been paid. The time limit for the incurrence of debt may be extended for a maximum of ten years by amendment of the redevelopment plan if the agency makes certain findings regarding significant blight remaining in the project area. See “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS – Certain Required Payments of Tax Revenues to Taxing Entities (AB 1290).”

In 2001, the California Legislature enacted SB 211, which allows a redevelopment agency to delete the debt incurrence date from its redevelopment plan for those project areas that were adopted prior to December 31, 1993. The amendment of the redevelopment plan can be accomplished without the need to follow noticing, hearing and documentation requirements for a normal plan amendment. The legislative body need only adopt an ordinance to delete the debt incurrence limit per SB 211. The Agency has deleted the debt incurrence limit from certain project areas, as shown below. Due to the SB 211 amendment, the required amount of AB 1290 pass through payments was increased for the 10A Downtown Project Area. Payments were triggered in 2004-05, which was six years sooner than was

required if the SB 211 amendment were not processed. See “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS – SB 211.”

The Redevelopment Law was further amended by SB 1045 (chaptered as Chapter 260, Statutes of 2003) which authorizes a legislative body to adopt an ordinance to amend a redevelopment plan to extend by one year the time limit for the effectiveness of the plan and the time limit to pay indebtedness and receive property taxes, without the need to comply with the normal procedures and restrictions contained in the Redevelopment Law relating to the amendment of redevelopment plans. SB 1045 and SB 1096 (citation) required redevelopment agencies to shift funds to the Educational Revenue Augmentation Fund (ERAF). As part of the legislation, redevelopment agencies can amend certain of their redevelopment plans to extend the plan effectiveness and tax increment receipt dates by up to three years. The Agency has amended the Redevelopment Plan as authorized by SB 1045 and is in the process of amending the Redevelopment Plan as authorized by SB 1096.

Time Limits. The constituent project areas have various time limits for incurring debt. The following table summarizes the Agency’s deadlines for incurring debt, last date to receive tax increment and various dates of adoption of the Redevelopment Plans and shows the current complement of land use and approximate size of each constituent project area or portion of each constituent project area within the Merged Project Area.

**Table 1
The Constituent Project Areas**

Constituent Project Area	Primary Land Use	Acres	Original Adoption	Last Date to Incur Debt	Time Limit for Plan	Time Limit for TI Receipt
1A Eastshore	Residential	123	8/26/1957	Deleted ⁽¹⁾	1/1/2012	1/1/2022
1C Potrero	Residential	150	4/4/1960	Deleted ⁽¹⁾	1/1/2012	1/1/2022
3A Galvin	Industrial	95	2/28/1955	Deleted ⁽¹⁾	1/1/2012	1/1/2022
6A Harbor Gate (Original)	Industrial	118	11/8/1954	Deleted ⁽¹⁾	1/1/2012	1/1/2022
8A Hensley (Original)	Industrial	90.5	5/29/1960	Deleted ⁽¹⁾	1/1/2012	1/1/2022
8A Hensley (1980 Area)	Industrial	23.5	3/31/1980	Deleted ⁽¹⁾	3/31/2023	3/31/2033
10A Downtown	Commercial	107	5/23/1966	Deleted ⁽¹⁾	1/1/2012	1/1/2022
10B Nevin	Residential	17	9/18/1972	Deleted ⁽¹⁾	9/18/2015	9/18/2025
11A Harbour	Commercial	964	6/9/1975	Deleted ⁽¹⁾	6/9/2018	6/9/2028
12A North Richmond	Commercial	19	9/18/1972	Deleted ⁽¹⁾	9/18/2015	9/18/2025
6A Harbor Gate (1995 Area)	Industrial	616	6/26/1995	7/26/2015	7/26/2026	7/26/2041
1A Eastshore (1999 Area)	Commercial	14	7/13/1999	7/13/2019	7/13/2030	7/13/2045
6A Harbor Gate (1999 Area)	Industrial	16	7/13/1999	7/13/2019	7/13/2030	7/13/2045
8A Hensley (1999 Area)	Residential	887	7/13/1999	7/13/2019	7/13/2030	7/13/2045
10A Downtown (1999 Area)	Commercial	174	7/13/1999	7/13/2019	7/13/2030	7/13/2045
10B Nevin (1999 Area)	Commercial	10	7/13/1999	7/13/2020	7/13/2030	7/13/2045
11A Harbour (1999 Area)	Commercial	131	7/13/1999	7/13/2020	7/13/2030	7/13/2045
10B Nevin (2005 Area)	Resid/Indust	1,783	7/12/2005	7/12/2025	7/12/2035	7/12/2040

⁽¹⁾ The debt incurrence limit for this project area was deleted pursuant to an ordinance adopted by the City Council. See “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS – SB 211.”

Source: Fraser & Associates.

Cumulative Tax Increment Limit. As part of the 1999 Amendments, a combined tax increment limit of \$521,400,000 was established. The combined limit applies to tax increment revenues received

after the effective date of the ordinance (December 22, 1986) that established the limit in each of the Constituent Projects. The combined tax increment limit does not apply to the Added Areas, nor to the territory that was added to the Harbour Gate Project Area on June 26, 1995 (the "1995 Area"). Those areas were added after the implementation of various changes to the Redevelopment Law that were triggered by AB 1290. In addition to the changes described above in "– Redevelopment Plan Limitations," AB 1290 eliminated the need to establish a cumulative tax increment limit for new redevelopment project areas or areas that were added to existing project areas. Through the 2005-06 fiscal year, it is estimated that the Agency has received \$156.8 million in tax increment for the portions of the Merged Project Area subject to the tax increment limit. Based on the projections of tax increment shown in the Fiscal Consultant Report, which are based on an assumed two percent annual increase in real property values, the cumulative tax increment limit will be reached in Fiscal Year 2025-26.

The Agency anticipates it will amend the redevelopment plans to increase the combined tax increment limit within the next 24 months, but no assurance can be given that such amendment will be completed. Pursuant to the Indentures, the Agency is required to annually monitor the remaining unused portion of the combined tax increment limit and to escrow tax increment revenues for the purpose of paying future debt service on its bonds in the event that it determines that the combined tax increment limit would be reached prior to the maturity of the Agency's bonds. See "APPENDIX B – SUMMARY OF THE NON-HOUSING INDENTURE - Covenants" and "APPENDIX C – SUMMARY OF THE HOUSING INDENTURE - Covenants."

Bonded Indebtedness Limit. The Agency, as a part of the 1999 Amendments, also established a combined limit on the principal amount of bonded indebtedness that can be outstanding at any one time. That limit is \$250 million and applies to the entire Merged Project Area except for the 2005 Amendment Area, which has a separate bonded debt limit of \$150 million. As of June 30, 2006 the Agency had approximately \$91.5 million in bonds outstanding under the \$250 million limit, and no bonds outstanding for the 2005 Amendment Area. The Agency contemplates that it will also amend this limit in the future. See "APPENDIX H – FISCAL CONSULTANT REPORT."

The Constituent Project Areas

A description of the current and future development within the Merged Project Area follows. There can be no assurances that such development will actually occur. It is expected that additional public funds will be needed over the next several years to accomplish the goals of the Redevelopment Plans. The Agency expects to raise the additional public funds (i) by issuing future debt obligations, the repayment of which may be secured by Pledged Tax Revenues and (ii) from the proceeds of sale of land owned by the Agency in the Merged Project Area. Planned activities for all Project Areas include repaying bonded indebtedness, alleviating physical and economic blighting conditions, and constructing and/or rehabilitating public infrastructure and public facility improvements in order to stimulate development.

Eastshore Project Area. The Eastshore Project Area is comprised of 137 acres, including 14 acres added to this project area as part of the 1999 Amendments. The new acreage is characterized by single story retail stores fronting San Pablo Avenue. Currently, Agency staff is unaware of any major development projects being considered or planned for this project area at this time. The following activity is planned:

- Provide assistance in the removal or rehabilitation of structurally substandard buildings.
- Continue to implement a facade improvement program for existing businesses established in 2006.

Galvin 3A Project Area. The Galvin Project Area is a 95-acre light industrial development containing distribution facilities, light assembly and research and development businesses. The Agency does not receive tax increment from personal property in the Galvin Project Area as further described in “BOND OWNERS’ RISKS - Tax Collection Agreement.” Redevelopment activities have included an extension of Standard Avenue, the construction and rehabilitation of streets, right-of-way acquisition and installation and upgrades to storm and sanitary sewers, water and utility lines, street lighting and infrastructure.

Harbor Gate Project Area. The Harbor Gate Project Area is comprised of 750 acres, including 16 acres added as part of the 1999 Amendments and 616 acres added by the 1995 amendment. This acreage is all characterized by underdeveloped/underutilized property, inadequate infrastructure and obsolete parcelization. The Agency does not receive tax increment from personal property in the Harbor Gate Project Area as further described in “BOND OWNERS’ RISKS - Tax Collection Agreement.”

Projects completed or under construction include: (i) a 300,000 square foot expansion of the 480,000 square foot Department of Health Services State Laboratory facility, completing the 780,000 facility, which houses approximately 1,200 employees; (ii) a 31,000 square foot highway commercial center anchored by a Longs Drug Store; and (iii) an 86-acre parcel being considered for mixed-use development to include office, research and development and light industrial uses, including over one hundred thousand square feet of light industrial condominiums. Other developers have expressed interest in development opportunities within this project area, however, no major projects are under review by the Agency or City at this time. The following activity is planned:

- Complete the public improvement program for the South Richmond Shoreline area.
- Implement activities to provide for continued residential, commercial, industrial and research and development (R&D) projects.
- Assist with the removal and rehabilitation of structurally substandard buildings and consolidate irregularly shaped parcels.
- Continue to provide assistance for improvements to railroad crossing protection and safety upgrades.
- Assist in the remediation of contaminated property.
- Facilitate the redevelopment of underutilized waterfront property.

Hensley Project Area. The Hensley Project Area is comprised of 1,001 acres, including 887 acres added to this project area as part of the 1999 Amendments. The new acreage is characterized by underutilized industrial parcels. Large commercial and industrial development projects are being considered for this site, however, no large projects have been formally presented to the Agency or City for review and consideration. A number of smaller light industrial projects have moved forward. A thirty-unit affordable housing project has been completed as well as several in-fill homes, with several more under construction. Significant streetscape improvements have also been completed on Kelsey Street. The following activity is planned:

- Facilitate development of high quality light industrial/R&D, commercial and residential development.
- Assist in the remediation of contaminated property.

Downtown Project Area. The Downtown Project Area is comprised of 281 acres, including 174 acres added to this project area as part of the 1999 Amendments. The new acreage is characterized

primarily by older, single and two story commercial/retail buildings fronting Macdonald Avenue. The “Macdonald Avenue Economic Revitalization Plan,” is being implemented, including streetscapes, residential, retail, mixed-use and adaptive re-use development. A major 190,000 square foot retail project, Macdonald 80, is now under construction on the former Montgomery Ward site, which will be anchored by a new 140,000 square foot Target store at Macdonald Avenue and Interstate 80. The adjacent former Toys “R” Us site has been ground-leased by a developer and the Agency is in discussions regarding the development of a Lowe’s store on that site. The sites have been vacant for several years following the bankruptcy of Montgomery Ward and the closing of Toys “R” Us.

The first phase of the transit village known as Metro-Walk is complete, with all 132 townhomes sold. A new intermodal BART/Amtrak station is nearing completion and funding (mostly from government grants) is in place for an 800+ space parking garage at the intermodal station. An additional 200 units of workforce housing are planned for BART’s current east parking lot. A 237-unit residential-over-retail project known as the 12th and Macdonald Mixed-Use Project, located three blocks from the intermodal transit station, is fully entitled and scheduled to break ground this summer. A 180-unit mixed-income project is planned for the Miraflores site and will include affordable and market rate housing on a former nursery site purchased by the Agency. Planning is also underway for new streetscapes that will include the 48-block length of Macdonald Avenue. Additional planned activity includes:

- Assist with the removal and rehabilitation of structurally substandard buildings and consolidate irregularly shaped parcels.
- Facilitate the development of new retail services to serve local residents and businesses.
- Implement the Macdonald Avenue Economic Revitalization Plan.
- Implement the façade improvement program.

Nevin Center Project Area. The Nevin Center Project Area is comprised of 1,810 acres, with 1,783 acres added as part of the 2005 Amendments and including 10 acres added as part of the 1999 Amendments. The new acreage is characterized by vacant lots, abandoned buildings, underutilized facilities and residential areas suffering from blighting conditions. Plans in this area include residential development, the revitalization of Nevin Park and the completion of the Macdonald Avenue streetscapes. Three significant affordable housing projects are entitled and are expected to break ground in 2007: the 66-unit Macdonald Place Senior Project, the 26-unit Lillie Mae Jones Project, and the 10-unit Nevin Avenue condominium project. The most significant single project in this area is the joint City-Agency Civic Center Revitalization Project. The City expects to issue bonds and provide approximately \$20 million in cash for phase one of the Civic Center project, which will include the total renovation of City Hall, the old Hall of Justice (which will house the Agency) and the Civic Plaza, as well as seismic upgrades to the 3,500 seat Memorial Auditorium building. Future phases include a new police station, a new library, and two blocks of residential over retail development on Macdonald Avenue when a new parking structure is financed. Additional planned activity includes:

- Assist with the removal and rehabilitation of structurally substandard buildings and consolidate irregularly shaped parcels.
- Implement the Macdonald Avenue Revitalization Plan.

North Richmond 12A Project Area. The North Richmond Project Area is comprised of 19 acres. This project area is located in the northern portion of the City. Agency activities in the North Richmond Project Area have focused on the construction and rehabilitation of housing units. Significant streetscape improvements have been completed on Kelsey Street. The Agency plans to continue the rehabilitation of affordable housing and improve safety and security in the neighborhood.

Potrero IC Project Area. The Potrero Project Area is a 150-acre residential project redeveloped with housing and various public improvements, including the Richmond Swim Complex. The major roadway through the Potrero Project Area is Cutting Boulevard. The Agency has made significant progress in achieving the Redevelopment Plan goals in the Potrero Project Area. Major housing developments, Eastshore Manor I and Eastshore Manor II, have been completed, as well as the Richmond Swim Complex, which opened in 1999. The following activity is planned:

- Assist with the improvement and upgrade of Carlson and Cutting Boulevards.
- Construct/rehabilitate public infrastructure and public facility improvements to stimulate new development.

Harbour Project Area. The 1,103-acre Harbour Project Area, is denominated on the Map as “VI Harbour.” Historically, the Harbour Project Area consisted of Port of Richmond related commercial activities and industrial activities. Presently, it includes residential and commercial uses, marina, parks and research and development facilities and the port.

Development within the Harbour Project Area occurs pursuant to the Redevelopment Plan. In addition, development within the Marina Bay portion of the Harbour Project Area also occurs pursuant to (i) the Master Agreement, dated as of December 17, 1984, as amended (the “Master Agreement”), among the Agency, the City and Penterra Company, an Oklahoma corporation (“Penterra”), and (ii) the Marina Bay Development Agreement, dated as of December 17, 1994, as amended (the “Development Agreement” and, together with the Master Agreement, collectively, the “Penterra Agreements”), among the Agency, the City and Penterra. Effective March 1, 1996, Penterra assigned to Penterra LLC its remaining interests under the Master Agreement and the Development Agreement. For additional information regarding development within the Harbour Project Area, see “Development” below.

Within the Harbour Project Area, the Agency continues to construct public infrastructure and public facility improvements to stimulate new development, including the implementation of a public improvement program designed to complement the diversity of land users as well as providing a distinct identity for this area. Public improvements completed or in progress include landscaping, signage, lighting, streets, bikeways and enhancement of existing parks and trails systems.

The Agency also continues to assist in the economic development of the Harbour Project Area by promoting the development of underutilized properties through rehabilitation and seismic upgrading, remediation of certain properties located in the Harbour Project Area and assistance with offsite improvement.

Upon completion of the redevelopment project, estimated to occur in 2015, the Harbour Project Area will consist of Marina Bay, a water oriented community comprised of over 2,200 single family homes, townhouses and apartments, and commercial, industrial research and development and marine development, including a 1,500-berth pleasure boat marina. The balance of the Harbour Project Area will consist of office, commercial and light industrial space.

Development. Pursuant to the Redevelopment Plan, the following uses, together with appurtenant accessory uses and utility and public safety facilities, are permitted: port and industrial, commercial, residential and public use and open space. Within each of these uses, the Redevelopment Plan incorporates various criteria regarding future development, including (i) commercial use, permitting the establishment of retail stores, restaurants, parking facilities, parks and other consistent uses authorized by the Agency, (ii) residential use, limiting the overall average density to approximately 30 dwelling units per net useable acre, provided that such development is consistent with current optimum land planning

standards, and setting the approximate number of dwelling units in the project area at 2,000 to 2,500, and (iii) public use and open space, requiring at least 135 acres of property within the project area to be devoted to public parks, landscaped areas, a boat marina and all other necessary ancillary uses.

To date, over 2,100 residential units and approximately 1,000,000 square feet of commercial space within the Harbour Project Area have been developed pursuant to the Redevelopment Plan. At present, approximately 40 acres, or approximately five percent of the property within the Harbour Project Area, is vacant and is expected to be developed primarily for commercial use.

Penterra Agreements. Certain development within the Harbour Project Area, consisting of approximately 363 acres within the Richmond Inner Harbor Basin (Marina Bay) (the “Marina Bay Project Site”), is governed by the Master Agreement and the Development Agreement. Under the Master Agreement, Penterra LLC acts as the “Master Developer” of private development within the Marina Bay Project Site by its direct development of this property or by causing others to develop this property. The Master Agreement governs certain rights and obligations among Penterra LLC, the Agency and the City. The Development Agreement governs the development of the Marina Bay Project Site, including the installation of necessary improvements and the provision of public services appropriate to each stage of the development. The Penterra Agreements expire by their terms on December 31, 2009, unless extended or terminated by mutual agreement of the parties thereto.

To date, over 2,100 residential units and approximately 400,000 square feet of commercial space within the Marina Bay project site have been developed pursuant to the Penterra Agreements.

While it is anticipated that additional projects will be developed by Penterra LLC under the Penterra Agreements, there can be no assurance that such projects will actually be developed. One project, the 128-unit townhome project by Signature Properties is under construction, which will include over 20,000 square feet of retail space on the “North Shore” of Marina Bay and another project by Toll Brothers is under contract and entitled to build 269 condominiums on the “West Shore” of Marina Bay.

The Regatta Center consists of a 49-acre complex including buildings for commercial and light industrial uses. The total proposed project area is approximately 2,165,700 square feet, including buildings (approximately 725,300 square feet), parking areas and road improvements (approximately 974,600 square feet) and landscaping (approximately 465,800 square feet). The first phase of this multi-phased development is located on the north side of Regatta Boulevard and includes 138,000 square feet of office flex space. Construction of Phase Two of this development (see *DiCon Fiberoptics Inc. Office Campus* below), consisting of approximately 465,000 square feet of space, was completed in 2002.

Dicon Fiberoptics Inc. Office Campus. Dicon has completed the initial phase of an office and research and development complex. The Phase I development includes 67,493 square feet of office use, 136,575 square feet in three research and development buildings, and 15,000 square feet of ancillary uses. Two additional phases, which have not been included in the tax increment projections, were planned to include 228,000 square feet of research and development uses. However, Dicon has sold one large parcel to Pulte Homes, now under construction, for a 208-unit residential for-sale townhome project. Tax increments from this project have not been included in current tax increment projections.

Bay West Group. The construction of this office/flex project is complete and includes research and development and light industrial uses. This four building complex currently houses a national call center for a telecommunications company, a design firm, and a high-technology manufacturer of testing and calibration equipment. This complex has experienced high occupancy rates in spite of regional trends.

Marina Center. In June 2000, the Agency sold this property to a Bay Area developer. Construction has been completed on the rehabilitation of two existing industrial buildings with a total of approximately 90,000 square feet. The Agency land sale added taxable value to the fiscal year 2001-02 tax roll, with the rehabilitation of the buildings adding value in 2002-03. Future plans on the site include the construction of 180,000 square feet of new light industrial uses that have not been included in the projections.

There are two additional significant projects on the South Shoreline. The historic 517,000 square foot Ford Assembly Building has been sold by the Agency to Orton Development and is now about 88% leased and 20% occupied. All leased space is under construction with occupancy scheduled for January 2008. The second project is the former City Terminal One site located in the Brickyard Cove area. The 13.5 acre parcel will be developed by Toll Brothers into approximately 258 high-end residential condominiums, many of which will have San Francisco Bay views. Approval of all entitlements is pending and the project is expected to be under construction in 2008. Additional planned activities include:

- Facilitate development of high quality light industrial/R&D, commercial and residential development.
- Facilitate the development of new retail services to serve local residents and businesses.
- Continue to provide assistance for improvements to railroad crossing protection and safety upgrades.

Tax Collection Agreement

As the result of an agreement between the County and the Agency relating to the Galvin Project Area and the original Harbor Gate Project Area, in calculating tax increment, the County only includes secured real property. Although the two constituent project areas were originally adopted in the 1950's, the Agency did not begin to claim tax increment from the Galvin Project Area and the original Harbor Gate Project Area until the mid 1990's. At that time, records on base year values for said project areas were not available. The County and the Agency agreed to use only the secured real property values from the earliest year for which records were available (Fiscal Year 1967-68). Consequently, only secured real property is included in the calculation of tax increment revenues for these two constituent project areas. The Agency believes that the foregoing method of calculating tax increment for said project areas will not materially adversely affect the Agency's ability to pay debt service on the Bonds.

Taxable Values and Tax Increment Revenues

For the Merged Project Area, set forth below in Table 2, Table 3, and Table 4, respectively are historical taxable values and tax increment revenues from fiscal years 2002-03 to 2006-07, the ten major property tax assesses and a projection of incremental tax revenue from Fiscal Years 2006-07 to 2036-37. Tax increment revenues may be reduced in the future as a result of a number of factors. See "BOND OWNERS' RISKS."

Table 5 sets forth assessed taxable property values and tax increment revenues for Fiscal Year 2006-07 disaggregated by individual Project Area.

TABLE 2
Richmond Community Redevelopment Agency
Historical Taxable Values and Tax Increment Revenues ⁽¹⁾
Merged Project Area

Description	2002/03	2003/04	% Change	2004/05	% Change	2005-06	% Change	2006-07 ⁽³⁾	% Change
Secured	\$1,192,561,854	\$1,385,790,906	16.20%	\$1,451,720,473	4.76%	\$1,614,074,406	11.18%	\$3,013,490,161	86.70%
Utility Roll	1,905,016	5,995,261	0.00	3,279,581	0.00	3,492,968	0.00	4,373,439	0.00
Unsecured	99,591,242	128,938,843	29.47	163,232,370	26.60	145,455,195	-10.89	216,205,943	48.64
TOTAL VALUE	1,294,058,112	1,520,725,010	17.52	1,618,232,424	6.41	1,763,022,569	8.95	3,234,069,543	83.44
Base Year Value	281,225,459	426,143,038		426,143,038		426,143,038		1,256,027,439	
Incremental Value	1,012,832,653	1,094,581,972		1,192,089,386		1,336,879,531		1,978,042,104	
Tax Increment Levy	11,613,183	12,541,764		13,658,942		15,317,926		22,719,173	
Unitary Revenue	114,595	119,645		116,546		123,702		113,069	
Less Pass Through ⁽³⁾	(178,245)	(239,420)		(324,149)		(434,072)		0	
Less Admin Fee ⁽³⁾	(126,128)	(113,439)		(129,843)		(131,967)		0	
TOTAL LEVY	\$11,423,405	\$12,308,550		\$13,321,496		\$14,875,589		\$22,832,242	
Actual Receipts, less Supplemental Revenue	11,426,101	12,301,423		13,240,987		14,777,511		N/A	
PERCENTAGE OF LEVY	100.02%	99.94%		99.40%		99.34%		N/A	
Supplemental Revenues	843,229	441,053		723,246		1,035,633		N/A	
TOTAL RECEIPTS	12,269,330	12,742,476		13,964,233		15,813,144		N/A	
PERCENTAGE OF LEVY	107.41%	103.53%		104.82%		106.30%		N/A	

Total Percentage Assessed Value Change ⁽²⁾	36.24%
Average Percentage Assessed Value Change ⁽²⁾	10.86%
Average Receipts as a Percentage of Levy Without Supplementals	99.65%
Average Receipts as a Percentage of Levy With Supplementals	105.51%

(1) Includes the entire Merged Project Area.

(2) Comparison between 2002-03 and 2005-06. The value for 2006-07 includes area added in 2005 (Area 10B) and overstates the growth. See Table 1.2 in "APPENDIX H – FISCAL CONSULTANT REPORT" for trend information excluding Area 10B.

(3) Actual amounts from County for 2006-07 not yet available.

Source: Fraser & Associates.

TABLE 3
Ten Major Property Tax Assesseees
Merged Project Area

Assessee	Types of Use	2006-07 Taxable Value ⁽¹⁾	% of Tax Total Value ⁽²⁾	% of Tax Increment Value ⁽²⁾
Lennar Emerald Marina Shores	Residential	\$156,901,225	4.85%	7.93%
Lennar Emerald Marina Bay LLC	Residential	51,007,204	1.58	2.58
Cherokee Simeon Venture I LLC	Commercial	44,987,470	1.39	1.39
Dicon Fiberoptics Inc.	Industrial	44,044,102	1.36	2.23
Foss Maritime Company	Unsecured	34,369,332	1.06	1.74
California Fats & Oils Inc.	Industrial	34,095,361	1.05	1.72
Kaiser Foundation Hospital	Hospital	33,168,981	1.03	1.68
BP West Coast Products	Industrial	26,812,546	0.83	1.36
Tosco Corporation	Industrial	26,712,258	0.83	1.35
GATX Terminals Corporation	Industrial	20,694,977	0.64	1.05
Total Valuation		\$448,257,022	13.86%	22.66%

⁽¹⁾ Based on ownership of locally-assessed secured and unsecured property.

⁽²⁾ Based on 2006-07 Project Area taxable value of \$3,234,069,543 and incremental value of \$1,978,042,104.

Source: Contra Costa County Assessor Records.

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TABLE 4
Richmond Community Redevelopment Agency
Projection of Incremental Tax Revenue
Merged Project Area
(000's Omitted)

Fiscal Year	Real (1) Property	New (2) Development	Total Real Property	Other (3) Property	Total Value	Value Over Base Of \$1,256,027	Tax (4) Increment	Unitary(5) Revenue	Total Tax Increment Revenue	Property Tax (6) Admin Fee	Housing Set- Aside	AB 1290 (7) Tax Sharing Payments	Net Tax Revenues	Senior(8) Harbour Debt Service	Available Tax Revenues
2006-2007	N/A	N/A	\$3,064,649	\$169,421	\$3,234,070	\$1,978,042	\$22,718	\$113	\$22,831	\$206	\$4,566	\$2,311	\$15,748	\$2,337	\$13,411
2007-2008	3,111,231	16,000	3,127,231	169,421	3,296,651	2,040,624	23,419	113	23,532	212	4,706	2,468	16,146	2,337	13,809
2008-2009	3,189,775	22,400	3,212,175	169,421	3,381,596	2,125,568	24,378	113	24,491	220	4,898	2,667	16,705	2,337	14,369
2009-2010	3,276,419	25,600	3,302,019	169,421	3,471,439	2,215,412	25,393	113	25,506	230	5,101	2,877	17,298	2,337	14,961
2010-2011	3,368,059	0	3,368,059	169,421	3,537,480	2,281,452	26,136	113	26,249	236	5,250	3,039	17,724	2,337	15,387
2011-2012	3,435,420	0	3,435,420	169,421	3,604,841	2,348,813	26,894	113	27,007	243	5,401	3,225	18,137	2,337	15,801
2012-2013	3,504,129	0	3,504,129	169,421	3,673,549	2,417,522	27,669	113	27,782	250	5,556	3,416	18,560	2,337	16,223
2013-2014	3,574,211	0	3,574,211	169,421	3,743,632	2,487,604	28,460	113	28,573	257	5,715	3,610	18,991	2,337	16,655
2014-2015	3,645,695	0	3,645,695	169,421	3,815,116	2,559,089	29,267	113	29,380	265	5,876	3,813	19,427	2,337	17,090
2015-2016	3,718,609	0	3,718,609	169,421	3,888,030	2,632,002	30,092	113	30,204	272	6,041	4,065	19,826	2,337	17,490
2016-2017	3,792,981	0	3,792,981	169,421	3,962,402	2,706,375	30,933	113	31,046	280	6,209	4,323	20,234	2,337	17,898
2017-2018	3,868,841	0	3,868,841	169,421	4,038,262	2,782,234	31,792	113	31,905	287	6,381	4,638	20,599	2,337	18,262
2018-2019	3,946,218	0	3,946,218	169,421	4,115,639	2,859,611	32,668	113	32,781	295	6,556	4,959	20,971	2,337	18,634
2019-2020	4,025,142	0	4,025,142	169,421	4,194,563	2,938,535	33,563	113	33,676	303	6,735	5,286	21,351	2,337	19,014
2020-2021	4,105,645	0	4,105,645	169,421	4,275,066	3,019,038	34,476	113	34,589	311	6,918	5,620	21,739	2,337	19,402
2021-2022	3,559,661	0	3,559,661	142,097	3,701,758	2,484,194	28,320	65	28,385	256	5,677	5,012	17,441	2,337	15,104
2022-2023	3,630,854	0	3,630,854	142,097	3,772,951	2,555,387	29,131	65	29,197	263	5,839	5,311	17,784	2,337	15,447
2023-2024	3,703,471	0	3,703,471	142,097	3,845,568	2,628,004	29,959	65	30,025	270	6,005	5,615	18,134	0	18,134
2024-2025	3,741,749	0	3,741,749	142,097	3,883,846	2,668,011	30,415	61	30,477	274	6,095	5,856	18,251	0	18,251
2025-2026	2,376,227	0	2,376,227	46,700	2,422,928	1,258,412	14,346	6	14,352	129	2,870	3,771	7,582	0	7,582
2026-2027 ⁽⁹⁾	2,423,752	0	2,423,752	46,700	2,470,452	1,305,936	14,888	6	14,894	134	2,979	3,970	7,811	0	7,811
2027-2028	2,472,227	0	2,472,227	46,700	2,518,927	1,354,411	15,440	6	15,446	139	3,089	4,179	8,039	0	8,039
2028-2029	2,521,672	0	2,521,672	46,700	2,568,372	1,403,856	16,004	6	16,010	144	3,202	4,393	8,271	0	8,271
2029-2030	2,572,105	0	2,572,105	46,700	2,618,805	1,454,289	16,579	6	16,585	149	3,317	4,610	8,508	0	8,508
2030-2031	2,623,547	0	2,623,547	46,700	2,670,247	1,505,731	17,165	6	17,171	155	3,434	4,832	8,750	0	8,750
2031-2032	2,676,018	0	2,676,018	46,700	2,722,718	1,558,202	17,764	6	17,770	160	3,554	5,073	8,982	0	8,982
2032-2033	2,729,538	0	2,729,538	46,700	2,776,238	1,611,723	18,374	6	18,380	166	3,676	5,290	9,248	0	9,248
2033-2034	2,784,129	0	2,784,129	46,700	2,830,829	1,666,313	18,996	6	19,002	171	3,800	5,570	9,460	0	9,460
2034-2035	2,839,812	0	2,839,812	46,700	2,886,512	1,721,996	19,631	6	19,637	177	3,927	5,826	9,706	0	9,706
2035-2036	2,896,608	0	2,896,608	46,700	2,943,308	1,778,792	20,278	6	20,284	183	4,057	6,087	9,957	0	9,957
2036-2037	2,954,540	0	2,954,540	46,700	3,001,240	1,836,724	20,939	6	20,945	189	4,189	6,354	10,213	0	10,213

- (1) Prior Year Real Property increased by 2 percent per year. The value for 2007-08 has been reduced for exempt property and appeals.
- (2) Based on 128 unit Anchor Cove townhouse development.
- (3) Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property.
- (4) Based on the application of Project Area tax rates to the total incremental taxable value.
- (5) Based on amount reported by Contra Costs County for 2006-07.
- (6) Property tax administration fees are based on 1 percent of tax increment, which is the percentage that such fees represented in 2005-06.
- (7) Tax sharing payments per AB 1290.
- (8) Maximum annual debt service on Senior Harbour bonds.
- (9) Reflects year in which tax increment limit is projected to be reached for a portion of the Project Area.

Source: Fraser & Associates.

TABLE 5
Richmond Community Redevelopment Agency
Projection of Incremental Tax Revenue
Merged Project Area

Project Area	2006-07 Total Value	Base Value	Taxable Value	Tax Increment	% of Total
Project No. 8A Original	\$74,962,409	\$1,541,220	\$73,421,189	\$843,242	3.7%
Project No. 1C	112,099,881	2,309,052	109,790,829	1,260,948	5.6
Project No. 1A	51,456,661	1,503,600	49,953,061	573,711	2.5
Project No. 11A	1,028,774,063	51,052,120	977,721,943	11,229,137	49.4
Project No. 12A	11,666,574	658,660	11,007,914	126,426	0.6
Project No. 8A 1980 Addition	4,559,193	266,960	4,292,233	49,296	0.2
Project No. 6A Original	57,261,769	3,560,300	53,701,469	616,761	2.7
Project No. 10B	13,393,044	1,070,628	12,322,416	141,523	0.6
Project No. 3A	84,133,447	8,259,280	75,874,167	871,415	3.8
Project No. 10A	117,946,842	21,289,740	96,657,102	1,110,107	4.9
Project No. 11A 2000	8,923,331	2,532,496	6,390,835	73,399	0.3
Project No. 8A 2000	202,001,428	75,012,622	126,988,806	1,458,466	6.4
Project No. 10B 2000	3,289,606	1,233,435	2,056,171	23,615	0.1
Project No. 10A 2000	125,343,441	88,436,941	36,906,500	423,871	1.9
Project No. 1A 2000	24,757,468	17,592,043	7,165,425	82,295	0.4
Project No. 10B 2004	1,134,816,180	827,351,905	307,464,275	3,531,227	15.5
Project No. 6A 2000	9,116,222	7,438,858	1,677,364	19,265	0.1
Project No. 6A 1995 Addition	169,567,984	144,917,579	24,650,405	283,110	1.2
TOTAL	\$3,234,069,543	\$1,256,027,439	\$1,978,042,104	\$22,717,814	100.0%

Source: Fraser & Associates.

PROJECTED DEBT SERVICE COVERAGE

The following tables present the projected debt service coverage on the Bonds and Parity Obligations related to each Series of Bonds. Tables 6 and 7 present the Non-Housing Tax Revenues and payments on Senior Non-Housing Debt Service, the obligations under the 2004 Non-Housing Loan Agreement, the Series 2007A Bonds and the debt service coverage ratio. Tables 8 and 9 present the Housing Tax Revenues and payments under the Pre-2004 Loan Agreement (but only with respect to the payments thereunder required to be paid from amounts allocable to the Agency's Housing Fund in respect of the Series 2000B Bonds), the obligations under the 2004 Housing Loan Agreement, the Series 2007B Bonds and the debt service coverage ratio. There can be no assurance that actual Non-Housing Tax Revenues and Housing Tax Revenues will be equal to the amounts projected. See "BOND OWNERS' RISKS."

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TABLE 6
Richmond Community Redevelopment Agency
Non-Housing Tax Revenues
Projected Debt Service Coverage
(Assuming No Growth in Assessed Value)

Fiscal Year	Non-Housing Tax Revenues	2000 Series A Debt Service	2003 Debt Service	2004 Series A (Non-Housing Share) Debt Service	2007 ARS Swap-to-Fixed Debt Service ⁽¹⁾	Total Debt Service	Coverage (%)
2007 - 2008	\$13,295,218	\$2,322,635	\$1,515,771	\$593,235	\$1,659,907	\$6,091,547	218%
2008 - 2009	13,295,286	2,317,441	2,282,012	595,261	3,880,112	9,074,826	147
2009 - 2010	13,295,286	2,320,040	2,282,833	591,860	4,224,353	9,419,086	141
2010 - 2011	13,295,286	2,319,720	2,280,250	593,189	4,233,090	9,426,248	141
2011 - 2012	13,295,286	2,319,860	2,273,606	594,021	4,238,641	9,426,127	141
2012 - 2013	13,295,286	2,315,210	2,278,127	594,412	4,241,007	9,428,755	141
2013 - 2014	13,295,286	2,310,510	2,274,253	594,455	4,240,188	9,419,406	141
2014 - 2015	13,295,286	2,310,250	2,271,345	594,102	4,236,183	9,411,881	141
2015 - 2016	13,295,286	2,304,025	2,269,321	593,420	4,253,495	9,420,260	141
2016 - 2017	13,295,286	2,297,450	2,264,010	592,273	4,266,559	9,420,292	141
2017 - 2018	13,295,286	2,295,525	2,265,816	590,748	4,275,377	9,427,465	141
2018 - 2019	13,295,286	2,292,413	2,264,086	588,968	4,255,446	9,400,912	141
2019 - 2020	13,295,286	104,675	2,697,828	2,727,897	3,889,312	9,419,712	141
2020 - 2021	13,295,286	110,213	2,696,135	524,982	6,033,985	9,365,315	142
2021 - 2022	9,493,149	110,356	2,693,536	523,880	3,402,300	6,730,073	141
2022 - 2023	9,493,149	37,206	2,689,769	600,219	3,400,419	6,727,613	141
2023 - 2024	11,829,711	35,894	2,685,063	520,198	5,110,440	8,351,594	142
2024 - 2025	11,649,229	39,450	4,312,315	507,227	3,410,783	8,269,775	141
2025 - 2026	11,649,229	37,875	4,307,908	508,890	3,419,601	8,274,273	141
2026 - 2027	11,649,229	36,300	-	4,817,568	3,399,670	8,253,538	141
2027 - 2028	11,649,229	39,594	-	-	8,129,796	8,169,390	143
2028 - 2029	3,501,871	37,756	-	-	2,409,234	2,446,990	143
2029 - 2030	3,501,871	35,919	-	-	2,411,600	2,447,519	143
2030 - 2031	3,463,085	-	-	-	2,435,282	2,435,282	142
2031 - 2032	3,463,085	-	-	-	2,430,216	2,430,216	143
2032 - 2033	3,463,085	-	-	-	2,421,964	2,421,964	143
2033 - 2034	3,463,085	-	-	-	2,410,527	2,410,527	144
2034 - 2035	3,463,085	-	-	-	2,420,407	2,420,407	143
2035 - 2036	3,463,085	-	-	-	2,426,039	2,426,039	143
2036 - 2037	3,463,085	-	-	-	2,402,923	2,402,923	144

⁽¹⁾ Represents fixed payment obligations under the 2007 Swap.

Sources: Fraser & Associates for Tax Revenues and RBC Capital Markets.

TABLE 7
Richmond Community Redevelopment Agency
Non-Housing Tax Revenues
Projected Debt Service Coverage
(Assuming 2% Growth in Assessed Value)

Fiscal Year	Non-Housing Tax Revenues ⁽¹⁾	2000 Series A Debt Service	2003 Debt Service	2004 Series A (Non-Housing Share) Debt Service	2007 ARS Swap-to-Fixed Debt Service ⁽²⁾	Total Debt Service	Coverage (%)
2007 - 2008	\$13,809,429	\$2,322,635	\$1,515,771	\$593,235	\$1,659,907	\$6,091,547	227%
2008 - 2009	14,368,731	2,317,441	2,282,012	595,261	3,880,112	9,074,826	158
2009 - 2010	14,961,420	2,320,040	2,282,833	591,860	4,224,353	9,419,086	159
2010 - 2011	15,387,388	2,319,720	2,280,250	593,189	4,233,090	9,426,248	163
2011 - 2012	15,800,853	2,319,860	2,273,606	594,021	4,238,641	9,426,127	168
2012 - 2013	16,223,244	2,315,210	2,278,127	594,412	4,241,007	9,428,755	172
2013 - 2014	16,654,689	2,310,510	2,274,253	594,455	4,240,188	9,419,406	177
2014 - 2015	17,090,006	2,310,250	2,271,345	594,102	4,236,183	9,411,881	182
2015 - 2016	17,489,650	2,304,025	2,269,321	593,420	4,253,495	9,420,260	186
2016 - 2017	17,897,793	2,297,450	2,264,010	592,273	4,266,559	9,420,292	190
2017 - 2018	18,262,222	2,295,525	2,265,816	590,748	4,275,377	9,427,465	194
2018 - 2019	18,634,393	2,292,413	2,264,086	588,968	4,255,446	9,400,912	198
2019 - 2020	19,014,421	104,675	2,697,828	2,727,897	3,889,312	9,419,712	202
2020 - 2021	19,402,429	110,213	2,696,135	524,982	6,033,985	9,365,315	207
2021 - 2022	15,103,982	110,356	2,693,536	523,880	3,402,300	6,730,073	224
2022 - 2023	15,447,307	37,206	2,689,769	600,219	3,400,419	6,727,613	230
2023 - 2024	18,134,052	35,894	2,685,063	520,198	5,110,440	8,351,594	217
2024 - 2025	18,251,153	39,450	4,312,315	507,227	3,410,783	8,269,775	221
2025 - 2026	18,612,017	37,875	4,307,908	508,890	3,419,601	8,274,273	225
2026 - 2027	18,980,099	36,300	-	4,817,568	3,399,670	8,253,538	230
2027 - 2028	19,349,682	39,594	-	-	8,129,796	8,169,390	237
2028 - 2029	8,321,713	37,756	-	-	2,409,234	2,446,990	340
2029 - 2030	8,559,444	35,919	-	-	2,411,600	2,447,519	350
2030 - 2031	8,801,931	-	-	-	2,435,282	2,435,282	361
2031 - 2032	9,034,381	-	-	-	2,430,216	2,430,216	372
2032 - 2033	9,248,494	-	-	-	2,421,964	2,421,964	382
2033 - 2034	9,460,102	-	-	-	2,410,527	2,410,527	392
2034 - 2035	9,706,262	-	-	-	2,420,407	2,420,407	401
2035 - 2036	9,957,346	-	-	-	2,426,039	2,426,039	410
2036 - 2037	10,213,452	-	-	-	2,402,923	2,402,923	425

⁽¹⁾ Assumes amendment to increase tax increment cap.

⁽²⁾ Represents fixed payment obligations under the 2007 Swap.

Sources: Fraser & Associates for Tax Revenues and RBC Capital Markets.

TABLE 8
Richmond Community Redevelopment Agency
Housing Set Aside Tax Revenues
Projected Debt Service Coverage
(Assuming No Growth in Assessed Value)

Fiscal Year	Housing Tax Revenues	2000 Series B Debt Service	2004 Series A (Housing Share) Debt Service	2004 Series B Debt Service	2007 Housing Set-Aside Bonds Debt Service⁽¹⁾	Total Debt Service	Coverage (%)
2007 - 2008	\$4,532,515	\$578,098	\$314,512	\$138,481	-	\$1,031,091	440%
2008 - 2009	4,532,515	579,723	312,298	141,875	\$465,000	1,498,895	302
2009 - 2010	4,532,515	575,061	314,867	140,038	535,000	1,564,966	290
2010 - 2011	4,532,515	578,930	312,076	138,025	580,000	1,609,031	282
2011 - 2012	4,532,515	575,585	314,056	140,756	625,000	1,655,397	274
2012 - 2013	4,532,515	574,983	315,650	138,225	675,000	1,703,857	266
2013 - 2014	4,532,515	572,455	311,933	140,413	725,000	1,749,800	259
2014 - 2015	4,532,515	572,810	313,070	137,413	-	1,023,293	443
2015 - 2016	4,532,515	570,855	313,910	139,319	-	1,024,084	443
2016 - 2017	4,532,515	571,398	314,366	136,025	-	1,021,788	444
2017 - 2018	4,532,515	569,245	314,438	137,525	935,000	1,956,208	232
2018 - 2019	4,532,515	564,398	314,256	138,825	990,000	2,007,479	226
2019 - 2020	4,532,515	28,000	857,742	139,925	1,040,000	2,065,667	219
2020 - 2021	4,532,515	26,400	544,419	135,613	1,415,000	2,121,432	214
2021 - 2022	4,532,515	24,800	549,032	135,872	1,030,000	1,739,704	261
2022 - 2023	3,475,568	8,800	560,837	135,900	1,085,000	1,790,537	194
2023 - 2024	3,475,568	8,400	551,962	135,697	1,145,000	1,841,059	189
2024 - 2025	3,475,568	8,000	546,853	140,147	1,175,000	1,870,000	186
2025 - 2026	3,421,597	7,600	545,478	139,250	1,230,000	1,922,328	178
2026 - 2027	3,421,597	7,200	544,416	138,122	1,285,000	1,974,738	173
2027 - 2028	3,421,597	6,800	-	-	2,020,000	2,026,800	169
2028 - 2029	3,421,597	11,200	-	-	830,000	841,200	407
2029 - 2030	1,181,431	10,400	-	-	830,000	840,400	141
2030 - 2031	1,181,431	-	-	-	835,000	835,000	141
2031 - 2032	1,171,540	-	-	-	835,000	835,000	140
2032 - 2033	1,171,540	-	-	-	835,000	835,000	140
2033 - 2034	1,171,540	-	-	-	835,000	835,000	140
2034 - 2035	1,171,540	-	-	-	835,000	835,000	140
2035 - 2036	1,171,540	-	-	-	835,000	835,000	140
2036 - 2037	1,171,540	-	-	-	835,000	835,000	140

Sources: Fraser & Associates for Set-Aside Revenues and RBC Capital Markets.

TABLE 9
Richmond Community Redevelopment Agency
Housing Set Aside Tax Revenues
Projected Debt Service Coverage
(Assuming 2% Growth in Assessed Value)

Fiscal Year	Housing Tax Revenues⁽¹⁾	2000 Series B Debt Service	2004 Series A (Housing Share) Debt Service	2004 Series B Debt Service	2007 Housing Set-Aside Bonds Debt Service	Total Debt Service	Coverage (%)
2007 - 2008	\$4,706,423	\$578,098	\$314,512	\$138,481	-	\$1,031,091	456%
2008 - 2009	4,898,144	579,723	312,298	141,875	\$465,000	1,498,895	327
2009 - 2010	5,101,174	575,061	314,867	140,038	535,000	1,564,966	326
2010 - 2011	5,249,737	578,930	312,076	138,025	580,000	1,609,031	326
2011 - 2012	5,401,452	575,585	314,056	140,756	625,000	1,655,397	326
2012 - 2013	5,556,370	574,983	315,650	138,225	675,000	1,703,857	326
2013 - 2014	5,714,544	572,455	311,933	140,413	725,000	1,749,800	327
2014 - 2015	5,876,028	572,810	313,070	137,413	-	1,023,293	574
2015 - 2016	6,040,879	570,855	313,910	139,319	-	1,024,084	590
2016 - 2017	6,209,155	571,398	314,366	136,025	-	1,021,788	608
2017 - 2018	6,380,916	569,245	314,438	137,525	935,000	1,956,208	326
2018 - 2019	6,556,222	564,398	314,256	138,825	990,000	2,007,479	327
2019 - 2020	6,735,138	28,000	857,742	139,925	1,040,000	2,065,667	326
2020 - 2021	6,917,728	26,400	544,419	135,613	1,415,000	2,121,432	326
2021 - 2022	5,677,020	24,800	549,032	135,872	1,030,000	1,739,704	326
2022 - 2023	5,839,341	8,800	560,837	135,900	1,085,000	1,790,537	326
2023 - 2024	6,004,908	8,400	551,962	135,697	1,145,000	1,841,059	326
2024 - 2025	6,095,346	8,000	546,853	140,147	1,175,000	1,870,000	326
2025 - 2026	6,265,970	7,600	545,478	139,250	1,230,000	1,922,328	326
2026 - 2027	6,440,006	7,200	544,416	138,122	1,285,000	1,974,738	326
2027 - 2028	6,617,523	6,800	-	-	2,020,000	2,026,800	327
2028 - 2029	3,217,178	11,200	-	-	830,000	841,200	382
2029 - 2030	3,332,466	10,400	-	-	830,000	840,400	397
2030 - 2031	3,450,059	-	-	-	835,000	835,000	413
2031 - 2032	3,570,003	-	-	-	835,000	835,000	428
2032 - 2033	3,675,944	-	-	-	835,000	835,000	440
2033 - 2034	3,800,411	-	-	-	835,000	835,000	455
2034 - 2035	3,927,367	-	-	-	835,000	835,000	470
2035 - 2036	4,056,863	-	-	-	835,000	835,000	486
2036 - 2037	4,188,948	-	-	-	835,000	835,000	502

⁽¹⁾ Assumes amendment to increase tax increment cap.

Sources: Fraser & Associates for Set-Aside Revenues and RBC Capital Markets.

Statement of Direct and Overlapping Debt

Set forth below in Table 10 is a direct and overlapping debt report for the Merged Project Area (the “Debt Report”) prepared by California Municipal Statistics, Inc. and dated May 1, 2007. The Debt Report is included for general information purposes only. None of the City, the Authority or the Agency have reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith.

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TABLE 10
Richmond Community Redevelopment Agency
Merged Project Area
Direct and Overlapping Debt Report

2006-07 Assessed Valuation: \$3,245,886,080
 Base Year Valuation: 1,989,746,817
 Incremental Valuation: \$1,256,139,263

<u>DIRECT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/07</u>
Project 1B 1995 Refunding Marks-Roos Act Bonds	100. %	\$ 195,372
Project 1C 1995 Refunding Marks-Roos Act Bonds	100.	1,340,268
Project 3A 1995 Refunding Marks-Roos Act Bonds	100.	1,144,360
Project 11A 1991 Refunding Tax Allocation Bonds	100.	155,000
Project 11A 1998 Refunding Tax Allocation Bonds	100.	20,292,779
Series 2000A Tax Allocation Bonds	100.	21,000,000
Series 2000B Tax Allocation Bonds	100.	4,550,000
Series 2003A Tax Allocation Bonds	100.	16,080,000
Series 2003B Tax Allocation Bonds	100.	12,500,000
Series 2004A Tax Allocation Bonds	100.	14,590,000
Series 2004B Tax Allocation Bonds	100.	<u>1,860,000</u>
TOTAL DIRECT DEBT		\$93,707,779 ⁽¹⁾

Ratio to Incremental Valuation: 7.46%

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		
Bay Area Rapid Transit District	0.742%	\$ 646,913
Contra Costa Community College District	2.270	2,562,830
West Contra Costa Unified School District	13.396	71,870,012
East Bay Municipal Utility District	2.033	22,261
East Bay Municipal Utility District, Special District No. 1	0.779	268,015
East Bay Regional Park	1.014	1,686,231
West Contra Costa Healthcare District Parcel Tax Obligations	12.523	3,170,197
City of Richmond Community Facilities District No. 1998-1	100.	3,975,000
City of Richmond Harbor Navigation District, I.D. No. 1	72.839	1,096,227
City of Richmond I.D. No. 852	44.913	<u>1,086,895</u>
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT		\$86,384,581
Less: East Bay Municipal Utility District		<u>22,261</u>
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT		\$86,362,320

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Contra Costa County General Fund Obligations	1.012 %	\$ 3,083,311
Contra Costa County Pension Obligations	1.012	5,434,491
Contra Costa County Board of Education Certificates of Participation	1.012	9,108
Alameda-Contra Costa Transit District Certificates of Participation	0.989	186,970
Contra Costa Community College District Certificates of Participation	1.014	12,320
West Contra Costa Unified School District Certificates of Participation	7.019	1,830,204
City of Richmond General Fund Obligations	12.687	5,229,935
City of Richmond Pension Obligations	12.687	<u>17,319,675</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$33,106,014

GROSS COMBINED TOTAL DIRECT AND OVERLAPPING DEBT \$213,198,374 ⁽²⁾
 NET COMBINED TOTAL DIRECT AND OVERLAPPING DEBT \$213,176,113

(1) Excludes tax allocation bonds to be issued.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations

Ratios to 2006-07 Assessed Valuation:

Gross Combined Total Direct and Overlapping Debt.....6.57%
 Net Combined Total Direct and Overlapping Debt.....6.57%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06: \$0

Source: California Municipal Statistics, Inc.

BOND OWNERS' RISKS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating a purchase of the Bonds. However, they do not constitute an exhaustive listing of risks and other considerations which may be relevant to an investment in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Concentration of Tax Base

Approximately 22% of the assessed value in the Merged Project Area is attributable to the top ten assesses. In such an area, the failure or financial difficulty of one or more of such large properties could have a significant detrimental impact on their assessed value and consequently on the amount of the tax increment revenues allocable to the Merged Project Area available to secure the Bonds. See "PROJECTED DEBT SERVICE COVERAGE."

Estimates of Tax Increment Revenues

In estimating that the total tax increment to be received by the Agency will be sufficient to pay debt service on the Bonds, the Agency and the Consultant relied on actual historical tax increment and made certain assumptions with regard to future assessed valuations in the Merged Project Area, future tax rates and the percentage of taxes collected and the outcome of assessment appeals. See "THE MERGED PROJECT AREA – The Constituent Project Areas" and "APPENDIX H – FISCAL CONSULTANT REPORT." The Agency and the Consultant believe these assumptions are reasonable, but there is no assurance that these assumptions will be realized and to the extent that the assessed valuation and the tax rates are less than expected, the total tax increment available to pay debt service on the Bonds will be reduced. Such reduced tax increment may be insufficient to provide for the payment of debt service on the Bonds and hence the Bonds. See "SECURITY FOR THE SERIES 2007A BONDS" and "SECURITY FOR THE SERIES 2007B BONDS."

Appeals and Other Reductions to Assessed Values

Pursuant to California law, a property owner may apply for a reduction of the property tax assessment by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. Assessment appeals may have a significant impact on the taxable value of property and therefore the tax increment revenue allocable to a project area.

In the County, a property owner desiring to reduce the assessed value of such property in any one year must submit an application to the Contra Costa County Assessment Appeals Board (the "Appeals Board"). Applications for any tax year must be submitted by September 15 of such tax year. Following a review of the application by the County Assessor's Office (the "Assessor"), the Assessor may (i) reduce the assessment through a roll correction, (ii) offer the property owner the opportunity to stipulate to a reduced assessment or (iii) confirm the assessment. In the County, any appeals where the difference between the current assessed value and the applicant's opinion of value is less than \$1 million is handled administratively without a hearing before the Appeals Board. For appeals in this category, the Assessor's office staff may confirm or reduce the assessment with a roll correction. The applicant is notified of the results of the Assessor's action and requested to withdraw the appeal. The roll correction can either be a base year reduction where the value will not be reassessed until the property is sold or a reduction in value which can be reversed once the conditions creating the reduction (e.g. recession, property condition) have been remedied. If the applicant does not agree with the decision of the Assessor's office

staff, the applicant can pursue the appeal before the Appeals Board for a hearing and decision. The Appeals Board is generally required to determine the outcome of appeals within two years of the date the appeal is filed. The Appeals Board can confirm or reduce the assessment with a roll correction in the manner described above or agree to review the appeal within the two year time period.

Due to the impact that assessment appeals can have on the taxable values and tax increment revenues of a project area, a review of recently resolved and open appeals was conducted by the Consultant. The review revealed three open appeals in the Merged Project Area, as shown on the table below.

Assessee	<u>Open Appeals</u>			
	<u>Current Roll Value</u>	<u>Applicant's Value Opinion</u>	<u>Estimated Resolved Value⁽¹⁾</u>	<u>Estimated Value Reduction</u>
Hearst Corporation	\$16,049,622	\$ 3,300,000	\$12,197,713	\$ 3,851,909
Dicon Fiberoptics	<u>44,044,102</u>	<u>27,000,000</u>	<u>33,473,518</u>	<u>10,570,584</u>
Total:	\$60,093,724	\$30,300,000	\$45,671,230	\$14,422,494 ⁽²⁾

⁽¹⁾ Estimated at 24% reduction.

⁽²⁾ Numbers may not add due to rounding.

Source: Fraser & Associates.

There are three open appeals for two property owners, as shown above. The owners have requested reductions in value of \$30.3 million. The Consultant has estimated the potential impact of the open appeals based on success factor ratios since 2003 in the Merged Project Area. Over this time period, 95 appeals have been resolved. Seventy nine of these were either denied by the County or withdrawn by the property owner. Sixteen property owners were successful with their appeals. On average, reductions in value equaled 24 % for the successful appeals. Based on the success ratio, the Consultant has assumed a 24 % decrease in value for the open appeals. This would result in a reduction in future taxable values of \$14.4 million. The Consultant has reduced taxable value for the impact of open appeals in Fiscal Year 2007-08.

The County does not allocate refunds attributable to assessment appeals to redevelopment project areas. Therefore, the Consultant has not reduced tax increment revenues for the impact of refunds.

In determining tax increment projections, the Consultant reduced taxable values in the Merged Project Area to account for the impact of open appeals in Fiscal Year 2007-08. For additional information regarding assessment appeals, see "APPENDIX H – FISCAL CONSULTANT REPORT."

Bankruptcy and Foreclosure

The enforceability of the rights and remedies of the owners of the Bonds and the obligations of the Agency 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; usual 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 of California and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy

proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the Bonds 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.

In addition, although bankruptcy proceedings would not cause *ad valorem* property taxes to become extinguished, bankruptcy of a property owner in the Merged Project Area could result in a delay in prosecuting superior court foreclosure proceedings of delinquent property and, in the absence of the Teeter Plan, could result in a delay in the receipt by the Agency of tax revenues. Such a delay, in the absence of the Teeter Plan, would increase the possibility of a delay or default in payment of the principal of and interest on the Bonds.

Investment Risk

All funds held under the Indenture are required to be invested in Permitted Investments as provided under the Indenture. See “APPENDIX B – SUMMARY OF THE NON-HOUSING INDENTURE” and “APPENDIX C – SUMMARY OF THE HOUSING INDENTURE” attached hereto for a summary of the definition of Permitted Investments. The Non-Housing Special Fund, into which all Subordinate Non-Housing Pledged Tax Revenues are initially deposited, and the Housing Special Fund, into which all Subordinate Housing Pledged Tax Revenues are initially deposited, may be invested by the Agency in Permitted Investments. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indenture in the Non-Housing Special Fund or the Housing Special Fund could have a material adverse affect on the security for the Bonds.

Development Risks

The Agency’s ability to make payments on the Bonds will be dependent upon the economic strength of the Merged Project Area. The general economy of those areas will be subject to all the risks generally associated with real estate development projects. Projected development within the Merged Project Area may be subject to unexpected delays, disruptions and changes. Real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development operations within the Merged Project Area could be adversely affected by future governmental policies, including governmental policies to restrict or control development. In addition, if there is a decline in the general economy of the area, the owners of property within the Merged Project Area may be less able or less willing to make timely payments of property taxes causing a delay or cessation in receipt of tax revenues by the Agency.

Earthquake Risks

There are several geological faults in the greater San Francisco Bay Area that have the potential to cause serious earthquakes which could result in damage to buildings, roads, bridges, and property within the Merged Project Area. The most recent major earthquake was the 1989 Loma Prieta earthquake with a magnitude of 7.1 on the Richter scale. The epicenter was near Santa Cruz, approximately 65 miles south of the City. In addition to the San Andreas Fault, faults that could affect the Merged Project Area include the Hayward Fault and the Calaveras Fault in the central and eastern portions of Alameda County. It is possible that new geological faults could be discovered in the area and a significant earthquake along these or other faults is possible during the period that the Bonds will be outstanding which may cause a delay or suspension of receipt of tax increment revenues by the Agency.

Significant portions of the Harbour Project Area are situated on landfill. During an earthquake, landfill areas are subject to liquefaction, which is the temporary change of a saturated soil or fill to a liquid with the loss of support strength for structures. Commercial properties, residential properties and infrastructure in this project area could sustain damage in a major seismic event from ground motion and liquefaction of underlying soils. This could result in a substantial reduction or suspension of receipt of tax increment revenues by the Agency from these areas.

Brownfields

Development in certain of the constituent project areas is complicated by the presence or perceived presence of contaminants. These areas of contamination or suspected contamination are often referred to as “brownfields.” The Agency has initiated a toxic remediation program, the goal of which is to convert brownfields into viable sites for development. For example, the Marina Bay development is a successful conversion of a brownfield area into vibrant commercial and residential development. However there can be no guarantee that similar efforts in other project areas will be successful. If hazardous substances cannot be removed or sufficiently remediated in a cost effective manner, the development proposed for a particular project area may never be realized and the Agency may not receive any tax increment revenues from such Project Area(s).

Levy and Collection of Taxes

The Agency has no independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the tax revenues, and accordingly, could have an adverse impact on the ability of the Agency to pay debt service on the Bonds. In addition, the impact of bankruptcy proceedings on the legal ability of taxing agencies to collect property taxes could have an adverse effect on the Agency’s ability to make debt service payments.

Reductions in Inflationary Rate

Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a two percent (2%) increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. For 2005-06 and future fiscal years, the Consultant used a 2% inflation factor to increase real property values in the Merged Project Area. The 2% factor is the factor that the County assessor has been directed to use by the SBE in preparing the 2006-07 tax roll. In certain fiscal years, the inflation factor for certain constituent project areas has been less than 2% overall. Should inflation not reach 2% in the future, tax increment could be lower than projected for the Merged Project Area. See “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS.”

State Budgets

The State of California faces significant budget issues for Fiscal Year 2006-07 and possibly beyond. In connection with its approval of State budgets for Fiscal Years ending June 30, 1993, 1994, 1995, 2003, 2004, 2005 and 2006, the State Legislature enacted legislation, that among other things, reallocated a portion of funds from redevelopment agencies to school districts by shifting each agency’s tax increment, net of amounts due to other taxing agencies, to school districts for such fiscal years for deposit to the Educational Revenue Augmentation Fund (“ERAF” shifts). The amount required to be paid by a redevelopment agency under such legislation was apportioned among all of its redevelopment project areas on a collective basis, and was not allocated separately to individual project areas.

The 2004-05 State Budget included a transfer by redevelopment agencies to the applicable ERAFs of \$250 million in each of Fiscal Years 2004-05 and 2005-06. The Agency's share of the annual \$250 million shift for Fiscal Year 2004-05 was \$1,204,003 and the share for Fiscal Year 2005-06 was \$1,167,821. Both amounts have been paid. The legislation provided that required transfers to ERAF were subordinate to payment on bonds secured by tax increment revenues, thus the Agency's 2004-05 and 2005-06 payments to ERAF were subordinate to payments on the Senior Bonds and the 2004 Bonds.

Section 33333.6(e)(3)(A) of the Redevelopment Law (enacted as SB 1096 in 2004) permits the Agency to extend the time limits of the effectiveness of its redevelopment plans and for repayment of its indebtedness by one year for each year the Agency has made a payment to ERAF. The Agency has extended the applicable time limits with respect to the Project Area to account for the 2004-05 ERAF shift and has begun the process of extending the applicable time limits with respect to the Project Area to account for the 2005-06 ERAF shift.

The Governor's budget for Fiscal Year 2007-08, as currently proposed, does not require an ERAF transfer of tax increment revenues by redevelopment agencies. Although the State's voters approved a constitutional amendment on the November 2004 ballot (the "Local Government Initiative"), which purports to prohibit any further transfers of non-education local government property taxes for the benefit of the State, the Local Government Initiative does not purport to change existing law with respect to the State's ability to transfer redevelopment agencies' property tax revenues.

The Agency cannot predict whether the State Legislature will enact legislation impacting future Subordinate Pledged Tax Revenues. Given the level of the State's budget deficit problems, it is possible that tax increment available for payment of the Bonds may be reduced in the future by actions of the State Legislature and the Agency's ability to pay debt service on the Bonds may be impaired.

Information about the State budget and State spending is regularly available at various State-maintained websites. Text of the budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer, www.treasurer.ca.gov.

Parity Debt

As described in "SECURITY FOR THE 2007A BONDS – Additional Non-Housing Bonds and Other Non-Housing Parity Obligations" and "SECURITY FOR THE 2007B BONDS – Additional Housing Bonds and Other Housing Parity Obligations" the Agency may issue or incur obligations payable from Subordinate Non-Housing Pledged Tax Revenues and Subordinate Housing Pledged Tax Revenues on a parity with its pledge of Subordinate Non-Housing Pledged Tax Revenues and Subordinate Housing Pledged Tax Revenues, respectively, to payment of debt service on the Bonds. The existence of and the potential for such obligations increases the risks associated with the Agency's payment of debt service on the Bonds in the event of a decrease in the Agency's collection of Subordinate Non-Housing Pledged Tax Revenues or Subordinate Housing Pledged Tax Revenues.

Changes in the Law

In addition to the other limitations on tax revenues described herein under "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS" the California electorate or Legislature could adopt a constitutional or legislative change that decreases property taxes or the amount thereof allocable to the Agency with the effect of reducing tax revenues payable to the Agency. There is

no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could reduce such tax revenues and adversely affect the security for the Bonds.

Hazardous Substances

An additional environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the Merged Project Area. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the Merged Project Area be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition and/or other amounts.

LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS

Article XIII A of the California Constitution

California voters, on June 6, 1978, approved an amendment (commonly known as Proposition 13) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under ‘full cash value’, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, a reduction in the consumer price index or comparable local data, or declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition.

In the general election held November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amend Article XIII A. Proposition 58 amends Article XIII A to provide that the terms “purchased” and “change of ownership,” for purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children.

Proposition 60 amends Article XIII A to permit the Legislature to allow persons over age 55 who sell their residence to buy or build another of equal or lesser value within two years in the same county, and to transfer the old residence’s assessed value to the new residence. Pursuant to Proposition 60, the Legislature has enacted legislation permitting counties to implement the provisions of Proposition 60.

Challenges to Article XIII A. On September 22, 1978, the California Supreme Court upheld the amendment over challenges on several state and federal constitutional grounds (*Amador Valley Joint Union High School District v. State Board of Equalization*). The Court reserved certain constitutional issues and the validity of legislation implementing the amendment for future determination in proper cases. Since 1978, several cases have been decided interpreting various provisions of Article XIII A; however, none of them have questioned the ability of redevelopment agencies to use tax allocation financing. The United States Supreme Court upheld the validity of the assessment procedures of Article XIII A in *Nordlinger v. Hahn*.

The Agency cannot predict whether there will be any future challenges to California's present system of property tax assessment and cannot evaluate the ultimate effect on the Agency's receipt of Pledged Tax Revenues should a future decision hold unconstitutional the method of assessing property.

Implementing Legislation. Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the \$1.00 per \$100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs, except for certain utility property assessed by the State Board of Equalization. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. The Agency is unable to predict the nature or magnitude of future revenue sources which may be provided by the State of California to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other ad valorem property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Litigation Relating to Property Assessments. Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The California courts have upheld the constitutionality of this procedure.

Article XIII B of the California Constitution

On November 6, 1979, California voters approved Proposition 4, which added Article XIII B to the California Constitution. Propositions 98 and 111, approved by the California voters in 1988 and 1990 respectively, substantially modify Article XIII B. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity. The initial version of Article XIII B provided that the "base year" for establishing an appropriations limit was the 1978-79 Fiscal Year, which was then adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies. Proposition 111 revised the method for making annual adjustments to the appropriations limit by redefining changes in the cost of living and in population. It also required that beginning in Fiscal Year 1990-91, each appropriations limit

must be recalculated using the actual 1986-87 appropriations limit and making the applicable annual adjustments as if the provisions of Proposition 111 had been in effect.

Appropriations subject to limitation of a local government under Article XIII B generally include any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity, exclusive of refunds of taxes. Proceeds of taxes include, but are not limited to, all tax revenues plus the proceeds to an entity of government from (1) regulatory licenses, user charges and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), (2) the investment of tax revenues, and (3) certain subventions received from the State.

As amended by Proposition 111, Article XIII B provides for testing of appropriations limits over consecutive two-year periods. If an entity's revenues in any two-year period exceed the amounts permitted to be spent over such period, the excess has to be returned by revising tax rates or fee schedules over the subsequent two years. As amended by Proposition 98, Article XIII B provides for the payment of a portion of any excess revenues to a fund established to assist in financing certain school needs.

Effective September 30, 1980, the California Legislature added Section 33678 to the Redevelopment Law which provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness shall not be deemed the receipt by such agency of proceeds of taxes levied by or on behalf of such agency within the meaning of Article XIII B, nor shall such portion of taxes be deemed receipt of the proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State, including Section 33678. The constitutionality of Section 33678 has been upheld in two California appellate court decisions, *Brown v. Community Redevelopment Agency of the City of Santa Ana* and *Bell Community Redevelopment Agency v. Woosley*. The plaintiff in *Brown v. Community Redevelopment Agency of the City of Santa Ana* petitioned the California Supreme Court for a hearing of this case. The California Supreme Court formally denied the petition and therefore the earlier court decisions are now final and binding.

Articles XIII C and XIII D of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218. Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of local entities of government to levy and collect both existing and future taxes, assessments, fees and charges. Article XIII C to the State Constitution provides that any tax assessment or charge may be repealed by the State's initiative process. However, since the Bonds are not payable from or secured by any such sources of revenue, Proposition 218 does not affect the issuance or sale of, or the security for, the Bonds.

Proposition 87

On November 8, 1988 the voters of the State approved Proposition 87, which amended Article XVI, Section 16 of the California Constitution to provide that property tax revenue attributable to the imposition of taxes on property within a redevelopment project area for the purpose of paying debt service on bonded indebtedness approved by the voters of the taxing entity after January 1, 1989 will be allocated to the taxing entity and not to the redevelopment agency. Because this provision is not retroactive, the Agency does not believe the provisions of Proposition 87 can have a material adverse effect on the ability of the Agency to pay debt service on the Bonds.

Further Initiatives

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

Property Tax Collection Procedures

Classifications. In California, property that is subject to *ad valorem* taxation is classified as "secured" or "unsecured." Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by a county becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax that becomes a lien on secured property has priority over all other liens arising pursuant to State law on the secured property, regardless of the time of the creation of the other liens. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer.

Collections. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured personal property taxes in the absence of timely payment by the taxpayer: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes that are delinquent.

Delinquencies. Except for property assessed by the State, the valuation of property is determined as of January 1 each year and equal installments of taxes levied upon secured property become delinquent after the following December 10 and April 10. Taxes on unsecured property are due January 1. Unsecured taxes enrolled by July 31, if unpaid, are delinquent August 31 at 5:00 p.m. and are subject to penalty; unsecured taxes added to roll after July 31, if unpaid, are delinquent on the last day of the month succeeding the month of enrollment.

Current tax payment practices by the County provide for payment to the Agency of tax revenues on a semiannual basis. Tax increment is allocated to the Agency based on 100% of the calculated tax levy.

Penalty. A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent are declared in default with respect to such property on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption and a \$15 Redemption. Because the County allocates property taxes to the Agency based on 100% of the tax levy, the County retains all such penalties and interest. See "-- County Tax Losses Reserve Fund (Teeter Plan)."

County Tax Losses Reserve Fund (Teeter Plan). The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided

for in Section 4701 et seq. of the California Revenue and Taxation Code and has created a tax loss reserve fund (the "Tax Losses Reserve Fund"). Under the Teeter Plan, each participating local agency levying property taxes in the County receives the amount of uncollected taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the County receives and retains delinquent payments, penalties and interest as collected, that would have been due the local agency.

The Contra Costa County Auditor Controller (the "County Auditor") reports that, to date, the Tax Losses Reserve Fund has proved adequate to meet all tax and special assessment delinquencies, with the effect that, each year, the City has received the full amount of taxes levied and assessment installments posted to the tax bill. There can be no guarantee, however, that the County Tax Losses Reserve Fund will continue to be sufficient to meet such delinquencies in the future. The County has the power to unilaterally discontinue the Teeter Plan on a countywide basis with respect to one or more categories, including general taxes, special taxes or special assessment installments. The Teeter Plan may also be discontinued by petition of two-thirds of the participant taxing agencies.

Supplemental Assessments. A bill enacted in 1983, Senate Bill ("SB") 813 (Chapter 498, Statutes of 1983) provides for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction after the January 1 tax lien date. SB 813 may provide increased revenue to redevelopment agencies to the extent that supplemental assessments as a result of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the lien date. To the extent such supplemental assessments occur within the Merged Project Area, tax revenues may increase.

Filing of Statement of Indebtedness. Under the Redevelopment Law, the Agency must file a statement of indebtedness for the Merged Project Area with the County Auditor not later than the first day of October of each year. As described below, the statement of indebtedness controls the amount of tax increment which will be paid to the Agency in each fiscal year.

Each statement of indebtedness is filed on a form prescribed by the State Controller and specifies, among other matters, (i) the total amount of principal and interest payable on all loans, advances or indebtedness (including the Bonds and all Parity Obligations) (the "Debt"), both over the life of the Debt and for the current fiscal year, and (ii) the amount of "available revenue" as of the end of the previous fiscal year. "Available revenue" is calculated by subtracting the total payments on Debt during the previous fiscal year from the total revenues (both tax increment and other revenues) received during the previous fiscal year, plus any carry forward from the prior fiscal year. Available revenues include amounts held by the Agency and irrevocably pledged to the payment of Debt, but do not include amounts in the Low and Moderate Income Housing Fund.

The County Auditor may only pay tax increment to the Agency in any fiscal year to the extent that the total remaining principal and interest on all Debt exceeds the amount of available revenues as shown on the statement of indebtedness.

The statement of indebtedness constitutes prima facie evidence of indebtedness of the Agency; however, the County Auditor may dispute the statement of indebtedness in certain cases. Section 33675 of the Redevelopment Law provides for certain time limits controlling any dispute of the statement of indebtedness, and allows a Superior Court determination of such dispute in the event it cannot be resolved by the Agency and the County. Any such action may only challenge the amount of the Debt as shown on the statement, and not the validity of any Debt or related contract or the expenditures related thereto. No challenge can be made to payments to a trustee in connection with a bond issue or payments to a public agency in connection with payments by that public agency with respect to a lease or bond issue.

Property Tax Administrative Charges. In 1990, the State Legislature enacted SB 2557 (Chapter 466, Statutes of 1990), now codified in Section 97.5 of the California Revenue and Taxation Code, which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis. Subsequent legislation clarified that the provisions of SB 2557 include redevelopment agencies as a local government agency which must pay such administrative costs. Since the enactment of SB 2557, the Agency has had its tax increment reduced by the County for its pro rata share of property tax administrative costs. The estimated SB 2557 charges to the Agency attributable to the Merged Project Area for Fiscal Year 2006-07 is \$205,600, which is one percent (1%) of Fiscal Year 2006-07 tax increment revenues.

Unitary Property

AB 2890 (Chapter 1457, Statutes of 1986) provides that, commencing with the 1988-89 Fiscal Year, assessed value derived from State assessed unitary property county wide is to be allocated as follows: (1) each tax rate area will receive the same amount from each assessed utility received in the previous fiscal year unless the applicable county wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro rata basis; and (2) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro rata share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State assessed property is changed from March 1 to January 1.

AB 454 (Chapter 921, Statutes of 1987) further modifies Chapter 1457 regarding the distribution of tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provides for the consolidation of all State assessed unitary property, except for railroad property, into a single tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State assessed property and distribution of property tax revenues derived from State-assessed property to taxing jurisdictions within each county in accordance with a new formula. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited. The intent of Chapters 1457 and 921 is to provide redevelopment agencies with their appropriate share of revenues generated from the property assessed by the State Board of Equalization and administrative procedures have been determined by the County Auditor to implement the legislation.

AB 454 provided that revenues derived from Unitary Property, commencing with the 1988-89 fiscal year, will be allocated as follows: (1) for revenues generated from the one percent tax rate, (a) each jurisdiction, including project areas, will receive a percentage up to 102 percent of its prior year State-assessed unitary revenue; and (b) if countywide revenues generated from Unitary Property are greater than 102% of the previous year's unitary revenues, each jurisdiction will receive a percentage share of the excess unitary revenues by a specified formula and (2) for revenue generated from the application of the debt service tax rate to county-wide unitary taxable value, each jurisdiction will receive a percentage share of revenue based on the jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes. This provision applies to all Unitary Property except railroads whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the method of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Litigation contesting the State Board of Equalization's procedures in determining the valuation of the seven largest utilities in the State has resulted in a stipulation between the State Board of Equalization

and the utilities. According to the terms of the settlement, the valuations of the seven largest utilities declined by a total of 10.5%, and were phased in over a three year period.

The Consultant has estimated that the Agency is qualified to receive approximately \$113,000 of allocable tax revenues in Fiscal Year 2006-07 from unitary property tax revenues. To the extent unitary values decrease county-wide, the Agency's allocable tax revenues resulting from unitary assessments can be expected to decrease.

Low and Moderate Income Housing Fund

Pursuant to the Redevelopment Law, the Agency is generally required to set aside 20% of all tax increment received annually in a Low and Moderate Income Housing Fund to be used within the jurisdiction of the Agency to increase and improve the supply of low and moderate income housing. However, as provided in the Redevelopment Law, an agency may deposit less than the amount required under said section into a Low and Moderate Income Housing Fund if the agency makes a finding with respect to one or more of the following: (i) that no need exists in the community to improve or increase the supply of low and moderate income housing in a manner which would benefit the applicable project area, and that the finding is consistent with the housing element of the community's general plan required by the California Government Code; or (ii) that some stated percentage less than 20% of the taxes which are allocated to the agency pursuant to Section 33670 of the Redevelopment Law is sufficient to meet the housing needs of the community and that the finding is consistent with the housing element of the community's general plan required by the California Government Code.

For certain prior fiscal years, the Agency made one or more of the findings described above and determined that less than the full 20% of tax increment was required to be deposited into the Low and Moderate Income Housing Fund. An internal accounting performed by Agency staff in October 1997 indicated that for Fiscal Years 1993-94 through 1996-97 the Agency deposited less than the full amount required to be deposited into the Low and Moderate Income Housing Fund for all Agency project areas pursuant to the Redevelopment Law. Agency staff has certified, however, that expenditures from tax increment revenues for qualified low and moderate income housing purposes were made during those years which were not recorded in the Low and Moderate Income Housing Fund. In addition, the Agency transferred cash into the Low and Moderate Income Housing Fund from other Agency accounts representing certain prior year amounts which should have been recorded in the Low and Moderate Income Housing Fund during those years. The Agency treats those expenditures and transfers as if they were recorded in the Low and Moderate Income Housing Fund and has certified that no shortfall currently exists in the Low and Moderate Income Housing Fund.

The Agency's 1998-99 financial audit contained findings of possible major violations. On August 10, 2000, the California Attorney General's Office issued a letter stating that the Agency had submitted additional documentation to the State Controller's Office relating to the audit findings. Based on that documentation, the Attorney General confirmed that the Agency was in substantial compliance with the Redevelopment Law and that no major violations exist.

The Agency expects to continue to deposit the full 20% of tax increment into the Low and Moderate Income Housing Fund. The Redevelopment Law allows the Agency to make its required Low and Moderate Income Housing Fund deposits from any project area and does not require that each individual project area contribute its share of the requirement so long as in total the requirement is met. The Agency will make the 20% deposit from its project areas in the aggregate, but not necessarily on the basis of 20% from each individual project area. However, for purposes of projection of tax increment with respect to the Merged Project Area, the Consultant has assumed that the full 20% will be paid out of the tax increment generated in the Merged Project Area. The amount the Agency expects to deposit into

the Low and Moderate Income Housing Fund for Fiscal Year 2006-07 is estimated to be \$4,566,000. See “APPENDIX H – FISCAL CONSULTANT REPORT.”

Certain Required Payments of Tax Revenues to Taxing Entities (AB 1290)

AB 1290, among other things added Sections 33607.5 and 33607.7 to the Redevelopment Law. Section 33607.5, as subsequently amended, applies to redevelopment project areas that are adopted on or after January 1, 1994, or are amended on or after January 1, 1994 to include new territory. If the statutory payment requirements are triggered by an amendment to include new territory, the payments are required only with respect to the new territory. Commencing with the first fiscal year in which a redevelopment agency receives tax increments from an affected redevelopment project area and continuing through the last fiscal year in which the redevelopment agency receives such tax increments, a redevelopment agency is required to pay to the affected taxing entities, including the community that has adopted the redevelopment project area if the community elects to receive a payment, an amount equal to 25 percent of the tax increments received by the redevelopment agency after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted. Commencing with the 11th fiscal year in which the redevelopment agency receives such tax increments and continuing through the last fiscal year in which the redevelopment agency receives such tax increments, the redevelopment agency is required to pay to the affected taxing entities, other than the community which has adopted the project, in addition to the amounts paid as described in the preceding sentence and after deducting the amount allocated to the Low and Moderate Income Housing Fund, an amount equal to 21 percent of the portion of tax increments received by the redevelopment agency, which is calculated by applying the tax rate against the amount of assessed value by which the then current year assessed value exceeds the first adjusted base year assessed value. The first adjusted base year assessed value is the assessed value of the redevelopment project area in the 10th fiscal year in which the redevelopment agency receives affected tax increment revenues. Finally, commencing with the 31st fiscal year in which the redevelopment agency receives tax increments and continuing through the last fiscal year in which the redevelopment agency receives tax increments, a redevelopment agency shall pay to the affected taxing entities, other than the community which adopted the project, in addition to the amounts paid pursuant to the previously described provisions, and after deducting the amount allocated to the Low and Moderate Income Housing Fund, an amount equal to 14 percent of the portion of tax increments received by the redevelopment agency, which is calculated by applying the tax rate against the amount of assessed value by which the then current year assessed value exceeds the second adjusted base year assessed value. The second adjusted base year assessed value is the assessed value of the project area in the 30th fiscal year in which the redevelopment agency receives affected tax increments.

Section 33607.7 generally makes the requirement of payments of tax increment by a redevelopment agency to affected taxing entities applicable to redevelopment project areas for which the redevelopment plan is amended on or after January 1, 1994, to increase the limitation on the number of dollars to be allocated to the redevelopment agency or the time limit on loans, advances, and indebtedness established pursuant to certain provisions of the Redevelopment Law or that lengthens the period during which the redevelopment plan is effective unless the redevelopment agency and the affected taxing entity had prior to January 1, 1994, entered into an agreement requiring payments from the redevelopment agency to the affected taxing entity. The amount to be paid by the redevelopment agency is calculated by the amount of assessed value by which the then current year assessed value exceeds an adjusted base year assessed value. The adjusted base year assessed value is the assessed value of the project area in the year in which the limitation amended would have taken effect without the amendment or, if more than one limitation is amended, the first year in which one or more of the limitations would have taken effect without the amendment. The redevelopment agency is required to commence making payments in the first fiscal year following the fiscal year in which the adjusted base year value is determined.

Section 33607.5 permits a redevelopment agency to subordinate the payments required to be paid to an affected taxing entity to loans, bonds, or other indebtedness of the redevelopment agency, except loans or advances from the community which adopted the redevelopment project area, if the redevelopment agency obtains the consent of the affected taxing entity prior to incurring such indebtedness. The Agency's payments under Sections 33607.5 and 33607.7 have not been subordinated to the Agency's obligations under the Indentures.

Pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law, a total of \$2,311,000 is estimated to be deducted from the Agency's Fiscal Year 2006-07 gross tax increment. See "APPENDIX H – FISCAL CONSULTANT REPORT."

SB 211

The California Legislature recently enacted SB 211, Chapter 741, Statutes 2001, effective January 1, 2002 ("SB 211"). SB 211 provides, among other things, that, at anytime after January 1, 2002, the limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994, may be deleted by ordinance of the legislative body. However, such deletion will trigger statutory tax sharing with those taxing entities that do not have tax sharing agreements. Tax sharing will be calculated based on the increase in assessed valuation after the year in which the limitation would otherwise have become effective.

SB 211 also authorizes the amendment of a redevelopment plan adopted prior to January 1, 1994, in order to extend for not more than 10 years the effectiveness of the redevelopment plan and the time to receive tax increment revenues and to pay indebtedness. Any such extension must meet certain specified requirements, including the requirement that the redevelopment agency establish the existence of both physical and economic blight within a specified geographical area of the redevelopment project and that any additional tax increment revenues received by the redevelopment agency because of the extension be used solely within the designated blighted area. SB 211 authorizes any affected taxing entity, the Department of Finance, or the Department of Housing and Community Development to request the Attorney General to participate in the proceedings to effect such extensions. It also would authorize the Attorney General to bring a civil action to challenge the validity of the proposed extensions.

SB 211 also prescribes additional requirements that a redevelopment agency would have to meet upon extending the time limit on the effectiveness of a redevelopment plan, including requiring an increased percentage of new and substantially rehabilitated dwelling units to be available at affordable housing cost to persons and families of low or moderate income prior to the termination of the effectiveness of the plan.

TAX MATTERS

The following is a summary of certain of the United States federal income tax consequences of the ownership of the Bonds as of the date hereof. Each prospective investor should consult with its own tax advisor regarding the application of United States federal income tax laws, as well as any state, local, foreign or other tax laws, to its particular situation.

This summary is based on the Internal Revenue Code of 1986 (the "Code"), as well as Treasury regulations and administrative and judicial rulings and practice. Legislative, judicial and administrative changes may occur, possibly with retroactive effect, that could alter or modify the continued validity of the statements and conclusions set forth herein. This summary is intended as a general explanatory discussion of the consequences of holding the Bonds generally and does not purport to furnish information in the level of detail or with the investor's specific tax circumstances that would be provided

by an investor's own tax advisor. For example, it generally is addressed only to original purchasers of the Bonds that are "U.S. holders" (as defined below), deals only with Bonds held as capital assets within the meaning of Section 1221 of the Code and does not address tax consequences to holders that may be relevant to investors subject to special rules, such as individuals, trusts, estates, tax-exempt investors, foreign investors, cash method taxpayers, dealers in securities, currencies or commodities, banks, thrifts, insurance companies, electing large partnerships, mutual funds, regulated investment companies, real estate investment trusts, FASITs, S corporations, persons that hold Bonds as part of a straddle, hedge, integrated or conversion transaction, and persons whose "functional currency" is not the U.S. dollar. In addition, except as described below, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in a holder of Bonds.

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a Bond. A "non-U.S. investor" is a holder (or beneficial owner) of a Bond that is not a U.S. Person. For these purposes, a "U.S. person" is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in Treasury regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

Series 2007A Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2007A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2007A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007A Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F hereto.

Series 2007A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

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 the Series 2007A Bonds. The Agency has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2007A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2007A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2007A Bonds. The opinion

of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2007A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2007A Bonds. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2007A Bonds is excluded from gross income for federal income tax purposes, and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007A Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, on May 21, 2007, the United States Supreme Court agreed to hear an appeal from a Kentucky state court which ruled that the United States Constitution prohibited the state from providing a tax exemption for interest on bonds issued by the state and its political subdivisions but taxing interest on obligations issued by other states and their political subdivisions. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2007A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Agency, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Agency has covenanted, however, to comply with the requirements of the Code.

Unless separately engaged, Bond Counsel is not obligated to defend the Agency or the Beneficial Owners regarding the tax-exempt status of the Series 2007A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Agency and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Agency legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2007A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2007A Bonds, and may cause the Agency or the Beneficial Owners to incur significant expense.

Series 2007B Bonds

In the opinion of Bond Counsel interest on the Series 2007B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code, but is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other federal or state

tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007B Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F hereto.

Tax Status of the Series 2007B Bonds

The Series 2007B Bonds will be treated, for federal income tax purposes, as a debt instrument. Accordingly, interest will be included in the income of the holder as it is paid (or, if the holder is an accrual method taxpayer, as it is accrued) as interest.

Holders of the Series 2007B Bonds that allocate (which generally will include all initial holders of the Series 2007B Bonds) a basis in the Series 2007B Bonds that is greater than the principal amount of the Series 2007B Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

If a holder purchases a Series 2007B Bond for an amount that is less than the principal amount of the Series 2007B Bond, and such difference is not considered to be de minimis, then such discount will represent market discount that ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accrue market discount currently, upon a sale or exchange of a Series 2007B Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year, will be deferred.

Although the Series 2007B Bonds are expected to trade “flat,” that is, without a specific allocation to accrued interest, for federal income tax purposes, a portion of the amount realized on sale attributed to the Series 2007B Bonds will be treated as accrued interest and thus will be taxed as ordinary income to the seller (and will not be subject to tax in the hands of the buyer).

Sale and Exchange of Series 2007B Bonds

Upon a sale or exchange of a Series 2007B Bond, a holder generally will recognize gain or loss on the Series 2007B Bond equal to the difference between the amount realized on the sale and its adjusted tax basis in such Series 2007B Bond. Such gain or loss generally will be capital gain (although any gain attributable to accrued market discount of the Series 2007B Bond not yet taken into income will be ordinary). The adjusted basis of the holder in a Series 2007B Bond will (in general) equal its original purchase price and decreased by any principal payments received on the Series 2007B Bond. In general, if the Series 2007B Bond is held for longer than one year, any gain or loss would be long term capital gain or loss, and capital losses are subject to certain limitations.

Defeasance of any Series 2007B Bond may result in a reissuance thereof, in which event a holder will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder’s adjusted tax basis in the Series 2007B Bond.

Foreign Investors

Distributions on the Series 2007B Bonds to a non-U.S. holder that has no connection with the United States other than holding its Series 2007B Bonds generally will be made free of withholding tax, as long as that the holder has complied with certain tax identification and certification requirements.

Circular 230

Under 31 C.F.R. part 10, the regulations governing practice before the IRS (Circular 230), we and our tax advisors are (or may be) required to inform you that:

- Any advice contained herein, including any opinions of counsel referred to herein, is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer;
- Any such advice is written to support the promotion or marketing of the Taxable Bond and the transactions described herein (or in such opinion or other advice); and

Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

NO LITIGATION

There is no litigation, now pending or, to the best knowledge of the Agency, threatened to restrain or enjoin the execution or delivery of the Bonds and the Indenture or in any way questioning or affecting the validity of the foregoing or any of the proceedings for the authorization, sale, execution or delivery of the Bonds, or which would materially adversely affect the ability of the Agency to meet its financial obligations.

THE AUTHORITY

The Authority was created by a Joint Exercise of Powers Agreement, dated as of December 1, 1989 (the "JPA Agreement"), by and between the Agency and the City. The JPA Agreement was entered into pursuant to the provisions of Articles 1 and 4, Chapter 5, Division 7, Title 1 of the California Government Code (the "JPA Law").

The members of the Agency and the City Council of the City (the "City Council") serve as the governing board of the Authority. The Authority is a separate entity constituting a public instrumentality of the State and was formed for the public purpose of establishing a vehicle which could reduce the borrowing costs of the Agency and promote greater use by the Agency of existing and new financial instruments and mechanisms.

Under the JPA Law, the Authority has the power to purchase bonds issued by a local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale. The Bonds are being issued for sale to the Authority and will be simultaneously resold by the Authority to the Underwriter.

UNDERWRITING

Series 2007A Bonds. The Series 2007A Bonds will be purchased from the Authority by RBC Dain Rauscher, Inc., doing business under the name RBC Capital Markets, as underwriter (the "Underwriter") under a Bond Purchase Contract (the "Series 2007A Purchase Contract") pursuant to which the Underwriter agrees, subject to certain conditions, to purchase all of such Series 2007A Bonds at an aggregate purchase price of \$64,909,500 (representing the par amount of such Series 2007A Bonds of \$65,400,000, less an underwriter's discount of \$490,500).

Series 2007B Bonds. The Series 2007B Bonds will be purchased from the Authority by the Underwriter under a Bond Purchase Contract (the “Series 2007B Purchase Contract”) pursuant to which the Underwriter agrees, subject to certain conditions, to purchase all of such Series 2007B Bonds at an aggregate purchase price of \$9,650,463.73 (representing the par amount of such Series 2007B Bonds of \$9,772,621.50 less an underwriter’s discount of \$122,157.77).

Each agreement pursuant to which the Underwriter will purchase the Bonds provides that all of the Bonds must be purchased if any of such Bonds are purchased. The obligations of the Underwriter to make such purchases are subject to certain terms and conditions. The Underwriter may offer and sell the Bonds to certain dealers and others at prices different from the prices stated on the inside cover page of Official Statement. The offering prices may be changed from time to time by the Underwriter.

CONTINUING DISCLOSURE

The Agency has covenanted on behalf of the Authority for the benefit of the Bondholders to provide certain financial information and operating data relating to the Agency by not later than 270 days after the end of the Agency’s fiscal year (presently June 30) in each year commencing with its report for the 2006-07 Fiscal Year (the “Annual Report”) and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Agency or the Dissemination Agent, if any, on behalf of the Agency with each Nationally Recognized Municipal Securities Information Repository and each State repository, if any. The notices of material events will be filed by the Agency or the Dissemination Agent, if any, on behalf of the Agency with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriters to comply with Securities and Exchange Commission Rule 15c2-12(b)(5). The specific nature of the information to be contained in the Annual Report or the notices of material events by the Agency is summarized in “APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT.”

Although the Agency has timely filed all of its required annual reports and material event notices for the past five years pursuant to the continuing disclosure undertakings of the Agency for its outstanding bonds, in several cases, certain items of information required to be contained in such reports were not included because the information was not available as of the deadline for filing the reports. The Agency has as of the date hereof filed all required missing items for such reports. As a result of the changes to the Agency’s management and accounting practices referred to above under “THE AGENCY – Governance and Administration” the Agency believes it will be able to fully comply with its continuing disclosure obligations going forward.

APPROVAL OF LEGALITY

Certain legal matters incident to the issuance of the Bonds will be approved by Orrick, Herrington & Sutcliffe LLP, as Bond and Disclosure Counsel to the Agency. Certain legal matters incident to the issuance of the Bonds will be passed upon for the Agency, the Authority and the City by the Interim City Attorney of the City of Richmond. Certain legal matters will be passed upon for the Underwriter by Lofton & Jennings, Underwriter’s Counsel. Bond Counsel, Agency Counsel and Disclosure Counsel undertake no responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

FINANCIAL ADVISOR

The Agency has retained Tamalpais Advisors, Inc., as Financial Advisor (the “Financial Advisor”) in connection with the execution and delivery of the Bonds and certain other financial matters. The Financial Advisor is not obligated to undertake, and has not undertaken to make an independent

verification of the accuracy, completeness or fairness of the information contained in this Official Statement. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other negotiable instruments. Payment of the fees and expenses of the Financial Advisor is contingent upon the sale and delivery of the Bonds.

RATINGS

Standard & Poor's Ratings Services ("S&P") and Fitch, Inc. ("Fitch") have assigned the Bonds the ratings of "AAA" and "AAA," respectively, with the understanding that upon the delivery of the Bonds, the Financial Guaranty Insurance Policy will be issued by the Insurer. The Bonds have received an uninsured rating of "A-" from S&P. Certain information was supplied to the rating agencies by the City and the Agency to be considered in evaluating the Bonds. The ratings issued reflect only the views of such rating agencies, and any explanation of the significance of such ratings should be obtained from S&P or Fitch. No assurance can be given that any rating issued by a rating agency will be retained for any given period of time or that the same will not be revised or withdrawn entirely by such rating agency, if in its judgment circumstances so warrant. Any such revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

MISCELLANEOUS

All summaries contained herein of the Indenture, applicable legislation, agreements and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Authority or the Agency for further information in connection therewith. The Agency shall provide, upon request, annual basic financial statements when available.

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement that may have been made orally or in writing is to be construed as a contract with the Bond Owners or Beneficial Owners.

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APPENDIX A

ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF RICHMOND

General

The City of Richmond, California (the “City”), located 16 miles northeast of San Francisco on the western shore of Contra Costa County (the “County”), occupies 33.7 square miles of land area on a peninsula that separates the San Francisco Bay and San Pablo Bay. The City is an important oil refining, industrial, commercial, transportation, shipping and government center. An active redevelopment program in the downtown and waterfront areas and commercial expansion in the City’s Hilltop area, along the Interstate 80 and Interstate 580 corridors, and along the new Richmond Parkway have added to the tax base of the City in recent years.

Population

City residents account for approximately ten percent (10%) of the population of the County. While the period from 1980 to 2000 was characterized by rapid population growth in both the City and the County, the last five (5) years reflect a trend of slower growth. Table 1 below shows the population of the City, the County and the State for the years 1970, 1980, 1990 and 2000 and also for the years 2002 through 2007 as of January 1.

**TABLE 1
CITY, COUNTY AND STATE POPULATION STATISTICS**

Year	City of Richmond	Contra Costa County	State of California
1970	79,043	556,116	19,971,069
1980	74,676	656,331	23,667,764
1990	87,425	803,732	29,760,021
2000	99,216	948,816	33,873,086
2002	101,111	983,360	35,088,671
2003	101,332	996,081	35,691,534
2004	101,960	1,008,999	36,252,878
2005	102,677	1,020,384	36,743,186
2006	102,676	1,030,732	37,195,240
2007	103,828	1,042,341	37,662,518

Sources: U.S. Census Bureau (1970-2000); State of California Department of Finance E-4 population Estimates for City, Counties and State, 2001-2007 with 2000 DRU Benchmark.

The City of Richmond Planning Department estimated that the City had 37,656 total housing units and 21,326 single family detached units (approximately 56.6% of total units) as of January 1, 2006.

Table 2 summarizes the median effective buying income on a per capita basis for the City, the County and the State for the calendar years of 2002 through 2006. Claritas Inc. Demographics USA 2006 estimated median household effective buying income at \$41,934 for the City of Richmond.

TABLE 2
CITY OF RICHMOND, CONTRA COSTA COUNTY AND THE STATE OF CALIFORNIA
TOTAL EFFECTIVE BUYING INCOME
2002-2006

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
City of Richmond	\$42,365	\$40,033	\$40,304	\$41,357	\$41,934
Contra Costa County	56,507	54,448	54,862	56,165	56,979
California	43,532	42,484	42,924	43,915	44,681

Sources: Survey of Buying Power, Sales & Marketing Management Magazine (Years 2002 through 2005) and Claritas Inc. Demographics USA (Year 2006).

Assessed Valuation

The City utilizes the facilities of the County for the assessment and collection of property related taxes for City purposes. City property related taxes are assessed and collected at the same time and on the same tax rolls as are county, school, and special district taxes.

As previously discussed, pursuant to Article XIII A of the California Constitution, annual increases in property valuations by the county assessor are limited to a maximum 2% unless properties are improved or sold. Transferred properties and improvements are assessed at 100% of full cash value. Therefore, the County tax rolls do not reflect values uniformly proportional to market values.

Business inventories are exempt from property taxation and are not included in the values shown in the following tables. Also excluded is the first \$7,000 of the value of owner occupied residences, pursuant to the homeowners' exemption under State law.

“Secured” property is real property which in the opinion of the county assessor can serve as a lien to secure payment of taxes. “Utility” property is any property of a public utility which is assessed by the State Board of Equalization rather than the county assessor, and which is also “secured” property.

Table 3 below shows the assessed valuation of taxable property in the City for Fiscal Years 2002-03 through 2006-07.

TABLE 3
CITY OF RICHMOND, CALIFORNIA
ASSESSED VALUE OF TAXABLE PROPERTY

Fiscal Year	Local Secured	Utility	Unsecured	Total Before Redevelopment Increment	Total After Redevelopment Increment
2002-03	\$7,526,724,967	\$40,536,133	\$661,039,285	\$8,228,300,385	\$7,207,913,520
2003-04	7,992,655,173	38,960,489	649,789,410	8,681,405,072	7,578,905,910
2004-05	9,098,953,478	30,049,819	747,760,672	9,876,763,969	8,676,514,399
2005-06	9,645,553,503	31,000,052	747,436,118	10,423,989,673	9,545,569,275
2006-07	11,329,240,515	28,950,901	784,744,022	12,142,935,438	10,160,005,866

Source: California Municipal Statistics, Inc.

Although the City receives its entire secured tax levy amount each year under the Teeter Plan, an indication of actual tax collections can be obtained from the history of collections of all entities levying taxes within the City limits. A history of these collections since Fiscal Year 2001-02 are shown in Table 4 as reported annually by the County Auditor.

TABLE 4
CITY OF RICHMOND
SECURED TAX LEVIES AND DELINQUENCIES
Fiscal Years 2001-02 through 2005-06

Fiscal Year Ended June 30	Total Current Fiscal Year Tax Levy	Amount of Current Fiscal Year Tax Levy Delinquent	Percent Current Levy Delinquent June 30 ⁽¹⁾
2001-02	\$22,626,173	\$326,531	1.44%
2002-03	23,253,482	397,750	1.71
2003-04	24,535,923	435,808	1.78
2004-05	27,874,360	368,968	1.32
2005-06	30,704,619	578,395	1.88

⁽¹⁾ Due to the County use of the Teeter Plan, the City received 100% of its tax levy, with the County responsible for collection of delinquent amounts.

Source: Contra Costa County Auditor-Controller.

Property Taxation and Tax Rates

The County assesses real personal property values and collects and distributes secured and unsecured property taxes to the City, school districts and other special districts located within the City.

Taxes are levied for each fiscal year on taxable real and personal property that is situated in the City as of the preceding January 1. For assessment and collection purposes, property is classified either as “secured” or “unsecured,” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State assessed property and property secured by a lien on real property which is sufficient, in the opinion of the Assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

Property taxes on the secured roll are due in two installments, on November 1, and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared to be in default on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of one and one half percent per month to the time of redemption. If taxes are unpaid for a period of five or more years, the tax defaulted property is declared to be subject to the County Treasurer-Tax Collector’s power of sale and may be subsequently sold by the County Treasurer-Tax Collector.

Legislation established the “supplemental roll” in 1984 which directs the Assessor to reassess real property, at market value, on the date property changes ownership or upon completion of construction. Property on the supplemental roll is eligible for billing 30 days after the reassessment and notification to the assessee. The resultant charge (or refund) is a one time levy on the increase (or decrease) in value for

the period between the date of the change in ownership or completion of construction and the date of the next regular tax roll upon which the assessment is entered.

Billings of supplemental assessments are made on a monthly basis and due on the date mailed. If mailed between the months of July through October, the first installment becomes delinquent on June 10th and the second on April 10th. If mailed within the months of November through June, the first installment becomes delinquent on the last day of the month following the month of billing. The second installment becomes delinquent on the last day of the fourth month following the date the first installment was delinquent.

State law exempts from assessed valuation \$7,000 of the full cash value of an owner-occupied residence, but this exemption does not result in any loss of revenue to local agencies, since an amount equivalent to the taxes which would have been payable on such exempt values is paid by the State. As of Fiscal Year 1984-85, the State reimbursement with respect to business inventory exemption, which formerly had been in the amount of 50%, then 100%, was repealed. This subvention for cities has been replaced by increased motor vehicle license fees.

Property taxes on the unsecured roll are due as of January 1 lien date and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of one and one half percent per month begins to accrue beginning November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (i) by filing a civil action against the taxpayer, (ii) by filing a certificate in the office of the City Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (iii) by filing a certificate of delinquency for recordation in the City Recorder's office, in order to obtain a lien on certain property of the taxpayer; and (iv) by the seizure and sale of property, improvements or possessory interest, belonging to the taxpayer. These collection methods can be used separately or jointly.

On June 6, 1978, the voters of California approved an amendment (commonly known as both Proposition 13 and the Jarvis Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other items, affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or may be reduced in the event of declining property values caused by damage, destruction or other factors including general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two thirds of the votes cast by the voters voting on the proposition.

On September 22, 1978, the California Supreme Court upheld the amendment over challenges on several state and federal constitutional grounds (*Amador Valley Joint Union High School District v. State Board of Equalization*). The Court reserved certain constitutional issues and the validity of legislation implementing the amendment for future determination in property cases. In June 1992, the U.S. Supreme Court, in a 8-1 ruling, upheld Proposition 13.

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this presentation (except as noted) is shown at 100% of assessed value

and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

Further assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve that tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The City is unable to predict the nature or magnitude of future revenue sources which may be provided by the State of California (the "State") to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Teeter Plan

The City is located within a county that is following the "Teeter Plan" (defined below) with respect to property tax collection and disbursement procedures. Under this plan, a county can implement an alternate procedure for the distribution of certain property tax levies on the secured roll pursuant to Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (comprising Section 4701 through 4717, inclusive) (the "Law"), commonly referred to as the "Teeter Plan."

Generally, the Teeter Plan provides for a tax distribution procedure by which secured roll taxes and assessments are distributed to taxing agencies within a county included in the Teeter Plan on the basis of the tax levy, rather than on the basis of actual tax collections. The county then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all taxing agencies is avoided.

The valuation of property is determined as of January 1st each year and equal installments of tax levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due May 15 and become delinquent August 31.

Although the City receives its entire secured tax levy amount each year under the Teeter Plan, an indication of tax collection can be obtained from the history of collections of all entities levying taxes within the City limits. A history of these collections since 2001-02 and the entire County tax levies with delinquencies and tax losses reserve balances for the same period are shown in Table 5 as reported annually by the County Auditor.

TABLE 5
CONTRA COSTA COUNTY
SECURED TAX LEVIES, DELINQUENCIES AND
TAX LOSSES RESERVE BALANCES
Fiscal Years 2001-02 through 2005-06

Fiscal Year Ended June 30	Total Current Year Tax Levy	Portion of Current Levy Delinquent Year End	% Current Levy Delinquent Year End	Total Delinquent Taxes June 30	Tax Losses Reserve Balance June 30	Reserve as % of Delinquency
2001-02	\$1,187,173,140	\$20,551,776	1.73%	\$33,941,546	\$27,032,058	80%
2002-03	1,293,561,117	25,574,249	1.98	38,614,691	30,347,321	79
2003-04	1,402,895,299	27,325,421	1.95	40,071,424	20,167,593	50
2004-05	1,584,132,373	26,598,823	1.68	37,821,908	23,134,013	61
2005-06	1,720,977,608	35,699,270	2.07	47,003,688	26,334,817	56

Source: Contra Costa County Auditor-Controller.

Largest Taxpayers

Set forth in Table 6 are the ten largest secured taxpayers in the City for the Fiscal Year ending June 30, 2006, based on secured assessed valuations within the City.

TABLE 6
CITY OF RICHMOND
LARGEST PROPERTY TAX PAYERS
Fiscal Year 2005-06

Property Owner	Primary Land Use	Assessed Valuation ⁽¹⁾	Percent of Total ⁽²⁾
Chevron USA, Inc.	Petroleum/Coal Products	\$2,959,274	31.30%
Susie Gee	Apartments	98,516	1.00
Dicon Fiberoptics	Semiconductors	56,737	0.60
Berlex Laboratories	Medical/Pharmaceutical Technology	130,246	1.40
BP West Coast Products	Petroleum Products	37,843	0.40
California Fats & Oils Inc.	Food Manufacturer	28,653	0.30
Tosco Corporation	Oil Refining	25,548	0.30
Shores of Marina Bay Community Assoc.	Apartments	24,629	0.30
Lennar Emerald Marina Shores	Apartments	24,510	0.30
Point Richmond R&D Associates	R&D Facility	33,512	0.40
Total		\$3,419,468	36.30%

⁽¹⁾ Assessed valuation in thousands

⁽²⁾ Based on total net assessed value of \$9,441,403,000

Source: City of Richmond, Comprehensive Annual Financial Report for Fiscal Year 2005-06.

Economic Structure

Overview of the Richmond Economy

The economy of the City of Richmond includes heavy and light manufacturing, distribution facilities, service industry, commercial centers, and a multi terminal shipping port on San Francisco Bay. Richmond also serves as a government center for West Contra Costa County.

The following table shows estimates and projections of employment by major economic sector in Richmond and its “sphere of influence area” prepared by the Association of Bay Area Governments (“ABAG”). ABAG’s projections indicate that the Finance/Professional Services and Health/Educational/Recreation Services sectors will expand steadily in the Richmond economy from 2005 to the year 2020, relative to the other economic sectors, while the manufacturing and wholesale sector will gradually shrink in the proportional share of all jobs in Richmond’s economy over the same 20 years. These estimates are derived from economic indicators, other economic information, and local policy surveys of local jurisdictions. There can be no assurance that these estimates and projections have been or will be accurate. Actual employment may substantially differ from these figures.

TABLE 7
JOBS BY MAJOR ECONOMIC SECTORS IN
RICHMOND SPHERE-OF-INFLUENCE AREA⁽¹⁾: 2005, 2010, 2015 AND 2020

	<u>2005</u>		<u>2010</u>		<u>2015</u>		<u>2020</u>	
	Jobs	%	Jobs	%	Jobs	%	Jobs	%
Finance/Professional Services	6,590	14.86	7,130	15.12	8,010	15.56	8,930	15.88
Mfg. & Wholesale	12,680	28.60	13,040	27.66	13,920	27.04	14,910	26.52
Retail Trade	4,300	9.70	4,560	9.67	4,990	9.69	5,460	9.71
Agricultural/Mining	210	0.47	210	0.45	200	0.39	200	0.36
Health/Educational/Recreation Services	13,200	29.78	14,370	30.48	15,850	30.79	17,460	31.05
Other ⁽²⁾	<u>7,350</u>	<u>16.58</u>	<u>7,830</u>	<u>16.62</u>	<u>8,500</u>	<u>16.53</u>	<u>9,270</u>	<u>16.48</u>
TOTAL	44,330	100.00	47,140	100.00	51,470	100.00	56,230	100.00

⁽¹⁾ The City’s sphere of influence includes territory immediately adjacent, but outside of the City’s limits, which may potentially be annexed to the City, and which has been identified as such by the County Local Agency Formation Commission. These areas include County portion of North Richmond, El Sobrante Valley and East Richmond Heights, which is a small unincorporated area north of El Cerrito.

⁽²⁾ Insurance/real estate, government, transportation/communications/utilities, and construction.

Source: ABAG, Projections 2007.

Industrial Activity

Historically, the City has been viewed as a distribution center and a City of heavy industry, largely due to the visible presence of a major oil refinery, Chevron USA Richmond Refinery, and other major industrial and distribution uses: General Chemical, Bio-Rad Laboratories, the bulk liquid terminals in the Port of Richmond, the BNSF rail yard, a USPS distribution center and a UPS distributing center.

The City's economy has experienced growth in light and high technology companies and new business parks that accommodate both light industrial and "office/flex" type commercial buildings. Growth in these sectors is adding diversity to the City's historically heavy industrial base. At the same time, green businesses, such as Power Light, have chosen to make Richmond their home.

The Chevron Clean Fuels Project upgraded and modified the refinery to meet 1995 U.S. Clean Air Act standards for cleaner burning gasoline ("reformulated gasoline"). The project also upgraded the fluidized catalytic cracking (FCC) unit, allowing the refinery to increase gasoline production by approximately 13 percent. Currently, Chevron USA is in the entitlement process for another plant upgrade. Such plant upgrades and expansion do not make it less likely that there may be a decrease in employment in the manufacturing and petroleum sectors at some future time.

"High tech" light industrial firms, research and development companies, biotechnology, and business park developments are growing industrial sectors in Richmond. Biotechnology, medical technology, and computer software in particular are emerging sectors in the City's economy, including: Kaiser Permanente's relocation of its medical and optical laboratories to Richmond along with a new state of the art training facility; the expansion of the State of California's health and DNA laboratories, and the growth of Vertigo Software.

A number of factors appear to be attracting high-tech businesses to the City:

1. The ongoing development and leasing of light industrial/business park property near Hilltop Mall, at Point Pinole Business Park and along the relatively new I-580 freeway along Richmond's South Shoreline and the Richmond Parkway;
2. Availability of vacant or under utilized land areas zoned for industrial use;
3. Relatively lower land costs than elsewhere in the Bay Area;
4. Richmond's central location in western Contra Costa County, within a short distance of San Francisco, Oakland and other East Bay cities, Marin County, and a relatively easy commute to the State's capitol, Sacramento;
5. Proximity to the University of California at Berkeley, one of the major scientific universities and library systems in the world;
6. Good access and transportation (Richmond has two Interstate freeways as well as good rail and water transportation facilities, including Union Pacific and BNSF Railroads, Santa Fe western terminal, and the Port of Richmond); and
7. Availability of affordable housing for employees in a variety of neighborhoods, housing types and price ranges.

Completion of the John T. Knox Freeway in the early 1990's (Interstate 580 extension from Interstate 80 at Albany to the Richmond San Rafael Bridge) has spurred new industrial and commercial development along the freeway corridor throughout Richmond's South Shoreline area. Another major roadway that is spurring new development is the Richmond Parkway, which links the northern edge of Richmond (Interstate 80 at Hilltop) and the City's southwest corner (the I-580 freeway) and the Richmond San Rafael Bridge. The Parkway was completed in the end of 1996 and has opened up for development a large industrially zoned area in northwest Richmond that has remained largely underdeveloped due to poor access. At this time, all available land in the Richmond Parkway Area is either under contract, in the planning process or under construction.

Summary of Major Industrial/Commercial Investments

Major industrial and commercial investments in the City totaled approximately \$265,400,000 million between 1998-2007, representing approximately 2,285,000 square feet of new building space and 817,000 square feet of rehabilitated space (see following table).

**TABLE 8
MAJOR INDUSTRIAL/COMMERCIAL INVESTMENTS
IN RICHMOND, CALIFORNIA 1998-2007⁽¹⁾**

Project	Sector	Investment (In Millions)	Square Feet
Marina Center	R&D	\$13.4	90,000
Bay West Business Center	R&D	30	200,000
DICON	R&D	75	240,000
Virtual Development	R&D	15	100,000
DHS	R&D	State Owned	765,000
Pinole Pt. Business Park	R&D	18	140,000
Hilltop Plaza	Retail	10	135,000
Hilltop Cinema	Entertainment	10	50,000
Ford Assembly Plant ⁽²⁾	Mixed Use	25	517,000
Campus Bay ⁽²⁾	Mixed Use	24	120,000
Macdonald/South Shopping Center	Retail	18	210,000
Macdonald 80 Shopping Center	Retail	21	200,000
Crossings at Marina Bay	Office	6	75,000
Wal-Mart ⁽²⁾	Retail	15	180,000
Kaiser Labs and Training Center	R&D	10	80,000
Total		\$290.4	2,902,000

⁽¹⁾ Does not include housing investments.

⁽²⁾ Rehabilitated space.

Source: Richmond Redevelopment Agency.

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Employment

Table 9 shows major employers in the City for which employment information is available, ranked by the number of their employees, estimated for Fiscal Year 2005-06.

**TABLE 9
SELECTED MAJOR RICHMOND EMPLOYERS
2005-06**

Companies	Employment	Products
Chevron U.S.A., Inc. Refinery	1,646	Petrochemicals
Kaiser Permanente	1,503	Medical Services
West Contra Costa Unified School District	1,271	Education
Social Security Payment Center	1,260	Social Services/Government
California State Department of Health Services	1,200	Social Services
Chevron Research & Technology	1,076	Petrochemicals
U.S. Postal Service Bulk Mail Center	1,007	Delivery Services/Government
United Parcel Service (UPS)	950	Delivery Services
City of Richmond	850	Government
U.C. Berkeley Field Station	440	Technology and Research Facility
Wal-Mart	350	Department Store
COSTCO – Wholesale	325	Non-durable goods

Source: City of Richmond Planning Department.

Table 10 below sets forth employment figures by calendar year for the City and the County and unemployment rates for the City, the County, the State and the United States for the five most recent years and through September 30, 2006. The City's unemployment rate increased slightly in 2003 as a result of a general decline in the national and State economies; however, the City's unemployment rate decreased from a high of 9.8% in 2003 to 7.2% in 2006.

TABLE 10
CITY AND COUNTY
ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND
UNEMPLOYMENT OF RESIDENT LABOR FORCE

Civilian Labor Force (<i>in thousands</i>)	2002	2003	2004	2005	2006⁽¹⁾
City of Richmond					
Employed.....	45.8	45.6	45.8	46.2	47.1
Unemployed.....	4.6	4.9	4.4	3.9	3.6
Total ⁽²⁾	50.4	50.5	50.2	50.1	50.7
County of Contra Costa					
Employed.....	483.7	480.8	483.3	487.3	496.3
Unemployed.....	29.2	31.2	27.7	24.6	22.2
Total ⁽²⁾	512.9	512.0	511.0	511.9	518.5
Unemployment Rates					
City.....	9.2%	9.8%	8.8%	7.8%	7.2%
County.....	5.7	6.1	5.4	4.8	4.3
State.....	6.7	6.8	6.2	5.4	4.9
United States.....	5.8	6.0	5.5	5.1	4.6

⁽¹⁾ Not seasonally adjusted.

⁽²⁾ Totals may not add due to independent rounding.

Sources: California Employment Development Department, Labor Market Information Division; U.S. Department of Labor, Bureau of Labor Statistics.

Commercial Activity

The Hilltop Mall regional shopping center represents one portion of the 950-acre master planned Hilltop community being developed. Other components in the master planned community includes a Courtyard by Marriott Hotel and an Extended Stay Hotel, a 1.1 million square foot office park, an industrial park, and extensive residential areas. More than 1,640 homes and an estimated 600,000 square feet of light industrial/business park space have been built at Hilltop. A total of 688 new homes have been completed at Hilltop in two separate developments (Park Ridge, 645 units, and Hilltop Lake Overlook, 43 units). The Park Ridge project represents the first stages of development in the Hilltop West Area. A total of 383 new for sale residential units are in the entitlement approval process. In addition, 704 new apartment units have also been completed in the few years. As part of the apartment development, an additional 100,000 square feet of retail is entitled and under construction. The retail and office commercial build out potential is estimated at over 700,000 square feet, and the office/industrial flex potential is estimated at 175,000 square feet.

The Hilltop Mall shopping center is Richmond's principal retail center. Since its opening in 1976, Hilltop has developed into a regional retail center. According to Hilltop's own sources, between 3,000 and 5,000 persons are employed at the shopping center, most of whom are in retail trade employment. Most recently, Wal-Mart opened a new store in a three-story 180,000 space originally occupied by Macy's. Wal-Mart opened its doors in April of 2007, to join Macy's, Penny's and Sears as the Hilltop Mall anchors.

Marina Bay on Richmond's South Shoreline is the site of another large scale master planned development. The community is nearing completion, with over 2,000 of an eventual 3,000 housing units

and 5,000 to 6,000 residents, it is being developed around a sheltered water basin holding a large pleasure boat marina. The area started its transformation from a shipyard and industrial site in 1980 with the construction of a 500 berth marina and a formal esplanade and shoreline beach park. As of June 2007, approximately 2,400 residential units had been constructed at Marina Bay, as well as 400,000 square feet of commercial office/business park space and 775 boat berths. Upon completion, expected around the year 2008, Marina Bay will include approximately 3,000 homes, 600,000 to 700,000 square feet of commercial space, a yacht club, several parks, more than four miles of trails, and the esplanade.

Also near the I-580 Freeway, the Point Richmond Tech Center I and II, consisting of approximately 225,000 square feet of office/R&D space have been constructed. In addition, the Point Richmond Business Park (Simeon Properties) consisting of 95,000 square feet was built in 1991 on Canal Boulevard, south of Cutting Boulevard and the I-580 Freeway.

Development activity in Richmond's South Shoreline and Marina Bay areas has accelerated in recent years. Catellus Development Corporation has completed construction of 50 acre Regatta Center development at Marina Bay. The property is located on the north side of Regatta Boulevard and includes 138,000 square feet of office flex space. In June 2002, construction was completed on the first phase of a campus for Dicon Fiberoptics. Since that time, a portion of the site has been sold to Pulte Homes, who is constructing 208 townhome and duet units.

Simeon Properties has completed the rehabilitation of the first 120,000 of R&D space at the Campus Bay office park. A 40 acre mixed-use component is under consideration by local planning authorities and regional regulatory agencies. The development entails approximately 1,000 residential units of varying product type.

Lincoln Property Company financed over \$500,000 in improvements to the 340,000 square foot former Costco site on Regatta Boulevard. Signature Properties is nearing completion of the residential phase of an approximately 10.6 acres site at Marina Bay. The project will include 128 condominium units and approximately 40,000 square feet of marina oriented commercial space.

The historic 517,000 square foot Ford Assembly Building is now 88% leased, and full occupancy is scheduled for January 2008.

The former City Terminal One site located in the Brickyard Cove area is expected to be entitled for 258 residential condominiums in June of 2007. This site boasts extraordinary San Francisco Bay and skyline views, and a shoreline park near Brickyard Cove and Miller-Knox Regional Shoreline and Park.

Table 11 sets forth the number of permits and the value of those permits for the City from calendar year 2002 through 2006.

**TABLE 11
BUILDING PERMITS & VALUATION
RICHMOND, CALIFORNIA 2002-2006**

Year	Number of Permits	Value (in Millions of Dollars)
2002	2,006	\$101.1
2003	2,142	258.6
2004	2,322	186.6
2005	2,094	232.1
2006	2,332	197.3

Source: Richmond Public Works Department, Building Regulations Division.

Table 12 sets forth the breakdown of permit valuation by type of construction for the City from calendar year 2001 through 2005.

**TABLE 12
CITY OF RICHMOND
BUILDING PERMIT VALUATION BY TYPE OF CONSTRUCTION
(In Thousands of Dollars)**

Type	2001	2002	2003	2004	2005
Residential ⁽¹⁾	\$ 50,457,634	\$66,644,013	\$ 64,277,486	\$ 83,321,000	\$ 71,257,600
Non-Residential ⁽²⁾	<u>62,704,323</u>	<u>26,464,520</u>	<u>79,895,280</u>	<u>54,866,000</u>	<u>54,368,000</u>
Total Valuations	\$113,161,957	\$93,108,533	\$144,172,766	\$138,187,000	\$125,625,600

⁽¹⁾ Includes single family, multi-family and alterations and additions.

⁽²⁾ Includes new commercial, new industrial, other new non-residential and alterations and additions.

Source: Construction Industry Research Board.

Table 13 sets forth the number of residential building permits issued for the City from calendar year 2001 through 2005.

**TABLE 13
RESIDENTIAL BUILDING PERMITS
RICHMOND, CALIFORNIA 2001-2005**

Year	Single Family Units	Multi Family Units	Total Units
2001	163	45	208
2002	211	40	251
2003	137	244	381
2004	213	117	330
2005	199	91	290

Source: Construction Industry Research Board.

Community Facilities

Richmond area residents have access to modern health care facilities. The Richmond area has two general hospitals, Doctors Hospital in San Pablo and Doctors Hospital in Pinole – both neighboring Richmond – plus the Kaiser Hospital Facility, located in downtown Richmond. Richmond also has several convalescent hospitals. The Richmond area offers a variety of leisure, recreational and cultural resources, from boating, fishing and hiking, to live theater, golf, tennis and team athletics. Three regional parks are on the shoreline: Point Pinole, George Miller Jr./John T. Knox, Ferry Point and Point Isabel. In addition, the City is home to the Rosie the Riveter/World War II Home Front National Historical Park. The City operates a public marina (775 boat berths at Marina Bay), four large community parks (Point Molate Beach Park, Hilltop Lakeshore Park, Nicholl Park, and Marina Park and Green), 25 neighborhood parks ranging in size from one to 22 acres, many play lots and mini parks, and seven community centers.

In addition, the City operates a disabled person’s recreation center, a sports facility, two senior centers (Richmond Senior Center and Richmond Annex Senior Center), the Richmond Museum, the Richmond Municipal Auditorium, the Richmond Swim Center, Coach Randolph Pool, the Washington Fieldhouse, the Veterans Memorial Auditorium, and the Richmond Public Library. The Richmond Art Center, a privately funded arts organization, is partly supported by the City of Richmond. Currently, 12 of the City’s recreation centers are operational, up from a low of four centers in operation after significant staff cuts were made in order to address the City’s financial difficulties during Fiscal Year 2003-04.

Also in Richmond are several private yacht harbors, golf and country clubs, and community theaters. Within 30-45 minutes by BART or car are the cultural resources of other cities in the East Bay and Bay Area, including Oakland, Berkeley and San Francisco.

East Bay Regional Park District (EBRPD) maintains one regional park, four regional shorelines, and one regional preserve within Richmond:

Preserve	Acres
Wildcat Canyon Regional Park	2,428
Brooks Island Regional Shoreline	373
George Miller Jr./John T. Knox Regional Shoreline	300
Point Isabel Regional Shoreline	21
Point Pinole Regional Shoreline	2,315
Sobrante Ridge Regional Preserve	<u>277</u>
TOTAL	5,714

One additional park land facility, the 214-acre Kennedy Grove Regional Recreation Area, is located in an unincorporated area of the County bordering on the City at the eastern end of El Sobrante Valley.

The four regional shorelines presently owned and maintained by EBRPD represents a substantial portion of the City’s shoreline. The regional shorelines and Wildcat Canyon Park are used not only by residents of the City but also by the general public within the Bay Area region.

Transportation

The City is a central transportation hub in the Bay Area, offering convenient access throughout the region and well into central California. The City’s port facilities, railroads and proximity to international airports are complemented by a network of freeways and public transportation services.

Freeways

Existing and new highways have made travel to and through the City more efficient and convenient. Interstate 80, which passes through the City, is a direct route to Oakland, San Francisco, Vallejo, Fairfield and Sacramento. Interstate 580 (the John T. Knox Freeway) provides continuous freeway access from Richmond’s South Shoreline area to East Bay communities and to Marin County and is stimulating new commercial, industrial and residential development along Richmond’s South Shoreline. Similarly, completion of the Richmond Parkway through North Richmond in 1996 improves vehicular access between Marin and communities to the north and east on Interstate 80, while opening major tracts of land along the City’s north shoreline for new development.

Port and Rail

The City’s deep water port is California’s third largest in annual tonnage, handling more than 20.8 million metric tons of general, liquid and dry bulk commodities each year, over 90% of which is in bulk liquids, the majority of which arrive at the Chevron USA Long Wharf facility. The Port of Richmond (the “Port”) comprises seven City owned terminals, 5 dry docks and 11 privately owned terminals. One of the City-owned terminals (Terminal One) is currently in the process of being sold to a developer for use as a residential development. In early 2004, the City entered into a lease with Auto Warehousing Company for the operation on City property of an auto importation business, which is expected to handle approximately 90,000 automobiles per year arriving on ships from South Korea. Private terminals are responsible for almost 95% of the Port’s annual tonnage. On dock rail service is provided to many port terminals by the Burlington Northern Santa Fe (“BNSF”) and the Union Pacific.

The Port, together with the BNSF operations, serves as an intermodal rail facility. Interstate 580 has enhanced truck access to the Port.

The Port handles a widely varied assortment of cargo, although over 90% of the annual tonnage is in liquid bulk cargo, most of which is shipped through the Chevron Terminal. Principal liquid bulk cargoes are petroleum and petroleum products, chemicals and petrochemicals, coconut oil and other vegetable oils, tallow and molasses. Dry bulk commodities include coal, gypsum, iron, ore, cement, logs and various mineral products. Automobiles, agricultural vehicles, steel products, scrap metals, and other diversified break bulk cargoes are also a significant part of the Port's business.

The City is currently undertaking a 10-year Port expansion plan that is designed to increase the capacity and profitability of the Port.

Regional Airports

Oakland International Airport (18 miles away) and San Francisco International Airport (28 miles away) provide the City with world-wide passenger and freight service. In addition, Concord's Buchanan Field, in central Contra Costa County, is 25 miles to the east and provides limited scheduled service and general aviation services.

Public Transit

The public is served by the Bay Area Rapid Transit System ("BART") with a station conveniently located in downtown Richmond; AMTRAK passenger train service is available from a station adjacent to the Richmond BART station; and AC Transit offers local bus service within the City, to other East Bay communities and to San Francisco.

Utilities

Utility services to the City are supplied by the following:

Electric power:	Pacific Gas & Electric Co.
Natural gas:	Pacific Gas & Electric Co.
Telephone:	Pacific Bell
Water:	East Bay Municipal Utility District
Sewer:	West Contra Costa Sanitary District, Richmond Municipal Sewer District, and Stege Sanitary District

Education

The City comprises a portion of the attendance area of the West Contra Costa Unified School District, which comprises 42 elementary schools (18 of which are located in the City), seven middle schools (two of which are located in the City), and 14 high schools and alternative schools (six of which are located in the City) and has a total K-12 enrollment of approximately 35,000 students. In addition, private schools are located in the City and several institutions of higher education are located in or near the City, including the University of California at Berkeley, Contra Costa College, Diablo Valley College, Los Medanos College, the California Maritime Academy, California State University – East Bay, San Francisco State University, and the University of California at San Francisco.

APPENDIX B

SUMMARY OF THE NON-HOUSING INDENTURE

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APPENDIX B

SUMMARY OF THE NON-HOUSING INDENTURE

The following is a brief summary of certain provisions of the Non-Housing Indenture not previously discussed in this Official Statement. Such summary is not intended to be definitive, and reference is made to the Non-Housing Indenture in its entirety for the complete terms thereof. Capitalized terms used in this summary which are not otherwise defined in this Official Statement have the meanings ascribed to such terms in the Non-Housing Indenture.

DEFINITIONS

“Accountant’s Certificate” means a certificate signed by an Independent Certified Public Accountant selected by the Agency.

“Accreted Value” means, with respect to any Capital Appreciation Obligation and as of any date, the Initial Amount thereof plus the interest accrued thereon from its delivery date, compounded at the approximate interest rate with respect to such Capital Appreciation Obligation specified in or pursuant to the Issuing Instrument authorizing the issuance of such Capital Appreciation Obligation on each date specified therein. The applicable Accreted Value at any date shall be the amount set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, shall be determined by straight-line interpolation with reference to such Accreted Value Table.

“Accreted Value Table” means, with respect to Capital Appreciation Obligations, the table denominated as such in, and to which reference is made in, the Issuing Instrument authorizing the issuance of such Capital Appreciation Obligations.

“Additional Bonds” means Bonds issued in accordance with the terms and conditions of the Indenture for the purposes set forth in the Indenture.

“Additional Parity Obligations” means Parity Obligations, including Additional Bonds, issued for the purposes set forth in the Indenture and satisfying the conditions set forth in the Indenture.

“Adjusted Combined Debt Service” means, for any period of time, the Combined Debt Service for such period minus the sum of the amount of such Combined Debt Service with respect to Outstanding Senior Bonds or Parity Obligations to be paid during such period from the proceeds of Senior Bonds or Parity Obligations as set forth in a certificate of the Agency.

“Agency” means the Richmond Community Redevelopment Agency, a public body, corporate and politic, duly organized and existing under and pursuant to the Law.

“Agency Swap Payments” means, with respect to a Qualified Swap Agreement, the regularly scheduled payments payable by the Agency under such Qualified Swap Agreement, without regard to netting of payments payable by the counterparty to the Agency thereunder.

“Applicable Combined Obligations” means, with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to the Indenture and as of the date of such certificate, all Senior Obligations and Parity Obligations Outstanding on such date plus the Additional Parity Obligations proposed to be issued.

“ARBs” means, on any date, the Series 2007A Bonds in an ARB Interest Rate Period as to which interest accrues on such date as auction rate securities as provided in the Indenture and the Auction Procedures applicable thereto.

“ARB Beneficial Owner” means the Person who is the beneficial owner of an ARB according to the records of (i) the Securities Depository or its participants while such ARB is a Book-Entry Bond or (ii) the Trustee while the ARBs are not Book-Entry Bonds.

“ARB Default Rate” means the ARB Maximum Rate.

“ARB Interest Payment Date” has the meaning set forth in Appendix J.

“ARB Interest Rate Period” has the meaning set forth in Appendix J.

“ARB Maximum Rate” has the meaning set forth in Appendix J.

“ARB Payment Default” means (i) a default in the due and punctual payment of any installment of interest on ARBs or (ii) a default in the due and punctual payment of any principal of or premium, if any, on ARBs at stated maturity or pursuant to a mandatory redemption.

“Auction” means each periodic implementation of the Auction Procedures.

“Auction Agent” means any initial or successor or additional Person meeting the requirements of the Indenture which is a party to an Auction Agent Agreement and agrees with the Trustee to perform the duties of the Auction Agent set forth in the Indenture with respect to ARBs.

“Auction Agent Agreement” means, on any date, any initial, replacement or additional auction agent agreement in substantially the form of Exhibit D attached to the Indenture, as from time to time in effect.

“Auction Agent Fee” has the meaning provided in each Auction Agent Agreement.

“Auction Date” has the meaning set forth in Appendix J.

“Auction Period” has the meaning set forth in Appendix J.

“Auction Period Rate” has the meaning set forth in Appendix J.

“Auction Procedures” means the procedures for conducting Auctions for ARBs during an ARB Interest Rate Period set forth in Appendix J.

“Authorized Denominations” means with respect to the Series 2007A Bonds in any (i) Long-Term Interest Rate Period, \$5,000 and any integral multiple thereof; (ii) Commercial Paper Interest Rate Period, Daily Interest Rate Period or Weekly Interest Rate Period, \$100,000 and any integral multiple of \$5,000 in excess of \$100,000, (iii) Index Interest Rate Period, \$25,000 and any integral multiple thereof and (iv) ARB Interest Rate Period, \$25,000 and any integral multiple thereof.

“Authority” means the Richmond Joint Powers Financing Authority.

“Authorized Agency Representative” means the Executive Director of the Agency and any other officer of the Agency duly authorized to act as an Authorized Agency Representative for purposes of the Indenture by the Agency or written authorization of the Executive Director of the Agency.

“Authorized Denominations” means with respect to the Series 2007A Bonds in any (i) Long-Term Interest Rate Period, \$5,000 and any integral multiple thereof; (ii) Commercial Paper Interest Rate Period, Daily Interest Rate Period or Weekly Interest Rate Period, \$100,000 and any integral multiple of \$5,000 in excess of \$100,000, (iii) Index Interest Rate Period, \$25,000 and any integral multiple thereof and (iv) ARB Interest Rate Period, \$25,000 and any integral multiple thereof.

“Available Moneys” means (a) during any period in which a Credit Support Instrument is in effect with respect to the Outstanding Series 2007A Bonds, (i) funds received by the Trustee pursuant to any Credit Support Instrument; (ii) remarketing proceeds received by the Tender Agent from the Remarketing Agent or any purchaser of Series 2007A Bonds (other than funds provided by the Agency or any affiliate of the Agency); (iii) moneys which have been continuously on deposit with the Trustee (A) held in any separate and segregated fund, account or

subaccount established under the Indenture in which no other moneys which are not Available Moneys are held, and (B) which have so been on deposit with the Trustee for at least 124 consecutive days from their receipt by the Trustee and not commingled with any moneys so held for less than said period and during and prior to which period, and as of the date of the application thereof to a payment with respect to the Series 2007A Bonds, no Event of Bankruptcy has occurred with respect to the Agency; (iv) any other moneys if there is delivered to the Trustee at the time such moneys are deposited with the Trustee an opinion of counsel (which may assume that no Owner of Series 2007A Bonds is an “insider” within the meaning of the Federal Bankruptcy Code) from a firm experienced in bankruptcy matters to the effect that the use of such moneys to pay amounts due on Series 2007A Bonds would not be recoverable from the Owners thereof pursuant to Section 550 of the Federal Bankruptcy Code as avoidable preferential payments under Section 547 of the Federal Bankruptcy Code in the event of the occurrence of an Event of Bankruptcy with respect to the Agency; or (v) proceeds of the investment of funds qualifying as Available Moneys under the foregoing clauses; or (b) during any period in which no Credit Support Instrument is in effect with respect to the Outstanding Series 2007A Bonds, any moneys deposited with the Trustee.

“Balloon Indebtedness” means, with respect to any Series of Obligations 25% or more of the principal of which matures on the same date or within a 12-month period (with Sinking Fund Installments on Term Obligations deemed to be payments of matured principal), that portion of such Series of Obligations which matures on such date or within such 12-month period. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such indebtedness which is required, by the documents governing such indebtedness, to be amortized by prepayment or redemption prior to its stated maturity date.

“Basis Differential Amount” means the amount equal to principal amount of the related Bonds multiplied by the greater of (i) 0.25% per annum or (ii) the actual per annum interest rate paid on the Bonds that relate to the Qualified Swap Agreement in the previous Fiscal Year less the actual resulting per annum interest rate required to be paid by a counterparty to the Agency with respect to the related notional amount under the Qualified Swap Agreement in the previous Fiscal Year without regard to netting of payments payable by the Agency to the counterparty thereunder; provided, however, that so long as the Qualified Swap Agreement is based on the BMA Municipal Swap Index or the actual rate of the related Bonds, the Basis Differential Amount shall be zero.

“Beneficial Owner” means any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any of the Series 2007A Bonds (including any Person holding Series 2007A Bonds through nominees, depositories or other intermediaries).

“Bid” has the meaning provided in Appendix J.

“Bond” means any of the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) authorized pursuant to the Indenture and a Supplemental Indenture.

“Bond Counsel” means Orrick, Herrington & Sutcliffe LLP or another attorney or firm of attorneys of recognized national standing in the field of law relating to municipal securities and to exclusion of interest thereon from income for federal income tax purposes selected by the Agency.

“Bond Debt Service” means, for any period of time, the sum of (a) the interest payable during such period on all Outstanding Bonds, assuming that all Outstanding Bonds which are Serial Obligations are retired as scheduled and that all Outstanding Bonds which are Term Obligations are redeemed or paid from Sinking Fund Installments as scheduled, (b) that portion of the principal amount of all Outstanding Bonds which are Serial Obligations maturing on each principal payment date during such period, including the Final Compounded Amount of any Bonds which are Capital Appreciation Obligations and Serial Obligations, (c) that portion of the principal amount of all Outstanding Bonds which are Term Obligations required to be redeemed or paid from Sinking Fund Installments during such period (together with the redemption premiums, if any, thereon), including the Accreted Value of any Bonds which are Capital Appreciation Obligations and Term Obligations.

“Bond Register” means the registration books for the ownership of Bonds maintained by the Trustee pursuant to the Indenture.

“Bondowner” or “Owner” means, with respect to a Bond, the registered owner of such Bond as set forth in the Bond Register.

“Book-Entry Bonds” means Bonds registered in the name of a nominee of DTC or any successor Securities Depository for the Bonds, or a nominee thereof, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

“Broker-Dealer” means any entity that is permitted by law to perform the function required of a Broker-Dealer described in the Auction Procedures, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Agency and that is a party to a Broker-Dealer Agreement with the Auction Agent and the Trustee that is in effect on the date of reference.

“Broker-Dealer Agreement” means, on any date, a broker-dealer agreement in substantially the form of Exhibit E attached hereto among the Trustee, the Auction Agent and a Broker-Dealer pursuant to which the Broker-Dealer agrees to participate in Auctions as set forth in the Auction Procedures, as from time to time amended or supplemented.

“Business Day” means any day of the year other than (a) a Saturday, (b) a Sunday, (c) any day which shall be in San Francisco, California or New York, New York a legal holiday or a day on which banking institutions are authorized or required by law or other government action to close, and (d) any day the city or cities in which the principal or other designated corporate office of the Trustee, the Tender Agent, the Remarketing Agent or the Credit Provider (if any) is located are required or authorized to close.

“Calendar Week” means, with respect to the Series 2007A Bonds in a Weekly Interest Rate Period, the period during which interest accrues with respect to the Series 2007A Bonds at a particular Weekly Interest Rate and will be the period from Thursday of one week (whether or not a Business Day) to and including the Wednesday of the following week (whether or not a Business Day); provided that the initial Calendar Week for each Weekly Interest Rate Period shall be the period from the first day of such Weekly Interest Rate Period to the next succeeding Wednesday (whether or not a Business Day); and provided further that the final Calendar Week for a Weekly Interest Rate Period which ends on a day other than a Wednesday shall be the period from the Thursday (whether or not a Business Day) preceding the last day of such Weekly Interest Rate Period to the last day of such Weekly Interest Rate Period.

“Capital Appreciation Obligations” means any Obligations the interest on which is compounded and not scheduled to be paid until the maturity or prior redemption of such Obligations.

“Capped Bonds” means Bonds issued under the Indenture as Variable Rate Indebtedness for which a Qualified Cap has been entered into or purchased.

“Code” means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code in the Indenture shall be deemed to include the applicable United States Treasury Regulations thereunder and also includes all amendments and successor provisions unless the context clearly requires otherwise.

“Combined Debt Service” means, for any period of time, the combined Debt Service on all Outstanding Senior Obligations and Parity Obligations.

“Combined Adjusted Annual Debt Service” means, with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to the Indenture, as of any date and with respect to the Applicable Combined Obligations, the amount of Adjusted Combined Debt Service becoming due on the Applicable Combined Obligations in each Fiscal Year, as adjusted as provided in this definition and calculated by the Agency or by a Consultant. For purposes of calculating Combined Adjusted Annual Debt Service, the determination of Combined Debt Service on the Applicable Combined Obligations coming due in each Fiscal Year shall be subject to the Debt Service Adjustments and Assumptions.

“Commercial Paper Dealer” means each of RBC Capital Markets, Inc., its successors and assigns, and any other commercial paper dealer appointed as provided in the Auction Procedures.

“Commercial Paper Interest Rate Period” means each Interest Rate Period, comprised of Commercial Paper Terms, during which Commercial Paper Rates are in effect with respect to the Series 2007A Bonds.

“Commercial Paper Program” means a program of short-term Obligations having the characteristics of commercial paper in that such Obligations have a stated maturity not later than 270 days from their date of issue and that maturing Obligations of such program may be paid with the proceeds of renewal short-term Obligations.

“Commercial Paper Rate” means, with respect to each Series 2007A Bond in a Commercial Paper Interest Rate Period, an interest rate with respect to such Series 2007A Bond established for a Commercial Paper Term in accordance with the Indenture.

“Commercial Paper Term” means, with respect to any Series 2007A Bond in a Commercial Paper Interest Rate Period, each period established in accordance with the Indenture during which such Series 2007A Bond shall bear interest at a particular Commercial Paper Rate.

“Consultant” means a consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm retained by the Agency to perform acts, prepare certificates or otherwise carry out the duties provided for a Consultant in the Indenture or any Supplemental Indenture. Such consultant, consulting firm, engineer, architect, engineering firm or architectural firm shall be nationally recognized within its profession for works of the character required. Such accountants or accounting firm shall be Independent Certified Public Accountants licensed to practice in the State of California. Any financial consultant or firm of such consultants shall be an Independent Financial Consultant. Any consultant or firm of consultants recognized to be well qualified in the field of consulting relating to tax allocation bond financing by California redevelopment agencies shall an Independent Redevelopment Consultant.

“Consultant’s Report” means a report signed by an Independent Financial Consultant or an Independent Redevelopment Consultant, as may be appropriate to the subject of the report, and including:

- (1) a statement that the person or firm making or giving such report has read the pertinent provisions of the Indenture to which such report relates;
- (2) a brief statement as to the nature and scope of the examination or investigation upon which the report is based;
- (3) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said Independent Financial Consultant or Independent Redevelopment Consultant to express an informed opinion with respect to the subject matter referred to in the report.

“Conversion” means a conversion of the Series 2007A Bonds from one Interest Rate Period to another Interest Rate Period and, with respect to Series 2007A Bonds in a Long-Term Interest Rate Period, the establishment of another Long-Term Interest Rate Period for the Series 2007A Bonds.

“Conversion Date” means the effective date of a Conversion.

“Costs of Issuance” means, to the extent permitted by the Law, all items of expense directly or indirectly payable by or reimbursable to the Agency and related to the original authorization, execution, sale and delivery of Parity Obligations, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, including disclosure documents and documents relating to the sale of such Parity Obligations, initial fees and charges (including counsel fees) of any fiscal agent, any paying agent and any Credit Provider, legal fees and charges, financial advisor fees and expenses, fees and expenses of other consultants and professionals, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Parity Obligations and

any other cost, charge or fee in connection with the authorization, issuance, sale or original delivery of Parity Obligations.

“Credit Provider” means any municipal bond insurance company, bank or other financial institution or organization which is performing in all material respects its obligations under any Credit Support Instrument for some or all of the Parity Obligations.

“Credit Provider Reimbursement Obligations” means obligations of the Agency to pay from the Subordinate Pledged Tax Revenues amounts due under a Credit Support Agreement, including without limitation amounts advanced by a Credit Provider pursuant to a Credit Support Instrument as credit support or liquidity for Parity Obligations and the interest with respect thereto.

“Credit Provider Bonds” means any Bonds paid as to principal, Redemption Price, Purchase Price and/or interest with funds provided under a Credit Support Instrument for so long as such Bonds are held by or for the account of, or are pledged to, the applicable Credit Provider or any assignee thereof in accordance with the applicable Credit Support Agreement.

“Credit Support Agreement” means, with respect to any Credit Support Instrument, the agreement or agreements (which may be the Credit Support Instrument itself) between the Agency and the applicable Credit Provider, as originally executed or as it may from time to time be replaced, supplemented or amended in accordance with the provisions thereof, providing for the reimbursement to the Credit Provider for payments under such Credit Support Instrument or for extensions of credit made to the Agency by the Credit Provider, and the interest thereon, and includes any subsequent agreement pursuant to which a substitute Credit Support Instrument is provided, together with any related pledge agreement, security agreement or other security document.

“Credit Support Instrument” means a policy of insurance, a letter of credit, a stand-by purchase agreement, revolving credit agreement or other credit arrangement pursuant to which a Credit Provider provides credit and/or liquidity support with respect to the payment of interest, principal, Redemption Price or Purchase Price of any Parity Obligations but shall not include a Reserve Financial Guaranty.

“Crossover Date” means, with respect to a Series of Refunding Parity Obligations constituting Crossover Refunding Obligations, the date on which the proceeds of the sale of such Refunding Parity Obligations are to be applied to the payment of the principal of and premium, if any, on the Parity Obligations to be refunded with the proceeds of such Refunding Parity Obligations in accordance with the applicable Crossover Refunding Instructions.

“Crossover Refunding Escrow” means, with respect to any Series of Refunding Parity Obligations constituting Crossover Refunding Obligations, a trust or escrow fund or account established with an Escrow Agent into which proceeds of the sale of such Series of Refunding Parity Obligations and, if necessary, other available funds have been deposited in an amount sufficient to pay when due, or to purchase bonds, notes or other evidences of indebtedness the scheduled payments of principal of and interest on which shall provide moneys at the times and in amounts sufficient to pay when due, the applicable Crossover Refunding Requirements in accordance with the applicable Crossover Refunding Instructions.

“Crossover Refunding Instructions” means, with respect to a Series of Refunding Parity Obligations which constitute Crossover Refunding Obligations, a certificate, order, escrow deposit agreement, or other direction from an Authorized Agency Representative to the Escrow Agent for the applicable Crossover Refunding Escrow to apply amounts in the applicable Crossover Refunding Escrow to the payments of principal and interest scheduled to be made on the Crossover Refunding Obligations to and including the applicable Crossover Date and on such Crossover Date to apply moneys in the applicable Crossover Refunding Escrow to the payment or redemption of the Parity Obligations to be refunded or, in the event that the conditions to such payment or redemption contained in the Issuing Instrument authorizing the issuance of such Crossover Refunding Obligations are not satisfied, to the payment or redemption of the Crossover Refunding Obligations on the terms and conditions set forth in such Issuing Instrument.

“Crossover Refunding Obligations” means Refunding Parity Obligations as to which a Crossover Refunding Escrow has been established and which are payable, prior to the application of moneys in the applicable Crossover Refunding Escrow to the payment or redemption of the Parity Obligations to be refunded, only from amounts in such Crossover Refunding Escrow.

“Crossover Refunding Requirements” means, with respect to a Series of Refunding Parity Obligations constituting Crossover Refunding Obligations and the Parity Obligations to be refunded with the proceeds of the sale of such Refunding Parity Obligations, moneys sufficient to pay when due: (i) the scheduled principal of and interest on the Series of Refunding Parity Obligations coming due on and before the applicable Crossover Date (other than as a result of the failure to apply moneys in the applicable Crossover Refunding Escrow to the refunding of the Parity Obligations to be refunded with the proceeds of the sale of such Refunding Parity Obligations on the Crossover Date); (ii) the principal of, premium, if any, and interest on such Refunding Parity Obligations which are payable in accordance with the applicable Crossover Refunding Instructions in the event the amounts in the applicable Crossover Refunding Escrow are not applied to the payment or redemption of the Parity Obligations to be refunded with the proceeds of the sale of such Refunding Parity Obligations; and (iii) the principal of and premium, if any, on the Parity Obligations to be refunded with the proceeds of the sale of the Refunding Parity Obligations coming due in accordance with the applicable Crossover Refunding Instructions.

“Daily Interest Rate” means an interest rate with respect to the Series 2007A Bonds in a Daily Interest Rate Period established in accordance with the Indenture.

“Daily Interest Rate Period” shall mean each Interest Rate Period during which Daily Interest Rates are in effect.

“Debt Service” means, for any period of time, the sum of (a) the interest payable during such period on all Outstanding Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, assuming that all Outstanding Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, are retired as scheduled and that all Outstanding Term Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, are redeemed or paid from Sinking Fund Installments as scheduled, (b) that portion of the principal amount of all Outstanding Serial Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, maturing on each principal payment date during such period, including the Final Compounded Amount of any Capital Appreciation Obligations which are Serial Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, (c) that portion of the principal amount of all Outstanding Term Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, required to be redeemed or paid from Sinking Fund Installments becoming due during such period (together with the premiums, if any, thereon), including the Accreted Value of any Capital Appreciation Obligations which are Term Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, and (d) amounts, if any, required to be deposited in the Debt Service Reserve Account or any other debt service reserve fund with respect to Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable (other than Bonds), established under any Issuing Instrument. Debt Service, with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to the Indenture, shall not include (a) interest on Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, which is to be paid from amounts constituting capitalized interest or (b) principal and interest allocable to that portion of the proceeds of any Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, required to remain unexpended and to be held in escrow pursuant to the terms of a Supplemental Indenture or other Issuing Instrument, provided that (i) projected interest earnings on such proceeds, plus such amounts, if any, deposited by the Agency in an interest account therefor, are sufficient to pay the interest due on such portion of the Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, so long as it is required to be held in escrow and (ii) the conditions for the release of such proceeds from escrow, insofar as they relate to Tax Revenue and Adjusted Tax Revenue coverage and satisfaction of any debt service reserve requirement, are substantially similar to those for the issuance of Additional Parity Obligations set forth in the Indenture.

“Debt Service Adjustments and Assumptions” means, for purposes of determining Combined Adjusted Annual Debt Service and for purposes of determining the amount of money to be set aside from the Special Fund and deposited in the Interest Account pursuant to the Indenture, the following adjustments and assumptions are to be made with respect to Combined Debt Service or Debt Service, as applicable:

(a) in determining the amount of Combined Debt Service or Debt Service, as applicable, constituting principal due in each Fiscal Year, principal payments with respect to Applicable Combined Obligations or Parity Obligations, as applicable, which are, or upon issuance shall be, part of a Commercial Paper Program, but which would not constitute Balloon Indebtedness, shall be treated as if such Applicable Combined Obligations or Parity Obligations, as applicable, were to be amortized with substantially level annual Debt Service payments over the Remaining Redevelopment Plan Limit commencing on the date the calculation of Combined Adjusted Annual Debt Service or interest deposit determination, as applicable, is made;

(b) if all or any portion or portions of the Applicable Combined Obligations or Parity Obligations, as applicable, constitute, or upon issuance would constitute, Balloon Indebtedness, then, for purposes of determining Combined Adjusted Annual Debt Service or the interest deposit, as applicable, each maturity which constitutes, or upon issuance would constitute, Balloon Indebtedness shall be treated as if it were to be amortized with substantially level annual Debt Service payments over the Remaining Redevelopment Plan Limit commencing on the date which is the first anniversary of the initial issuance of such Applicable Combined Obligations or Parity Obligations, as applicable;

(c) if any Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constitute Tax-Exempt Variable Rate Indebtedness (except to the extent paragraph (g) applies), the interest rate on such Applicable Combined Obligations or Parity Obligations, as applicable, for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Applicable Combined Obligations or Parity Obligations, as applicable, during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Applicable Combined Obligations or Parity Obligations, as applicable, shall have been Outstanding;

(d) if any Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constitute Variable Rate Indebtedness which is not Tax-Exempt (except to the extent paragraph (g) applies), the interest rate on such Applicable Combined Obligations or Parity Obligations, as applicable, for any period as to which such interest rate has not been established shall be assumed to be 110% of the average One Month USD LIBOR Rate during the calendar quarter preceding the calendar quarter in which the calculation of Combined Adjusted Annual Debt Service or interest deposit determination, as applicable, is made or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the Agency.

(e) if the Additional Parity Obligations proposed to be issued shall be Tax-Exempt Variable Rate Indebtedness (except to the extent paragraph (h) below applies), then the interest rate on such Additional Parity Obligations shall be assumed to be 110% of the average TBMA Index during the calendar quarter preceding the calendar quarter in which the calculation of Combined Adjusted Annual Debt Service or interest deposit determination, as applicable, is made, or if that index is no longer published, seventy-five percent (75%) of the One Month USD LIBOR Rate, or if the One Month USD LIBOR Rate is not available, another similar rate or index selected by the Agency;

(f) if the Additional Parity Obligations proposed to be issued shall be Variable Rate Indebtedness which is not Tax-Exempt (except to the extent paragraph (h) below applies) then the interest rate on such Additional Parity Obligations shall be assumed to be 110% of the average One Month USD LIBOR Rate during the calendar quarter preceding the calendar quarter in which the calculation of Combined Adjusted Annual Debt Service or interest deposit determination, as applicable, is made, or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the Agency;

(g) if a Qualified Swap Agreement has been entered into in connection with any Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, which are not Hedged Bonds, the interest rate on such Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, for each Fiscal Year or portion thereof during which payments are to be exchanged by the parties under such Qualified Swap Agreement shall be determined for purposes of calculating Combined Adjusted Annual Debt Service and determining the interest deposit, as applicable, by adding: (1) the amount of Debt Service

paid or to be paid by the Agency as interest on the Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, during such Fiscal Year or portion thereof (determined as provided in paragraph (c) or (d), as applicable, if such Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constitute Variable Rate Indebtedness) and (2) the net amount (which may be a negative amount) paid or to be paid by the Agency under the Qualified Swap Agreement (after giving effect to payments made and received, and to be made and received, by the Agency under the Qualified Swap Agreement) during such Fiscal Year or portion thereof, and for this purpose any variable rate of interest agreed to be paid under the Qualified Swap Agreement shall be deemed to be the rate at which the related Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constituting Variable Rate Indebtedness is assumed to bear interest;

(h) if a Qualified Swap Agreement has been entered into by the Agency with respect to any Additional Parity Obligations which are not Hedged Bonds proposed to be issued, the interest on such proposed Additional Parity Obligations for each Fiscal Year or portion thereof during which payments are to be exchanged under the Qualified Swap Agreement shall be determined for purposes of calculating Maximum Adjusted Annual Debt Service and determining the interest deposit, as applicable, by adding: (1) the amount of Debt Service to be paid by the Agency as interest on such Additional Parity Obligations during such Fiscal Year or portion thereof (determined as provided in paragraph (e) or (f), as applicable, if such Additional Parity Obligations are to constitute Variable Rate Indebtedness) and (2) the net amount (which may be a negative amount) to be paid by the Agency under the Qualified Swap Agreement (after giving effect to payments to be made and received by the Agency under the Qualified Swap Agreement) during such Fiscal Year or portion thereof, and for this purpose any variable rate of interest agreed to be paid under the Qualified Swap Agreement shall be deemed to be the rate at which the related Additional Parity Obligations which are to constitute Variable Rate Indebtedness shall be assumed to bear interest;

(i) if any of the Applicable Combined Obligations or Parity Obligations, as applicable, are, or upon issuance shall be, Paired Obligations, the interest thereon shall be the resulting linked rate or effective fixed rate to be paid with respect to such Paired Obligations;

(j) if the Additional Parity Obligations proposed to be issued are Hedged Bonds, then, for purposes of determining Combined Adjusted Annual Debt Service and determining the interest deposit, as applicable, the interest on such proposed Additional Parity Obligations for each Fiscal Year or portion thereof shall be assumed to be equal to the Agency's fixed payments under the applicable Qualified Swap Agreement; and

(k) if the Additional Parity Obligations proposed to be issued are Capped Bonds, then, for purposes of determining Combined Adjusted Annual Debt Service and determining the interest deposit, as applicable, the interest on such proposed Additional Parity Obligations for each Fiscal Year or portion thereof shall be assumed to be equal to the interest rate specified under the related Qualified Cap above which the counter party under the Qualified Cap is obligated to pay to the Agency payments equal to the interest payable on the Capped Bonds above such specified interest rate.

“Debt Service Reserve Account” means the Debt Service Reserve Account, and any account thereof, established pursuant to the Indenture.

“Debt Service Reserve Requirement” means, as of any date of calculation, an amount equal to the least of (a) ten percent (10%) of the initial offering price to the public of the Bonds as determined under the Code, or (b) the greatest amount of Bond Debt Service in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Bond is due, or (c) one hundred twenty-five percent (125%) of the sum of the Bond Debt Service for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the execution and delivery of any Bonds) and terminating with the last Fiscal Year in which any Bond Debt Service is due, divided by the number of such Fiscal Years, all as computed and determined by the Agency and specified in writing to the Trustee; provided, however, that in determining Bond Debt Service with respect to any Bonds or Series of Bonds that constitute Variable Rate Indebtedness, (A) with respect to Hedged Bonds, the interest on such Bonds shall be assumed to be equal to the Agency's fixed payments under the applicable Qualified Swap

Agreement, and (B) with respect to other Bonds that constitute Variable Rate Indebtedness, the interest rate on such Bonds for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Bonds shall have been Outstanding; provided, further, that, to the extent the Agency elects in a Supplemental Indenture to maintain a separate account for any Series of Bonds, the Debt Service Reserve Requirement with respect to such Series shall be as set forth in such Supplemental Indenture.

“Depository” means any bank or trust company organized under the laws of any state of the United States (including the Trustee and its affiliates), or any national banking association which is willing and able to accept the office on reasonable and customary terms, authorized by law to act in accordance with the provisions of the Indenture.

“Differential Interest Amount” shall have the meaning, if any, ascribed to such term in any Credit Support Instrument.

“Drawing Time” means, with respect to any Credit Support Instrument, the time specified therein by which the Tender Agent must submit a draw request in order to receive immediately available funds to pay the Purchase Price of on the Series 2007A Bonds.

“DTC” means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York or its successors and assigns. References in the Indenture to DTC shall include any Nominee of DTC in whose name any Bond is registered.

“Electronic” means, with respect to notice, notice through telecopy, telegraph, telex, facsimile transmission, internet, e-mail, dedicated electronic link or other electronic means of communication capable of producing a written record.

“Eligible Collateral” means, with respect to Qualified Swap Agreements and Qualified Caps the following:

	Valuation Percentage
1. Cash	100%
2. Treasury Securities and Agency Notes with a remaining maturity of not more than one (1) year.	100%
3. Treasury Securities and Agency Notes with a remaining maturity of more than one (1) year but not more than two (2) years.	99%
4. Treasury Securities and Agency Notes with a remaining maturity of more than two (2) years but not more than five (5) years.	98%
5. Treasury Securities and Agency Notes with a remaining maturity of more than five (5) years but not more than ten (10) years.	97%
6. Treasury Securities and Agency Notes with a remaining maturity of more than ten (10) years.	95%

For purposes of the foregoing, “Agency Notes” shall mean negotiable debt obligations that are fully guaranteed as to both principal and interest by either (i) the Federal National Mortgage Association, (ii) the Government National Mortgage Association, or (iii) the Federal Home Loan Mortgage Corporation which are rated at least AA/Aa2 by S&P or Moody’s, respectively.

“Escrow Agent” means the Trustee or a bank or trust company organized under the laws of any state of the United States, or a national banking association, appointed by the Agency to hold in trust moneys set aside for either: (i) the payment or redemption of, or interest installments on, a Bond or Bonds, or any portion thereof,

deemed paid and defeased pursuant to the Indenture; or (ii) the payment of the principal, premium, if any, or interest on Crossover Refunding Bonds or the Parity Obligations to be refunded with the proceeds of the sale of such Crossover Refunding Bonds.

“Event of Bankruptcy” means any of the following with respect to any Person: (a) the commencement by such person of a voluntary case under the Federal Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency or similar laws; (b) failure by such Person to timely controvert the filing of a petition with a court having jurisdiction over such Person to commence an involuntary case against such person under the Federal Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency or similar laws; (c) such Person shall admit in writing its inability to pay its debts generally as they become due; (d) a receiver, trustee, custodian or liquidator of such Person or such Person’s assets shall be appointed in any proceeding brought against the Person or such Person’s assets; (e) assignment of assets by such person for the benefit of its creditors; or (f) the entry by such Person into an agreement of composition with its creditors.

“Event of Default” means an event described as such in the provisions of the Indenture described below under the caption “Events of Default; Remedies—Events of Default.”

“Existing Owner” means, with respect to any Auction, a person who is listed as the beneficial owner of ARBs in the records of the Auction Agent.

“Expiration Date” means (i) the date upon which a Credit Support Instrument is scheduled to expire (taking into account any extensions of such Expiration Date by virtue of extensions of a particular Credit Support Instrument, from time to time) or terminate in accordance with its terms, including without limitation, termination upon delivery of an Alternate Credit Support Instrument to the Trustee and (ii) the date upon which a Credit Support Instrument terminates following voluntary termination by the Agency pursuant to the Indenture.

“Favorable Opinion of Bond Counsel” means, with respect to any action requiring such an opinion, an Opinion of Bond Counsel to the effect that such action shall not, in and of itself, adversely affect the Tax-Exempt status of interest on the Bonds or such portion thereof as shall be specified in the provisions of the Indenture or the Supplemental Indenture requiring such an opinion.

“Federal Bankruptcy Code” means Title 11 of the United States Code entitled “Bankruptcy,” as the same may be amended and supplemented, and any successor statute.

“Federal Securities” means obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America, including U.S. treasury obligations, all direct or fully guaranteed obligations, Farmers Home Administration, guaranteed Title XI financing, Government National Mortgage Association (GNMA) and State and Local Government Series.

“Fiduciary” means the Trustee for the Bonds appointed as provided in the Indenture.

“Final Compounded Amount” means the Accreted Value of any Capital Appreciation Obligation on its maturity date.

“First Supplemental Indenture” means that certain First Supplemental Indenture of Trust, dated as of July 1, 2007, between the Agency and the Trustee, supplementing the Master Indenture, as the same may be amended and supplemented.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period selected and designated as the official Fiscal Year of the Agency.

“Fitch” means Fitch, Inc. and any successor entity rating Parity Obligations at the request of the Agency.

“Fixed Index Interest Rate Conversion Date” means the Conversion Date for the Series 2007A Bonds to an Index Interest Rate for which the Agency has irrevocably elected an Index Interest Rate Period ending on the day immediately preceding the Maturity Date.

“Fixed Rate Conversion Date” means the Conversion Date for the Series 2007A Bonds to a Long-Term Interest Rate for a Long-Term Interest Rate Period ending on the day immediately preceding the Maturity Date.

“Flexible Auction Period” has the meaning set forth in the Auction Procedures.

“Generally Accepted Accounting Principles” means generally accepted accounting principles applied on a consistent basis set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants applicable to a government-owned utility applying all statements and interpretations issued by the Governmental Accounting Standards Board and statements and pronouncements of the Financial Accounting Standards Board which are not in conflict with the statements and interpretations issued by the Governmental Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, that are applicable to the circumstances as of the date of determination.

“Hedged Bonds” means Bonds issued under the Indenture as Variable Rate Indebtedness for which a Qualified Swap Agreement has been entered into under which all of the following apply: (a) the term of the Qualified Swap Agreement is coterminous with the maturity of the Hedged Bonds, (b) the initial notional amount of the Qualified Swap Agreement is equal to the initial principal amount of the Hedged Bonds and the notional amount of the Qualified Swap Agreement reduces at the same times and in the same amounts as the scheduled payment of principal (whether at maturity or as a result of mandatory sinking account redemption) of the Hedged Bonds, (c) the Agency’s payment obligations under the Qualified Swap Agreement are based upon a fixed interest rate for the term thereof, and (d) the counterparty’s payment obligations under the Qualified Swap Agreement are reasonably expected to be equivalent to the interest payments on the Hedged Bonds as certified by the counterparty and the Agency at the time of entering into the Qualified Swap Agreement.

“Hold Order” has the meaning provided in Appendix J.

“Index” has the meaning, with respect to ARBs, in Appendix J.

“Index Bond Calculation Period” for any Index Bond means the period from and including each Interest Accrual Date for the Index Bond to but excluding the next succeeding Interest Payment Date for the Index Bond.

“Index Bond Reset Date” means the day on which the interest rate will be reset and such day will be the first Business Day of each month.

“Index Bonds” means Series 2007A Bonds bearing interest at an Index Interest Rate.

“Index Interest Rate” means, for any Index Bond Calculation Period, a per annum rate equal to the weighted arithmetic average of the MMD Adjusted Rate in effect for each day in the Index Bond Calculation Period, calculated by multiplying each such MMD Adjusted Rate by the number of days such MMD Adjusted Rate is in effect, determining the sum of such products and dividing such sum by the number of days in the Index Bond Calculation Period, all as set forth in this First Supplemental Indenture, but not to exceed the Maximum Interest Rate.

“Index Interest Rate Period” means each Interest Rate Period during which Index Interest Rates are in effect.

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

- (1) is in fact independent and not under the domination of the Agency;
- (2) does not have any substantial interest, direct or indirect, with the Agency; and
- (3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other audits of the books of or reports to the Agency.

“Independent Financial Consultant” means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the Agency and who, or each of whom:

- (1) is in fact independent and not under the domination of the Agency;
- (2) does not have any substantial interest, direct or indirect, with the Agency; and
- (3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

“Independent Redevelopment Consultant” means a consultant or firm of such consultants generally recognized to be well qualified in the field of consulting relating to tax allocation bond financing by California redevelopment agencies, appointed and paid by the Agency, and who, or each of whom:

- (1) is in fact independent and not under the domination of the Agency;
- (2) does not have any substantial interest, direct or indirect, with the Agency;
- (3) and is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

“Initial Amount” means the Accreted Value of a Capital Appreciation Obligation on its date of issuance and delivery to the original purchaser thereof.

“Initial 2007 Series A Auction Agent” means Wells Fargo, N.A., a national banking association.

“Initial 2007 Series A Broker-Dealer” means RBC Capital Markets, Inc.

“Initial 2007 Series A Broker-Dealer Agreement” means the Broker-Dealer Agreement, dated as of July 1, 2007, by and between the Auction Agent and the Initial 2007 Series A Broker-Dealer and maintained in accordance with the Indenture.

“Interest Account” means the account by that name in the Special Fund established pursuant to the Indenture.

“Interest Accrual Date” means (i) with respect to each Daily Interest Rate Period, the first day thereof and, thereafter, the first day of each calendar month, (ii) with respect to each Weekly Interest Rate Period, the first day thereof and, thereafter, the first Wednesday of each calendar month, (iii) with respect to each Long-Term Interest Rate Period, the first day thereof, and thereafter, each March 1 and September 1, (iv) with respect to each Commercial Paper Term within a Commercial Paper Interest Rate Period, the first day thereof, (v) with respect to each Index Interest Rate Period, the first day thereof and, thereafter, the first Business Day of each month of each Index Interest Period and (vi) with respect to each ARB Interest Rate Period, the first day thereof and, thereafter, the immediately preceding Interest Payment Date.

“Interest Payment Date” means (i) with respect to each Daily Interest Rate Period, the fifth Business Day of each calendar month, (ii) with respect to each Weekly Interest Rate Period, the first Wednesday of each calendar month (or the next succeeding Business Day if such Wednesday is not a Business Day); (iii) with respect to each

Long-Term Interest Rate Period, each March 1 and September 1 or if any such March 1 and September 1 is not a Business Day, the next succeeding Business Day; provided that the first interest payment made for any Long-Term Interest Rate Period shall be at least ninety (90) days from the first day of such period; (iv) with respect to each Series 2007A Bond in a Commercial Paper Interest Rate Period, the day next succeeding the last day of each Commercial Paper Term for such Series 2007A Bond; (v) with respect to each Index Interest Rate Period, the first Business Day of each calendar month and the Maturity Date; (vi) with respect to each ARB Interest Rate Period, each ARB Interest Payment Date; (vii) with respect to each Interest Rate Period, the day next succeeding the last day thereof; and (viii) with respect to Credit Provider Bonds, the dates set forth in the applicable Credit Support Instrument.

“Interest Rate Period” means a Daily Interest Rate Period, a Weekly Interest Rate Period, a Commercial Paper Interest Rate Period, a Long-Term Interest Rate Period, an Index Interest Rate Period or an ARB Interest Rate Period.

“Issuing Instrument” means any, indenture, trust agreement or other instrument or agreement under which Obligations are issued.

“Law” means the Community Redevelopment Law of the State of California (being Part 1 of Division 24 of the California Health and Safety Code, as amended), and all laws amendatory thereof or supplemental thereto.

“Long-Term Conversion Date” means the date on which the Series 2007A Bonds begin to bear interest at a Long-Term Interest Rate pursuant to the provisions of the Indenture and such term shall include the Fixed Rate Conversion Date for the Series 2007A Bonds.

“Long-Term Interest Rate” means an interest rate with respect to the Series 2007A Bonds during a Long-Term Interest Rate Period established in accordance with the Indenture.

“Long-Term Interest Rate Period” means each Interest Rate Period during which a Long-Term Interest Rate is in effect with respect to the Series 2007A Bonds.

“Maximum Interest Rate” means: (i) with respect to Series 2007A Bonds other than ARBs and Credit Provider Bonds, twelve percent (12%) per annum; (ii) with respect to ARBs, the ARB Maximum Rate; and (iii) with respect to Credit Provider Bonds, 25% per annum; provided, however, that the Maximum Interest Rate for any Series 2007A Bond shall not exceed the Maximum Lawful Rate.

“Maximum Lawful Rate” means the maximum rate of interest on the relevant obligation permitted by applicable law which, as of the date of hereof, is 12% per annum for all Series 2007A Bonds other than Credit Provider Bonds.

“MMD” means the AAA Municipal Market Data General Obligation Yield Curve for a MMD Maturity as available through the Thompson Municipal Market Monitor (www.tm3.com) and the Municipal Market Data-Line (i) on each day prior to each Index Bond Reset Date or (ii) if the MMD is not published or provided on that day, then the MMD will be the MMD for the next preceding Business Day. If the MMD as described in (i) and (ii) is not available, then the MMD will be a comparable or successor index selected by the Agency. The MMD as so determined shall be effective for each period from the Index Bond Reset Date through but not including the next Index Bond Reset Date.

“MMD Adjusted Rate” means a per annum rate equal to the MMD Initial Rate plus or minus the change in the MMD since the date of adjustment, provided that the MMD Adjusted Rate shall never be more than the Maximum Interest Rate. The MMD Adjusted Rate as so determined shall be effective for each period from the Index Bond Reset Date through but not including the next Index Bond Reset Date.

“MMD Initial Rate” means the applicable rate for each Index Bond as designated by the Agency at the date of adjustment to an Index Interest Rate Period. The MMD Initial Rate shall be effective for the period from date of adjustment through but not including the first Index Bond Reset Date.

“MMD Maturity” means a specific year or period of one year or any multiple of one year as designated by the Treasurer at the date of adjustment to a Series of Index Bonds.

“Moody’s” means Moody’s Investors Service, Inc. and any successor entity rating Parity Obligations at the request of the Agency.

“Net Payment” means with respect to a Qualified Swap Agreement, the net amount payable or receivable by the Agency in connection with each scheduled payment date (other than Termination Payments) under such Qualified Swap Agreement. For purposes of the calculations required in the Indenture, if a Net Payment is payable by the Agency, it shall be expressed as a positive number and if a Net Payment is receivable by the Agency, it shall be expressed as a negative number.

“Nominee” means the nominee of the Securities Depository for the Book-Entry Bonds in whose name such Bonds are to be registered. The initial Nominee shall be Cede & Co., as the nominee of DTC.

“Notice of ARB Payment Default” means notice pursuant the Indenture to the Auction Agent and each Broker-Dealer that there has been an ARB Payment Default.

“Notice of Cure of ARB Payment Default” means a notice substantially in the form of attached to the Indenture.

“Notice of Mandatory Tender” means the notice provided in the Credit Support Instrument to the effect that Credit Provider’s obligation to advance funds under a Credit Support Instrument terminates as of the date specified in such notice due to the occurrence of an event of default under such Credit Support Instrument (other than an event of default under such Credit Support Instrument which causes such Credit Support Instrument to terminate immediately without notice or demand).

“Obligations” means (a) obligations with respect to borrowed money and includes bonds, notes or other evidences of indebtedness, installment purchase payments under any contract, and lease payments under any financing or capital lease (determined to be such in accordance with Generally Accepted Accounting Principles), which are payable from the Subordinate Pledged Tax Revenues, (b) obligations to replenish any debt service reserve fund with respect to obligations of the Agency described in (a) above; (c) obligations secured by or payable from any of obligations of the Agency described in (a) above; (d) obligations payable from the Subordinate Pledged Tax Revenues and entered into in connection with, relating to, or otherwise serving as a hedge with respect to, an obligation described in (a), (b) or (c) above under any Public Finance Contract; (e) Credit Provider Reimbursement Obligations; and (f) with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to the Indenture, Senior Bonds.

“One Month USD LIBOR Rate” means the British Banker’s Association average of interbank offered rates in the London market for United States dollar deposits for a one month period as reported in the Wall Street Journal or, if not reported in such newspaper, as reported in such other source as may be selected by the Agency.

“Opinion of Bond Counsel” means a written opinion signed by Bond Counsel.

“Order” means a Hold Order, Bid or Sell Order.

“Outstanding” when used as of any particular time with respect to Obligations, means, except as otherwise provided in the Indenture, all Obligations theretofore or thereupon being issued by the Agency, except (a) Obligations theretofore cancelled or surrendered for cancellation; (b) Obligations paid or deemed to be paid within the meaning of any defeasance provisions of the Issuing Instrument pursuant such Obligations were issued; (c) Obligations in lieu of or in substitution for which replacement Obligations have been issued; and (d) prior to the applicable Crossover Date, Refunding Parity Obligations which are Crossover Refunding Obligations.

“Paired Obligations” shall mean any Series (or portion thereof) of Parity Obligations designated as Paired Obligations in the Issuing Instrument authorizing the issuance thereof, which are simultaneously issued (a) the

principal of which is of equal amount maturing and to be redeemed (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (b) the interest rates which, taken together, result in an irrevocably fixed interest rate obligation of the Agency for the terms of such Paired Obligations.

“Parity Obligations” means Bonds and any Obligations which are payable from the Subordinate Pledged Tax Revenues on a parity with the payment of the Bonds and which satisfy the applicable conditions of the Indenture, including without limitation Credit Provider Reimbursement Obligations and Net Payments due under Qualified Swap Agreements. Parity Obligations include the Series 2004 Parity Obligations.

“Participants” means, with respect to a Securities Depository for Book-Entry Bonds, those participants listed in such Securities Depository’s book-entry system as having an interest in such Bonds.

“Paying Agent” means, with respect to a Series of Bonds, the Trustee and any banking corporation, banking association or trust company designated as paying agent for such Series of Bonds pursuant to the Indenture, and its successor or successors appointed in the manner provided in the Indenture.

“Permitted Investments” means any of the following to the extent then permitted by the general laws of the State of California applicable to investments by cities including, without limitation, the provisions of California Government Code Section 5922(d):

(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, and 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):

- (a) 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)
- (b) Farmers Home Administration (FmHA)
Certificates of beneficial ownership
- (c) General Services Administration;
Participation certificates
- (d) Federal Housing Administration Debentures (FHA)
- (e) U.S. Maritime Administration;
Guaranteed Title XI financing
- (f) U.S. Department of Housing and Urban Development (HUD)
Project Notes, Local Authority Bonds, New Communities Debentures –
U.S. government guaranteed public housing notes and bonds,
U.S. Public Housing Notes and Bonds –
U.S. government guaranteed public housing notes and bonds
- (g) U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership
- (h) Federal Financing Bank

(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):

- (a) Federal Home Loan Bank System
Senior debt obligations (Consolidated debt obligations)
- (b) Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”)
Participation certificates (Mortgage-backed securities)
Senior debt obligations
- (c) Federal National Mortgage Association (FNMA or “Fannie Mae”)
Mortgage-backed securities and senior debt obligations
- (d) Resolution Funding Corp. (REFCORP) obligations
- (e) Farm Credit System
Consolidated systemwide bonds and notes

(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 Standard & Poor’s of AAAM-G; AAAM; or AA-m and if rated by Moody’s rated Aaa, Aa1 or Aa2;

(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. The collateral must be held by a third party and the certificateholders must have a perfected first security interest in the collateral;

(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 Guaranteed Investment Contracts, Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to the Series 2007A Bond Insurer;

(8) Commercial paper rated “Prime-1 by Moody’s and “A-1” or better by Standard & Poor’s;

(9) Bonds or notes issued by any state or municipality which are rated by Moody’s and Standard & Poor’s in one or two of the highest long-term 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 “A3” or better by Moody’s and “A-1” or “A” by Standard & Poor’s;

(11) 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) Any state administered pool investment fund in which the Agency is statutorily permitted or required to invest will be deemed a permitted investment, including, but not limited to the Local Agency Investment Fund (LAIF) in the treasury of the State;

(13) Participation in the California Asset Management Program (CAMP); and

(14) Forward Purchase and Sale Agreements for the purchase and delivery of Permitted Investments, approved in writing by the Series 2007A Bond Insurer;

(15) Pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s. If however, the issue is only rated by Standard & Poor’s (i.e., there is no Moody’s rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition;

(16) Any other structured investment arrangement approved in writing by the Series 2007A Bond Insurer.

“Person” means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Potential Owner” means any person, including any Existing Owner, who may be interested in acquiring a beneficial interest in ARBs, in addition to the ARBs currently owned by such person, if any.

“Principal Account” means the account by that name in the Special Fund established pursuant to the Indenture.

“Principal Office” means, with respect to: (i) the Trustee, the principal office of such Trustee in San Francisco, California, and (ii) a Paying Agent or a Credit Provider, the office designated as such in writing by such party to the Trustee.

“Project” means the undertaking of the Agency pursuant to the Redevelopment Plan and the Law for the redevelopment of the Project Area.

“Project Area” means, collectively, the following project areas established by the Agency, which have been merged by the Agency pursuant to the Law:

Downtown 10A Project Area, initially established May 23, 1966; as amended from time to time.

Eastshore 1A Project Area, initially established August 26, 1957; as amended from time to time.

Galvin 3A Project Area, initially established February 28, 1955, as amended from time to time.

Harbor Gate 6A Project Area, initially established November 8, 1954; as amended from time to time.

Harbour 11A Project Area, initially established June 9, 1975, as amended from time to time.

Hensley 8A Project Area, initially established May 29, 1960; as amended from time to time.

Nevin 10B Project Area, initially established September 18, 1972; as amended from time to time.

North Richmond 12A Project Area, initially established September 18, 1972, as amended from time to time.

Potrero 1C Project Area, initially established April 4, 1960, as amended from time to time.

“Proper Delivery” means, with respect to the delivery of a Tendered Bond to the Tender Agent to receive the Purchase Price thereof in connection with any optional or mandatory tender of such Tendered Bond for purchase pursuant to the Indenture: (a) if such Tendered Bond is a Book-Entry Bond, the making of, or the irrevocable authorization to make, by 10:00 a.m., New York City time, on the applicable Purchase Date or any Business day thereafter, entries on the books of the Securities Depository or a Participant of such Securities Depository to transfer the beneficial ownership of such Tendered Bonds; and (2) if such Tendered Bond is not a Book-Entry Bond, the delivery of such Tendered Bond to the Tender Agent at its Principal Office, by 10:00 a.m., New York City time, on

the applicable Purchase Date or any Business Day thereafter, accompanied by an instrument of transfer thereof in form satisfactory to the Tender Agent, 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.

"Public Finance Contract" means (i) any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, (ii) any contract to exchange cash flows or a series of payments, or (iii) any contract to hedge payment, currency, rate spread or similar exposure, including but not limited to interest, any interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure, between the Agency and a counterparty.

"Purchase Date" means, with respect to each Tendered Bond, the date on which such Tendered Bond is tendered or deemed tendered for purchase pursuant to the Indenture.

"Purchase Price" means, with respect to any Tendered Bond (or portion thereof), an amount, payable in immediately available funds, equal to the principal amount thereof plus accrued interest from and including the Interest Accrual Date immediately preceding the applicable Purchase Date to but not including the applicable Purchase Date; provided, however, that (1) if the Purchase Date for any Tendered Bond is on or after the Record Date for an Interest Payment Date and on or prior to such Interest Payment Date, the Purchase Price thereof shall be the principal amount thereof, and interest on such Tendered Bond shall be paid to the Owner of such Tendered Bond as of the applicable Record Date as provided for the payment of interest on Series 2007A Bonds in the Indenture and (2) in the case of a Purchase Date which is the first day of an Interest Rate Period which is preceded by a Long-Term Interest Rate Period and which commences prior to the day originally established as the last day of such preceding Long-Term Interest Rate Period, "Purchase Price" of any Tendered Bond means the optional redemption price determined pursuant to the Indenture which would have been applicable to the redemption of such Tendered Bond on such Purchase Date pursuant to the Indenture if the preceding Long-Term Interest Rate Period had continued to the day originally established as its last day.

"Purchase Price" means: (i) with respect to Bonds of any Series, the purchase price set forth in the Supplemental Indenture authorizing the Bonds of such Series to be paid to the Owners of such Bonds when such Bonds are tendered for purchase or deemed tendered for purchase in accordance with the provisions of such Supplemental Indenture; and (ii) with respect to other Parity Obligations, the purchase price set forth in the Issuing Instrument authorizing such Parity Obligations to be paid to the owners of such Parity Obligations when such Parity Obligations are tendered or deemed tendered for purchase in accordance with the provisions of such Issuing Instrument.

"Qualified Cap" means a Public Finance Contract under which all of the following apply: (a) the term of the Public Finance Contract is coterminous with the maturity of the Capped Bonds, (b) the initial notional amount of the Public Finance Contract is equal to the initial principal amount of the Capped Bonds and the notional amount of the Public Finance Contract reduces at the same times and in the same amounts as the scheduled payment of principal (whether at maturity or as a result of mandatory sinking account redemption) of the Capped Bonds, and (c) the counterparty's payment obligations under the Public Finance Contract are equal to the interest payable on the Capped Bonds above a specified interest rate.

"Qualified Swap Agreement" means a Public Finance Contract, the Agency's obligations to make Net Payments under which are payable from the Subordinate Pledged Tax Revenues on a parity with the payment of other Parity Obligations and satisfying the conditions of the Indenture, intended to place Parity Obligations or the applicable investments on the interest rate, currency, cash flow or such other basis desired by the Agency.

"Rating Agency" means, as of any time and to the extent it is then providing or maintaining a rating on Parity Obligations at the request of the Agency, each of Moody's, Standard & Poor's or Fitch, or in the event that neither Moody's, Standard & Poor's or Fitch then maintains a rating on Parity Obligations at the request of the

Agency, any other nationally recognized rating agency then providing or maintaining a rating on the Bonds at the request of the Agency.

“Rating Category” means (1) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (2) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“Rating Confirmation” means written evidence from each Rating Agency then rating Outstanding Parity Obligations at the request of the Agency to the effect that, following the event which requires the Rating Confirmation, the then current rating for each Outstanding Parity Obligation shall not be lowered or withdrawn solely as a result of the occurrence of such event.

“Record Date” means, with respect to an Interest Payment Date for a Series of Bonds, the date or dates specified as such in the Supplemental Indenture authorizing such Series of Bonds.

“Redemption Date means, with respect to any Bonds to be redeemed in accordance with the Indenture and the Supplemental Indenture authorizing such Bonds, the redemption date set forth in notice of redemption of such Bonds given in accordance with the terms of the Indenture.

“Redemption Fund” means the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) Redemption Fund established pursuant to the Indenture.

“Redemption Price” means, with respect to any redemption of a Bond prior to its maturity, the amount to be paid upon such redemption of the Bond as set forth in, or determined in accordance with, the Supplemental Indenture authorizing such Bond.

“Redevelopment Plan” means, collectively, the Redevelopment Plan for the Project Area or “Richmond Community Redevelopment Agency Merged Project Areas Plan.”

“Refunding Bonds” means Bonds issued in accordance with the terms and conditions of the Indenture for the purposes, and satisfying the conditions of the Indenture.

“Refunding Parity Obligations” means Parity Obligations, including Refunding Bonds, issued for the purposes set forth in the Indenture and satisfying the conditions set forth in the Indenture.

“Remaining Redevelopment Plan Limit” means the applicable time limit to collect tax increment under the Redevelopment Plan.

“Remarketing Agent” means any initial, successor or additional remarketing agent appointed with respect to the Series 2007A Bonds.

“Remarketing Agreement” shall mean the agreement or instrument pursuant to which a Remarketing Agent for the Series 2007A Bonds shall perform its services.

“Remarketing Proceeds Account” means the account by that name within the Bond Purchase Fund established pursuant to the Indenture.

“Representation Letter” means the letter or letters of representation from the Agency to, or other instrument or agreement with, a Securities Depository for Book-Entry Bonds, in which the Agency, among other things, makes certain representations to the Securities Depository with respect to the Book-Entry Bonds, the payment thereof and delivery of notices with respect thereto.

“Repurchase Agreement” means a repurchase agreement with (a) a primary dealer on the Federal Reserve reporting dealer list which are rated “A” or better by Standard & Poor’s and Moody’s, or (b) a bank rated “A” or above by Standard & Poor’s and Moody’s, that require the delivery of investments described in clauses (1) and (2) of the definition of Permitted Investments. The term of the Repurchase Agreement may be up to 30 days. Such collateral must be delivered to the Agency, the Trustee (if the Trustee is not supplying the collateral) or a third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before or simultaneously with payment (perfection by possession of certificated securities). The value of such collateral must equal 104% of the amount of cash transferred by the Agency or the Trustee to the counterparty under the repurchase agreement, plus accrued interest. If the value of securities held as collateral is at any time below 104% of the value of the cash transferred by the Agency or the Trustee, then additional cash and/or acceptable securities must be provided. Notwithstanding the foregoing, if the securities provided as collateral are investments described in clauses (3)(b) or (3)(c) of the definition of Permitted Investments, then the value of such collateral must equal 105%. A legal opinion must be delivered to the Agency to the effect that the Repurchase Agreement meets the guidelines under state law for legal investment of public funds.

“Required Stated Amount” means with respect to a Credit Support Instrument, at any time of calculation, an amount equal to the aggregate principal amount of all Outstanding Series 2007A Bonds as to which the Purchase Price is payable pursuant to the Indenture from the proceeds of a drawing on such Credit Support Instrument, together with interest accruing thereon (assuming an annual rate of interest equal to the Maximum Interest Rate) for the period specified in a certificate of an Authorized Agency Representative to be the minimum period specified by each Rating Agency then rating such Series 2007A Bonds as necessary to obtain (or maintain) a specified short-term rating of the Series 2007A Bonds.

“Reserve Financial Guaranty” means a policy of municipal bond insurance or surety bond issued by a financial guaranty insurer or a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit in the highest rating category (without regard to qualifiers) by Standard & Poor’s and Moody’s and, if rated by A.M. Best & Company, also in the highest rating category (without regard to qualifiers) by A.M. Best & Company.

“Reserve Financial Guaranty Provider” means an issuer of a Reserve Financial Guaranty.

“Richmond Joint Powers Financing Authority” means the joint powers financing authority created pursuant to the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto, and its successors and assigns in accordance with the Indenture.

“Rule 15c2-12” means Rule 15c2-12 of the Securities and Exchange Commission adopted pursuant to the Securities Exchange Act of 1934, as amended, as the same may be amended and supplemented from time to time.

“Securities Depository” means a trust company or other entity which provides a book-entry system for the registration of ownership interests of Participants in securities and which is acting as security depository for Book-Entry Bonds.

“Sell Order” has the meaning set forth in Appendix J.

“Senior Bonds” means, collectively, the Richmond Community Redevelopment Agency Harbour Redevelopment Project 1991 Tax Allocation Refunding Bonds, the Richmond Community Redevelopment Agency Harbour Redevelopment Project Tax Allocation Refunding Bonds, 1998 Series A, the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds, Series 2000A (Tax-Exempt), the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds, Series 2003A (Tax Exempt), and the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds, Series 2003B (Taxable).

“Senior Debt Service” means, for any period of time, the sum of (a) the interest payable during such period on all Outstanding Senior Bonds, assuming that all Outstanding Senior Bonds that are Serial Obligations are retired

as scheduled and that all Outstanding Senior Bonds that are Term Obligations are redeemed or paid from sinking fund installments as scheduled, (b) that portion of the principal amount of all Outstanding Senior Bonds that are Serial Obligations maturing on each principal payment date during such period, including the Final Compounded Amount of any Capital Appreciation Obligations which are Senior Bonds that are Serial Obligations, (c) that portion of the principal amount of all Outstanding Senior Bonds that are Term Obligations required to be redeemed or paid from Sinking Fund Installments becoming due during such period (together with the premiums, if any, thereon), including the Accreted Value of any Capital Appreciation Obligations which are Senior Bonds that are Term Obligations, and (d) amounts, if any, required to be deposited in the Reserve Account (as defined in the Senior Obligations) established under the Senior Obligations with respect to Senior Bonds and any other amounts required to be deposited in the Accounts (as defined in the Senior Obligations) established under the Senior Obligations.

“Senior Obligations” means, collectively, the Obligations of the Pre-2004 Loan Agreement, dated as of November 1, 2000, between the Agency and the Authority (the “2000 Senior Loan Agreement”), and the Loan Agreement, dated as of August 1, 2003, between the Agency and the Authority (the “2003 Senior Loan Agreement”).

“Serial Obligations” means Obligations for which no Sinking Fund Installments are established.

“Serial Parity Obligations” means Serial Obligations which are Parity Obligations.

“Series” means Obligations issued at the same time or sharing some other common term or characteristic and designated in the Issuing Instrument pursuant to which such Obligations were issued as a separate issue or series of Obligations.

“Series 2004 Parity Obligations” means the obligations under the Loan Agreement (Non-Housing), dated as of October 1, 2004, between the Agency and the Authority, which secure the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds, Series 2004A (Taxable).

“SIFMA Index” means the “Securities Industry and Financial Markets Association Municipal Swap Index” (such index previously known as the “Bond Market Association Municipal Swap Index” and the “PSA Municipal Swap Index”) announced by Municipal Market Data on the rate determination date and based upon the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meets specified criteria established by the Securities Industry and Financial Markets Association. The SIFMA Index shall be based upon current yields of high-quality weekly adjustable variable rate demand bonds which are subject to tender upon seven days notice, the interest on which is tax-exempt and not subject to any personal “alternative minimum tax” or similar tax under the Code unless all tax-exempt securities are subject to such tax.

“Sinking Fund Account” means the account by that name in the Special Fund established pursuant to the Indenture.

“Sinking Fund Installment” means, with respect to any Term Parity Obligations, each amount so designated for such Term Parity Obligations in the Issuing Instrument authorizing the issuance of such Parity Obligations requiring payments by the Agency from the Subordinate Pledged Tax Revenues to be applied to the retirement of such Parity Obligations on and prior to the stated maturity date thereof.

“Sinking Fund Installment” means, with respect to the Series 2007A Bonds, the amount required by the Indenture to be paid by the Agency on any single date for the retirement of Series 2007A Bonds.

“Special Fund” means the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) Special Fund established pursuant to the Indenture.

“Standard & Poor’s” means Standard & Poor’s Rating Services and any successor entity rating Parity Obligations at the request of the Agency.

“State” means the State of California.

“Statutory Corporate Tax Rate” means, as of any date of determination, the highest tax rate bracket (expressed in decimals) now or hereafter applicable in each taxable year on the taxable income of every corporation as set forth in section 11 of the Code or any successor section, without regard to any minimum additional tax provision or provisions regarding changes in rates during a taxable year. The Statutory Corporate Tax Rate as of the date hereof is 35%.

“Submitted Bid” has the meaning specified in Appendix J.

“Submitted Hold Order” has the meaning specified in Appendix J.

“Submitted Order” has the meaning specified in Appendix J.

“Submitted Sell Order” has the meaning specified in Appendix J.

“Subordinated Obligation” means any Obligation which is expressly made subordinate and junior in right of payment from the Subordinate Pledged Tax Revenues to the payment of Parity Obligations and which complies with the provisions of the Indenture. The 2007 Swap Termination Payments are Subordinate Obligations.

“Sufficient Clearing Bids” has the meaning specified in Appendix J.

“Supplemental Indenture” means any supplemental indenture supplementing or amending the Indenture as theretofore in effect, entered into by the Agency and the Trustee in accordance with the Indenture.

“Tax Certificate” means a certificate relating to the requirements of the Code signed on behalf of the Agency and delivered in connection with the issuance of a Series of Bonds.

“Tax-Exempt” means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a “substantial user” of facilities financed with such obligations or a “related person” within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

“Tax-Exempt Securities” means bonds, notes or other securities the interest on which is Tax-Exempt.

“Tender Agent” means the Trustee, or any successor tender agent appointed pursuant to the Indenture.

“Tendered Bond” means any Series 2007A Bond (or the portion of any Series 2007A Bond) tendered or deemed tendered for purchase pursuant to the Indenture.

“Tender Indebtedness” means any Parity Obligations or portions of Parity Obligations, a feature of which is an option or obligation, on the part of the owners thereof under the terms of such Parity Obligations, to tender all or a portion of such Parity Obligations to the Agency, a fiscal agent, a paying agent, a tender agent or other agent for purchase and requiring that such Parity Obligations or portions thereof be purchased at the applicable Purchase Price if properly presented.

“Termination Payment” means with respect to a Qualified Swap Agreement, the amount payable by the Agency as a result of the termination of such Qualified Swap Agreement prior to its scheduled expiration date.

“Term Obligations” means Obligations which are payable on or before their specified maturity dates from Sinking Fund Installments established for that purpose and calculated to retire such Obligations on or before their specified maturity dates.

“Term Parity Obligations” means Term Obligations which are Parity Obligations.

“2007 Series A Coverage Reserve Requirement” means the amount required to be deposited and maintained in the 2007 Series A Coverage Reserve Subaccount pursuant to the Indenture.

“2007 Series A Coverage Reserve Termination Date” means the date on which the Agency files with the Trustee (with a copy to the 2007 Series B Bond Insurer) a Certificate of an Independent Redevelopment Consultant showing that if the assessed value in each of the component sub-areas constituting the Project Area were to decline by 20% from the most recent equalized assessment roll value of the County of Contra Costa, the Tax Revenues (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Certificate, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency’s authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area expected to be received in the current Fiscal Year and in each Fiscal Year thereafter shall be in an amount equal to at least 100% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations and Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law; provided, that for the purposes of the calculations required by the Indenture, Outstanding Parity Obligations shall not include any Bonds the proceeds of which are deposited in an escrow fund held by a escrow agent, provided that the Supplemental Indenture authorizing issuance of such Bonds shall provide that: (i) such proceeds shall be deposited or invested with or secured by an institution rated “AA” or higher by Standard & Poor’s and “Aa” or higher by Moody’s at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Debt Service on the foregoing Bonds; (ii) moneys may be transferred from said escrow fund only if Tax Revenues expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Bonds are Outstanding (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the transfer from said escrow fund, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency’s authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area shall be in an amount equal to at least 140% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations (exclusive of disqualified Bonds described in the Non-Housing Indenture), Senior Obligations and such Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law less a principal amount of Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and (iii) such Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

“2007 Series A Tax Certificate” means that certain Tax Certificate and Agreement signed by the Agency on the Delivery Date and relating to the requirements of Section 148 of the Code.

“Undelivered Bond” means, with respect to each Purchase Date, each Tendered Bond subject to purchase on such Purchase Date as to which Proper Delivery of such Tendered Bond to the Tender Agent is not made on such Purchase Date; provided, however, no such Tendered Bond shall be considered an Undelivered Bond on such Purchase Date unless the Tender Agent holds sufficient available moneys in trust for the Owners of the Tendered Bonds to pay in full the applicable Purchase Price of all Tendered Bonds due on such Purchase Date.

“Variable Index” means the SIFMA Index. If for any reason the SIFMA Index for any rate determination date is not announced or is otherwise unavailable or is held to be invalid or unenforceable by a court of law, except as otherwise provided with respect to ARBs in the definition of “Index”, the Variable Index for such rate determination date shall be an index selected by the Remarketing Agent which is a composite of bid-side yields of obligations (a) which (i) provide for a weekly adjustment of the interest rate, and (ii) which (A) must be purchased on demand of the owner thereof at any time upon notice of up to seven (7) days or (B) are payable in full not later than seven (7) days after the date of evaluation and (b) the interest on which is Tax-Exempt and not subject to any personal “alternative minimum tax” or similar tax under the Code unless all Tax-Exempt bonds are subject to such tax. If no such index is so selected by the Remarketing Agent or if any such index is held to be invalid or unenforceable by a court of law, except as otherwise provided with respect to ARBs in the definition of “Index,” the Variable Index for such rate determination date shall be an index computed by the Remarketing Agent and shall be equal to 95% of the yield applicable to 91-day United States Treasury bills, such yield to be computed on the basis

of the coupon equivalent of the average per annum discount rate at which such Treasury bills shall have been sold at the most recent Treasury auction conducted prior to such rate determination date.

“Variable Rate Indebtedness” means any Obligation, other than Paired Obligations, the interest rate on which to the maturity thereof is not established at a rate which is not subject to fluctuation or subsequent adjustment, either at the time of issuance of such Obligation or some subsequent date.

“Weekly Interest Rate” means an interest rate with respect to the Series 2007A Bonds in a Weekly Interest Rate Period established in accordance with the Indenture.

“Weekly Interest Rate Period” means each Interest Rate Period during which Weekly Interest Rates are in effect.

THE NON-HOUSING INDENTURE

Authorization of Bonds

The Non-Housing Indenture provides certain terms and conditions upon which Bonds of the Agency to be designated as “Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas)” may be issued from time to time as authorized by Supplemental Indentures. The aggregate principal amount of Bonds which may be executed, authenticated and delivered under the Non-Housing Indenture is not limited except as may hereafter be provided in the Non-Housing Indenture or as may be limited by law.

Bonds Constitute Limited Obligations

The Bonds shall not constitute a charge against the general credit of the Agency but shall constitute and evidence limited obligations of the Agency payable as to principal, Redemption Price, if any, and interest solely from the Subordinate Pledged Tax Revenues and the other funds pledged therefor under the Indenture and, with respect to any particular Series of Bonds, from such other sources as shall be specified in the Supplemental Indenture authorizing the issuance of such Series. The Purchase Price for the Bonds of any Series which are Tender Indebtedness shall be payable from such sources as are specified in the Supplemental Indenture authorizing the issuance of such Series. The provisions of this paragraph shall not preclude the payment or redemption of Bonds, at the election of the Agency, from any other legally available funds.

Indenture to Constitute Contract

In consideration of the purchase and acceptance of each Bond issued under the Indenture by those who shall own the same from time to time, the provisions of each Bond and the provisions of the Indenture applicable to such Bond, and unless otherwise provided in the Supplemental Indenture authorizing such Bond, the provisions of the State Constitution, the Law and any general laws of the State applicable to such Bond, shall be deemed to be and shall constitute a contract between the Agency and the Owner of such Bond.

General Provisions for Issuance of Bonds

(a) All (but not less than all) the Bonds of each Series shall be executed by the Agency for issuance under the Indenture and delivered to the Trustee and thereupon shall be authenticated by the Trustee and by it delivered to the Agency or upon its order, but only upon the receipt by the Trustee of the following items (upon which the Trustee may conclusively rely in determining whether the conditions precedent for the issuance and authentication of such Series of Bonds have been satisfied):

(1) An executed counterpart of the Indenture, as amended to the date of the initial delivery of such Series of Bonds, and an executed counterpart of the Supplemental Indenture authorizing the issuance of such Series of Bonds, which Supplemental Indenture shall specify: (i) the sources of payment for the Bonds of such Series other than the Subordinate Pledged Tax Revenues, if any; (ii) the Series designation of such Bonds; (iii) the authorized principal amount of the Bonds of such Series; (iv) the purposes for which such Series of Bonds are being issued,

which shall be one of the purposes specified in the provisions of the Indenture described below under the captions “—Additional Bonds” and “—Refunding Bonds”; (v) the date or manner of determining the date of the Bonds of such Series; (vi) the maturity date or dates of the Bonds of such Series and the principal amount of the Bonds of such Series maturing on each such maturity date; (vii) which, if any, of the Bonds of such Series shall constitute Serial Obligations and which, if any, shall constitute Term Obligations; (viii) the interest rate or rates on the Bonds of such Series or the manner of determining such interest rate or rates; (ix) the Interest Payment Dates for the Bonds of such Series or the manner of establishing such Interest Payment Dates; (x) the Authorized Denominations of the Bonds of such Series; (xi) the Redemption Price or Prices, if any, and, subject to the provisions of the Indenture, the redemption terms for the Bonds of such Series; (xii) the Sinking Fund Installments, if any, for the Bonds of such Series which constitute Term Obligations, provided that each Sinking Fund Installment, if any, shall fall upon an Interest Payment Date for the Bonds of such Series; (xiii) if any of the Bonds of such Series constitute Tender Indebtedness, the terms and conditions, including Purchase Price, for the exercise by the Owners or Beneficial Owners of such Bonds of the purchase and extension options granted with respect to such Bonds and the terms and conditions, including Purchase Price, upon which the Bonds of such Series shall be subject to mandatory tender for purchase; (xiv) if the Bonds of such Series are not to be Book-Entry Bonds, a statement to such effect; (xv) the application of the proceeds of the sale of such Series of Bonds including the amount, if any, to be deposited in the funds and accounts under the Indenture; (xvi) the forms of the Bonds of such Series and of the certificate of authentication thereon; and (xvii) the appropriate funds and accounts, if any, relating to such Series of Bonds established under such Supplemental Indenture;

(2) an Opinion of Bond Counsel, dated the date of the initial delivery of such Series of Bonds, to the effect that the Indenture, as amended to such date, as supplemented by the Supplemental Indenture authorizing the issuance of such Series of Bonds, constitutes the valid and binding obligations of the Agency;

(3) With respect to any Additional Bonds, the Trustee shall have received the certificate referred to in the provisions of the Indenture described below under the captions “—Refunding Bonds” or “—Conditions to Issuance of Parity Obligations,” as applicable;

(4) With respect to any Refunding Bonds which are not Crossover Refunding Obligations, the Trustee shall have received a copy of the Opinion of Bond Counsel required below in paragraph (b) under the caption “—Refunding Bonds,” or with respect to Refunding Bonds constituting Crossover Refunding Obligations, the Accountant’s Certificate and Crossover Escrow Instructions required by paragraph (c) under the caption “—Refunding Bonds,” as applicable; and

(5) Such further documents, moneys and securities as are required by the applicable provisions of the Indenture or of the Supplemental Indenture authorizing the issuance of such Series of Bonds.

After the original issuance of Bonds of any Series, no Bonds of such Series shall be issued except in lieu of or in substitution for other Bonds of such Series pursuant to the Indenture.

Additional Bonds

Subject to the provisions of the Indenture described below under the caption “—Conditions to Issuance of Parity Obligations,” one or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for any purpose permitted by the Law and the Redevelopment Plan in connection with the Project, including, without limitation, the financing of costs of the Project (or for making reimbursements to the Agency for such costs theretofore paid by it) as permitted by the Law and the Redevelopment Plan. Additional Bonds may be issued in a principal amount sufficient to pay such costs, including making of any deposits into the funds or accounts required by the provisions of the Indenture.

Refunding Bonds

(a) Subject to the provisions of the Indenture described below under the caption “—Conditions to Issuance of Parity Obligations,” one or more Series of Refunding Bonds may be issued, authenticated and delivered upon original issuance for the purpose of refunding all or any portion of the Outstanding Parity Obligations.

Refunding Bonds may be issued in a principal amount sufficient to accomplish such refunding including providing amounts for the Costs of Issuance of such Refunding Bonds, and the making of any deposits into the funds and accounts required by the provisions of the Indenture.

(b) Refunding Bonds of each Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by the provisions of the Indenture described above under the caption “—General Provisions for Issuance of Bonds” and except as otherwise provided in the following paragraph with respect to Refunding Bonds constituting Crossover Refunding Obligations) of an Opinion of Bond Counsel to the effect that the Parity Obligations (or the portion thereof) to be refunded are deemed paid pursuant to the Issuing Instrument authorizing such Parity Obligations. Such Opinion of Bond Counsel may rely upon an Accountant’s Certificate as to the sufficiency of available funds to pay such Parity Obligations. The Trustee may conclusively rely on such Opinion of Bond Counsel in determining whether the conditions precedent for the issuance and authentication of such Series of Refunding Bonds have been satisfied.

(c) A Series of Refunding Bonds which constitute Crossover Refunding Obligations shall be authenticated and delivered by the Trustee upon the receipt of the Trustee (in addition to the documents required by the provisions of the Indenture described above under the caption “—General Provisions for Issuance of Bonds”) of: (i) an Accountant’s Certificate to the effect that the moneys scheduled to be available in the applicable Crossover Refunding Escrow are sufficient to pay the applicable Crossover Escrow Requirements when due; and (ii) a copy of the Crossover Escrow Instructions relating to such Series of Refunding Bonds and the Parity Obligations to be refunded.

(d) The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied simultaneously with the delivery of such Bonds as provided in the Supplemental Indenture authorizing such Series of Refunding Bonds.

Conditions to Issuance of Parity Obligations

(a) Without regard to subparagraph (e) below, the Agency may, at any time and from time to time, issue or enter into an obligation or commitment which is a Qualified Swap Agreement, the Net Payments under which shall constitute Parity Obligations, provided (i) the Qualified Swap Agreement shall relate to a principal amount of Outstanding Parity Obligations or investments held under an Issuing Instrument for Parity Obligations, in each case specified by an Authorized Agency Representative; (ii) the notional amount of the Qualified Swap Agreement shall not exceed the principal amount of the related Parity Obligation or the amount of such investments, as applicable; (iii) the Agency has received a Rating Confirmation from each Rating Agency with respect to such Qualified Swap Agreement; and (iv) the prior written consent of each Credit Provider, whose consent is required by a Supplemental Indenture or a Credit Support Agreement, is obtained with respect to the Qualified Swap Agreement.

(b) The Agency may, at any time and from time to time, issue Refunding Parity Obligations provided that either: (i) the requirements set forth in paragraph (e) below are satisfied upon the issuance of such Refunding Parity Obligations and the application of the proceeds thereof; or (ii) the Agency has provided to the Trustee a certificate showing that the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations, such Refunding Parity Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues is not greater than the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans if such Refunding Bonds were not issued.

(c) Without regard to subparagraph (e) below, the Agency may issue the Bonds and may enter into a Qualified Swap Agreement with respect to all or a portion of the Bonds.

(d) Without regard to subparagraph (e) below, the Agency may, at any time and from time to time, enter into Credit Support Agreements or otherwise become obligated for Credit Provider Reimbursement Obligations with respect to Parity Obligations.

(e) The Agency may, at any time and from time to time, issue any Additional Parity Obligations, provided the Agency obtains or provides a certificate or certificates, prepared by the Agency or at the Agency's option by a Consultant, showing that the Tax Revenues (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Agency's adoption of the Supplemental Indenture or other Issuing Instrument providing for the issuance of such Additional Parity Obligations, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area) expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Additional Parity Obligations are Outstanding shall be in an amount equal to at least 140% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and such Additional Parity Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law.

For the purposes of the issuance of Additional Parity Obligations, Outstanding Parity Obligations shall not include any Bonds the proceeds of which are deposited in an escrow fund held by a escrow agent, provided that the Supplemental Indenture authorizing issuance of such Bonds shall provide that: (i) such proceeds shall be deposited or invested with or secured by an institution rated "AA" or higher by Standard & Poor's and "Aa" or higher by Moody's at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Debt Service on the foregoing Bonds; (ii) moneys may be transferred from said escrow fund only if Tax Revenues expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Bonds are Outstanding (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the transfer from said escrow fund, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area) shall be in an amount equal to at least 140% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations (exclusive of disqualified Bonds described in the Indenture), Senior Obligations and such Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law less a principal amount of Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and (iii) such Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

Nothing contained in the Indenture shall limit the issuance of any tax allocation bonds of the Agency payable from Subordinate Pledged Tax Revenues and secured by a lien and charge on Subordinate Pledged Tax Revenues if, after the issuance and delivery of such tax allocation bonds, none of the Parity Obligations theretofore issued under the Indenture or other Issuing Instrument will be Outstanding.

Conditions of Issuance of Subordinated Obligations

(a) The Agency may, at any time or from time to time, issue Subordinated Obligations without satisfying the requirements of paragraph (e) above under the caption "Refunding Bonds" for any purpose permitted by the Law and the Redevelopment Plan in connection with the Project, including, without limitation, the financing of costs of the Project (or for making reimbursements to the Agency for such costs theretofore paid by it) as permitted by the Law and the Redevelopment Plan or the refunding of any Subordinated Obligations or Outstanding Parity Obligations (or portions thereof). Such Subordinated Obligations shall be payable out of amounts of the Subordinate Pledged Tax Revenues as may from time to time be available therefor, provided that any such payment shall be, and shall be expressed to be, subordinate and junior in all respects to the payment of such Parity Obligations as may be Outstanding from time to time, including Parity Obligations issued after the issuance of such Subordinated Obligations.

(b) The indenture or other instrument authorizing the issuance of Subordinated Obligations shall contain provisions (which shall be binding on all owners of such Subordinated Obligations) not more favorable to the owners of such Subordinated Obligations than the following:

(1) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Agency or to its creditors, as

such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Agency, whether or not involving insolvency or bankruptcy, the owners of all Outstanding Parity Obligations shall be entitled to receive payment in full in cash of all principal and interest on all such Parity Obligations before the owners of the Subordinated Obligations are entitled to receive any payment from the Subordinate Pledged Tax Revenues with respect to the Subordinated Obligations, including Termination Payments.

(2) In the event that any Subordinated Obligation is declared due and payable before its expressed maturity because of the occurrence of an event of default (under circumstances when the provisions of (1) above shall not be applicable), the owners of all Parity Obligations Outstanding at the time such Subordinated Obligation so becomes due and payable because of such event of default, shall be entitled to receive payment in full in cash of all principal and interest on all such Parity Obligations before the owners of such Subordinated Obligation are entitled to receive any accelerated payment from Subordinate Pledged Tax Revenues with respect to such Subordinated Obligation. For purposes of this subdivision (2), a Termination Payment shall not be considered a declaration of amounts due and payable before expressed maturity even if declared due and payable because of the occurrence of an event of default.

(3) If any default with respect to any Outstanding Parity Obligation shall have occurred and be continuing (under circumstances when the provisions of (1) above shall not be applicable), the owners of all Outstanding Parity Obligations shall be entitled to receive payment in full in cash of all principal and interest on all such Parity Obligations as the same become due and payable in accordance with the provisions of the Issuing Instrument authorizing the issuance of such Parity Obligations before the owners of the Subordinated Obligations are entitled to receive, subject to the provisions of (5) below, any payment from the Subordinate Pledged Tax Revenues with respect to the Subordinated Obligations.

(4) No Bondowner or other owner of Outstanding Parity Obligations shall be prejudiced in his right to enforce subordination of the Subordinated Obligations by any act or failure to act on the part of the Agency or the Trustee.

(5) The Subordinated Obligations may provide that the provisions (1), (2), (3) and (4) above are solely for the purpose of defining the relative rights of the Owners of the Bonds and the owners of all other Outstanding Parity Obligations on the one hand, and the owners of Subordinated Obligations on the other hand, and that nothing therein shall impair, as between the Agency and the owners of the Subordinated Obligations, the obligation of the Agency, which may be unconditional and absolute, to pay to the owners of such Subordinated Obligations the principal thereof and premium, if any, and interest thereon and Net Payments in accordance with their terms, nor shall anything therein prevent the owners of the Subordinated Obligations from exercising all remedies otherwise permitted by applicable law or thereunder upon default thereunder, subject to the rights under (1), (2), (3) and (4) above of the Owners of Outstanding Bonds and the owners of other Outstanding Parity Obligations to receive payment from the Subordinate Pledged Tax Revenues otherwise payable or deliverable to the owners of the Subordinated Obligations; and the Subordinated Obligations may provide that, insofar as a trustee, fiscal agent or paying agent for such Subordinated Obligations is concerned, the foregoing provisions shall not prevent the application by such trustee, fiscal agent or paying agent of any moneys deposited with such trustee, fiscal agent or paying agent for the purpose of the payment of or on account of the principal (and premium, if any) and interest on such Subordinated Obligations if such trustee, fiscal agent or paying agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

(c) Any Subordinated Obligations may have such rank or priority with respect to any other Subordinated Obligations as may be provided in the indenture or other instrument, authorizing the issuance or incurrence, or securing of such Subordinated Obligations and may contain such other provisions as are not in conflict with the provisions of the Indenture.

Credit Provider Bonds. Subject only to the provisions of the Indenture described above under the caption “—Bonds Constitute Special Obligations,” notwithstanding any other provision contained in the Indenture to the contrary, Bonds which are Credit Provider Bonds shall have terms and conditions, including terms of maturity, payment, prepayment and interest rate, as shall be specified in the applicable Credit Support Agreement.

Limitation on Issuance of Senior Bonds. The Agency covenants that so long as any Parity Obligations are Outstanding, the Agency shall not issue any additional (including any refunding) Senior Bonds under the Senior Obligations or other debt which is payable on a parity with the Senior Bonds and on a priority basis to any Parity Obligations.

Establishment of Funds and Application Thereof

Pledge of Subordinate Pledged Tax Revenues. Subject to the provisions of the Indenture permitting application thereof for the purposes and on the terms and conditions set forth in the Indenture, to secure the payment of all the Outstanding Bonds and Parity Obligations, including without limitation Credit Provider Bonds, and the interest payments becoming due thereon according to their tenor, purport and effect, and to secure the performance and observance of all of the covenants, agreements and conditions contained in the Outstanding Bonds, including without limitation Credit Provider Bonds, and the Indenture, the Agency irrevocably grants a lien on and a security interest in, and pledges, the Subordinate Pledged Tax Revenues and all money in the Special Fund and in the funds or accounts so specified and provided for in the Indenture, whether held by the Agency or the Trustee, to the Trustee for the benefit of the Owners of the Outstanding Bonds, including without limitation Credit Provider Bonds, and any Parity Obligations, including without limitation Credit Support Agreements for Parity Obligations and Qualified Swap Agreements. This lien on and security interest in and pledge of the Subordinate Pledged Tax Revenues and such money in the Special Fund and in the funds or accounts so specified and provided for in the Indenture shall constitute a first pledge of and charge and lien upon the Subordinate Pledged Tax Revenues and such money in the Special Fund and in the funds or accounts so specified and provided for in the Indenture, shall immediately attach and be effective, binding, and enforceable against the Agency, its successors, purchasers of any of the Subordinate Pledged Tax Revenues or such money in the Special Fund or in the funds or accounts so specified and provided for in the Indenture, creditors, and all others asserting rights therein to the extent set forth in, and in accordance with, the Indenture, irrespective of whether those parties have notice of the lien on, security interest in and pledge of the Subordinate Pledged Tax Revenues and such money in the Special Fund and in the funds or accounts so specified and provided for in the Indenture and without the need for any physical delivery, recordation, filing or further act.

Funds. To ensure the payment when due and payable, whether at maturity or upon redemption or upon acceleration, of the principal of, Redemption Price, if any, and interest on the Bonds, there are established the following funds and accounts, to be held and maintained by the Trustee and applied as provided in the Indenture for so long as any of the Bonds are Outstanding:

(a) the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) Special Fund (the "Special Fund"), comprised of an Interest Account, a Principal Account, a Sinking Fund Account and a Debt Service Reserve Account; and

(b) the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) Redemption Fund (the "Redemption Fund").

Receipt and Deposit of Subordinate Pledged Tax Revenues. After the Agency has made all required deposits of Tax Revenues in the Funds and Accounts (as defined in the Senior Obligations) established under the Senior Obligations, the Agency shall transfer all Subordinate Pledged Tax Revenues held or received by the Agency to the Trustee for deposit in the Special Fund; provided that the Agency shall not be obligated to deposit in the Special Fund in any Fiscal Year an amount of Subordinate Pledged Tax Revenues which, together with other available amounts then in the Special Fund, exceeds the amounts required to be transferred to the Trustee for deposit in the Interest Account, the Principal Account, the Sinking Fund Account and the Debt Service Reserve Account in such Fiscal Year and the next succeeding Fiscal Year pursuant to the Indenture. Any Subordinate Pledged Tax Revenues received during any Fiscal Year following deposit in the Special Fund of an amount equal to the aggregate amount required to be transferred to the Interest Account, the Principal Account, the Sinking Fund Account and the Debt Service Reserve Account in such Fiscal Year and the next succeeding Fiscal Year pursuant to the Indenture, shall be released from the pledge and lien under the Indenture and may be used for any lawful purposes of the Agency. There shall not be deposited with the Trustee any taxes eligible for allocation to the Agency for deposit in the Special Fund pursuant to the Law in an amount in excess of that amount which, together with all money then on deposit with the Trustee in the Special Fund and the accounts therein, shall be sufficient to discharge all Outstanding Parity Obligations as provided in the Indenture.

The Agency covenants and agrees that all Subordinate Pledged Tax Revenues deposited in the Special Fund will be accounted for through, and held in trust in the Special Fund, and the Agency shall have no beneficial right or interest in any of such money, except only as provided in the Indenture. All such Subordinate Pledged Tax Revenues shall nevertheless be disbursed, allocated and applied solely to the uses and purposes in the Indenture set forth, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the Agency.

Special Fund. (a) All moneys in the Special Fund shall be set aside by the Trustee in each Fiscal Year when and as received in the following respective special accounts within the Special Fund; provided, however, that all receipts and payments made to the Agency pursuant to a Qualified Swap Agreement, and if so provided in a Supplemental Indenture, all receipts and payments made to the Agency pursuant to other Public Finance Contracts entered into in connection with any Bonds, and constituting Subordinate Pledged Tax Revenues shall immediately upon receipt thereof be deposited in the Interest Account. All moneys in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized in the Indenture.

(1) Interest Account. The Trustee shall set aside from the Special Fund and deposit in the Interest Account an amount of money which, together with any money contained therein equals the aggregate amount of the Debt Service constituting interest becoming due and payable on all Outstanding Bonds on the Interest Payment Dates and on all other outstanding Parity Obligations on interest payment dates thereof in such Fiscal Year and the next succeeding Fiscal Year. In addition, the Trustee shall deposit in the Interest Account all receipts and payments made to the Agency pursuant to Qualified Swap Agreements entered into in connection with any Bonds or other Parity Obligations and constituting Subordinate Pledged Tax Revenues. In addition, the Trustee shall deposit in the Interest Account all receipts and payments made to the Agency pursuant a Qualified Swap Agreement, and to the extent provided in a Supplemental Indenture, all receipts and payments made to the Agency pursuant to other Public Finance Contracts entered into in connection with any Bonds or other Parity Obligations and constituting Subordinate Pledged Tax Revenues.

For purposes of determining the amount of money to be set aside from the Special Fund and deposited in the Interest Account pursuant to the Indenture, the determination of the amount the Debt Service constituting interest becoming due and payable on all Outstanding Bonds and on all other outstanding Parity Obligations shall be subject to the Debt Service Adjustments and Assumptions; provided, however, that, if and to the extent that all or a portion of the Outstanding Bonds or the other outstanding Parity Obligations are the subject of a Qualified Swap Agreement, the amount to be deposited in the Interest Account with respect to such Bonds or other Parity Obligations shall be an amount equal to the aggregate amount of Agency Swap Payments plus the Basis Differential Amount becoming due and payable in such Fiscal Year and the next succeeding Fiscal Year.

All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds and the other Parity Obligations, including Net Payments, as the same shall become due and payable.

(2) Principal Account. The Trustee shall set aside from the Special Fund and deposit in the Principal Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on all Outstanding Bonds and all other outstanding Parity Obligations which are Serial Obligations in such Fiscal Year and the next succeeding Fiscal Year. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Outstanding Bonds and other outstanding Parity Obligations which are Serial Obligations as they shall become due and payable.

(3) Sinking Fund Account. The Trustee shall set aside from the Special Fund and deposit in the Sinking Fund Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of Sinking Fund Installments becoming due and payable with respect to all Outstanding Bonds and sinking fund installments becoming due and payable with respect to all other outstanding Parity Obligations which are Term Obligations in such Fiscal Year and the next succeeding Fiscal Year. All moneys in the Sinking Fund Account shall be used by the Trustee to redeem the Outstanding Bonds and other outstanding Parity Obligations which are Term Obligations in accordance with the Supplemental Indenture authorizing such Bonds or other outstanding Parity Obligations. In the event that Bonds or which are Term Obligations purchased or redeemed

at the option of the Agency are deposited with the Trustee for the credit of the Sinking Fund Account not less than forty-five (45) days prior to the due date for any Sinking Fund Installment for such Bonds, such deposit shall satisfy (to the extent of 100% of the principal amount of such Bonds) any obligation of the Agency to make a payment with respect to such Sinking Fund Installments. Any Bond so deposited with the Trustee shall be cancelled and shall no longer be deemed to be Outstanding for any purpose. Upon making the deposit with the Trustee of Bonds which are Term Obligations as provided in this paragraph, the Agency may specify the dates and amounts of Sinking Fund Installments for such Bonds as to which the Agency's obligations to make a payment with respect to Sinking Fund Installments for such Bonds shall be satisfied.

(4) Debt Service Reserve Account.

(i) The Trustee shall set aside from the Special Fund and deposit in the Debt Service Reserve Account an amount of money (or other authorized deposit of security, as provided in paragraph (v) below) equal to the Debt Service Reserve Requirement for the Bonds then Outstanding. The Trustee shall also set aside from the Special Fund and deposit in the debt service reserve account established under an Issuing Instrument for any other Parity Obligation an amount of money equal to the debt service reserve requirement for such Parity Obligations then outstanding. The Debt Service Reserve Account shall be replenished in the following priority: (i) principal and interest on Reserve Financial Guaranties shall be paid from first available Subordinate Pledged Tax Revenues on a pro rata basis; and (ii) after all such amounts are paid in full, amounts necessary to fund the Debt Service Reserve Account to the required level, after taking into account the amounts available under the Reserve Financial Guaranties shall be deposited from next available Subordinate Pledged Tax Revenues. No deposit need be made in the Debt Service Reserve Account or the debt serve reserve account for such other Parity Obligations so long as there shall be on deposit therein an amount equal to the Debt Service Reserve Requirement of the Bonds then Outstanding or the debt service reserve requirement for such Parity Obligations then outstanding, as applicable. If on any date on which the principal or Redemption Price of, or interest on, Bonds or an Agency Swap Payment is due, the amount in the applicable account in the Special Fund available for such payment is less than the amount of the principal and Redemption Price of and interest on the Bonds or Agency Swap Payment due on such date, the Trustee shall apply amounts from the Debt Service Reserve Account to the extent necessary to make good the deficiency.

(ii) Except as provided in paragraph (v) below, if on the last Business Day of any month the amount on deposit in any Debt Service Reserve Account shall exceed the Debt Service Reserve Requirement, such excess shall be applied to the reimbursement of each drawing on a Reserve Financial Guaranty deposited in or credited to such Fund and to the payment of interest or other amounts due with respect to such a Reserve Financial Guaranty and any remaining moneys shall be deposited in the Interest Account.

(iii) Whenever the amount in the Debt Service Reserve Account (excluding Reserve Financial Guaranties), together with the amount in the Special Fund, is sufficient to pay in full all of the Outstanding Bonds in accordance with their terms (including principal or Redemption Price and interest thereon), the funds on deposit in the Debt Service Reserve Account shall be transferred to the Special Fund.

(iv) In the event of the refunding of one or more Bonds (or portions thereof), the Trustee shall, upon the written direction of an Authorized Agency Representative, withdraw from the Debt Service Reserve Account any or all of the amounts on deposit therein (excluding Reserve Financial Guaranties) and deposit such amounts with itself as Trustee, or the Escrow Agent for the Bonds to be refunded, to be held for the payment of the principal or Redemption Price, if any, of, and interest on, the Bonds (or portions thereof) being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the Bonds (or portions thereof) being refunded shall be deemed to have been paid pursuant to the Indenture, and (b) the amount remaining in the Debt Service Reserve Account after such withdrawal, taking into account any deposits to be made in the Debt Service Reserve Account in connection with such refunding, shall not be less than the Debt Service Reserve Requirement.

(v) In lieu of the deposits and transfers to the Debt Service Reserve Account required by the Indenture, the Agency may cause to be deposited in the Debt Service Reserve Account a Reserve Financial

Guaranty or Reserve Financial Guaranties in an amount equal to the difference between the Debt Service Reserve Requirement and the sums, if any, then on deposit in the Debt Service Reserve Account or being deposited in such Fund concurrently with such Reserve Financial Guaranty or Guaranties. The Trustee shall draw upon or otherwise take such action as is necessary in accordance with the terms of the Reserve Financial Guaranties to receive payments with respect to the Reserve Financial Guaranties (including the giving of notice as required thereunder): (i) on any date on which moneys shall be required to be withdrawn from the Debt Service Reserve Account and applied to the payment of principal or Redemption Price of, or interest on, any Bonds and such withdrawal cannot be met by amounts on deposit in the applicable accounts in the Debt Service Reserve Account; (ii) on the first Business Day which is at least ten (10) days prior to the expiration date of each Reserve Financial Guaranty, in an amount equal to the deficiency which would exist in the Debt Service Reserve Account if the Reserve Financial Guaranty expired, unless a substitute Reserve Financial Guaranty with an expiration date not earlier than 180 days after the expiration date of the expiring Reserve Financial Guaranty is acquired prior to such date or the Agency deposits funds in the Debt Service Reserve Account on or before such date such that the amount in the Debt Service Reserve Account on such date (without regard to such expiring Reserve Financial Guaranty) is at least equal to the Debt Service Reserve Requirement.

If, upon the deposit of a Reserve Financial Guaranty into the Debt Service Reserve Account pursuant to this paragraph (v), there shall be any amount in the Debt Service Reserve Account in excess of the Debt Service Reserve Requirement, such excess amount may be applied to the cost of acquiring such Reserve Financial Guaranty and, to the extent not so applied, shall be transferred to the Interest Account or, with a Favorable Opinion of Bond Counsel, as directed by the Agency.

If at any time obligations insured or issued by a Reserve Financial Guaranty Provider shall no longer maintain the required ratings set forth in the definition of "Reserve Financial Guaranty," the Agency shall provide or cause to be provided cash or a substitute Reserve Financial Guaranty meeting such requirements to the extent necessary to satisfy the Debt Service Reserve Requirement with either cash, qualified Reserve Financial Guaranties or a combination thereof.

(vi) To the extent the Agency elects to have the Trustee establish and maintain a separate account in the Debt Service Reserve Account for a particular Series of Bonds pursuant to a Supplemental Indenture, these provisions regarding the Debt Service Reserve Account shall not apply to such Series of Bonds.

(5) Surplus. After making the deposits required in paragraphs (1) through (4) above, in any Fiscal Year, the Trustee shall transfer any amount remaining on deposit in the Special Fund to the Agency to be used for any lawful purpose of the Agency.

(6) In the event that on any date upon which the Agency is to make a payment from Subordinate Pledged Tax Revenues pursuant to paragraphs (1), (2) and/or (3) of paragraph (a) above and the amount of available Subordinate Pledged Tax Revenues is not sufficient to make such payment, then the Agency shall apply the available Subordinate Pledged Tax Revenues to the payments required by paragraphs (1), (2) and/or (3) of paragraph (a) above ratably (based on the respective amounts to be paid), without any discrimination or preferences.

(c) In the event that on any date upon which the Agency is to make a payment or deposit from Subordinate Pledged Tax Revenues pursuant to paragraph (4) of paragraph (a) above and the amount of available Subordinate Pledged Tax Revenues is not sufficient to make such payment or deposit, then the Agency, after making the payments required by paragraphs (1), (2) and/or (3) of paragraph (a) above, shall apply the available Subordinate Pledged Tax Revenues to the payments required by paragraph (4) of paragraph (a) above ratably (based on the respective amounts to be paid), without any discrimination or preferences.

(d) In the event one or more Paying Agents have been appointed for the Bonds, moneys may be transferred by the Trustee to such Paying Agents from the appropriate account in the Special Fund for deposit into a special trust account to ensure the payment when due of the principal of, Redemption Price, if any, and interest on the Bonds or on the other Parity Obligations. In the event that any principal of, Redemption Price or interest on, any Bond or on any other Parity Obligation has been paid from amounts made available pursuant to a Credit Support

Instrument, amounts in the appropriate accounts in the Special Fund with respect to such Bond or other Parity Obligation, and any such amounts transferred by the Trustee from the Special Fund to a Paying Agent for such Bond or other Parity Obligation pursuant to the Indenture, shall be paid to the applicable Credit Provider as a reimbursement of the amounts so paid.

Redemption Fund. From the moneys paid by the Agency, the Trustee shall, on or before each date fixed for redemption, deposit in the Redemption Fund an amount equal to the Redemption Price of the Bonds to be redeemed. Said moneys shall be set aside in said Fund and shall be applied on or after the redemption date to the payment of the Redemption Price of the Bonds to be redeemed and, except as otherwise provided in this paragraph, shall be used only for that purpose. In the event one or more Paying Agents have been appointed for the Bonds which are to be redeemed with moneys in the Redemption Fund, amounts in the Redemption Fund may be transferred from such Fund by the Trustee to the Paying Agent for the Bonds to be redeemed for deposit into a special trust account held by such Paying Agent to ensure the payment when due the Redemption Price of the Bonds to be redeemed. In the event that the Redemption Price of a Bond has been paid by a Credit Provider pursuant to a Credit Support Instrument, amounts in the Redemption Fund with respect to such Redemption Price, and any such amounts transferred by the Trustee from the Redemption Fund to a Paying Agent for such Bonds pursuant to this paragraph, shall be paid to such Credit Provider as a reimbursement of the amounts so paid. If, after all of the Bonds designated for redemption have been redeemed and cancelled or paid and cancelled, there are moneys remaining in the Redemption Fund, said moneys shall be transferred to the Interest Account; provided, however, that if said moneys are part of the proceeds of Refunding Obligations said moneys shall be applied as provided in the Issuing Instrument authorizing the issuance of such Refunding Obligations.

Depositories. The Trustee shall hold all moneys deposited with it pursuant to the Indenture or may deposit such moneys with one or more Depositories in trust. All moneys deposited under the provisions of the Indenture with the Trustee or any Depository shall be held in trust and applied only in accordance with the provisions of the Indenture, and each of the Funds established by the Indenture shall be a trust fund for the purposes of the Indenture.

Deposits.

All moneys held by any Fiduciary under the Indenture may be placed on demand or time deposit, if and as directed by the Agency, provided that such deposits shall permit the moneys so held to be available for use at the time when reasonably expected to be needed. No Fiduciary shall be liable for any loss or depreciation in value resulting from any investment made pursuant to the Indenture. Any such deposit may be made in the commercial banking department of any Fiduciary or its affiliates which may honor checks and drafts on such deposit with the same force and effect as if it were not such Fiduciary. All moneys held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Agency and acceptable to such Fiduciary, on time deposit, provided that such moneys on deposit be available for use at the time when reasonably expected to be needed. Such Fiduciary shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size and under similar condition or as required by law.

All moneys held under the Indenture by any Fiduciary shall be (1) either (A) continuously and fully insured by the Federal Deposit Insurance Corporation, or (B) continuously and fully secured by lodging with the Trustee or any Federal Reserve Bank, as custodian, as collateral security, such securities as are described in clauses (a) through (c), inclusive, of the definition of "Permitted Investments" having a market value (exclusive of accrued interest) not less than the amount of such moneys, or (2) held in such other manner as may then be required by applicable Federal or State of California laws and regulations and applicable state laws and regulations of the state in which such Fiduciary is located, regarding security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Fiduciaries to give security under this paragraph for the deposit of any moneys with them held in trust and set aside by them for the payment of the principal amount or Redemption Price of, or interest on, any Bonds or to give security for any moneys which shall be represented by obligations or certificates of deposit purchased as an investment of such moneys.

All moneys deposited with a Fiduciary shall be credited to the particular Fund to which such moneys belong.

Investment of Certain Funds. Moneys held in the Special Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in “Permitted Investments” which mature not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Funds. Moneys held in the Debt Service Reserve Account shall be invested and reinvested by the Trustee to the fullest extent practicable in securities described in clauses (1), (2), (3), (4), (5), (6) and (7) of the definition of “Permitted Investments” which mature, or which may be drawn upon, not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Account, but, except for investments which permit the Trustee to make withdrawals without penalty, at any time upon not more than two Business Days notice, to provide moneys for payments to be made from such Account, not later than five years from the time of such investment. The Trustee shall make all such investments of moneys held by it and shall sell or otherwise liquidate any such investment and take all actions necessary to draw funds under any such investment, including the giving of necessary notices of the drawing of any moneys under any investment, in each case in accordance with directions of an Authorized Agency Representative, which directions shall be consistent with the Indenture and applicable law, and which directions can either be written or oral; provided that if such directions are oral they shall be promptly confirmed in writing by such Authorized Agency Representative. In the absence of any such written investment directions, the Trustee shall, unless otherwise provided in the provisions of the Indenture described under this caption “—Investment of Certain Funds,” invest such moneys in the money market funds described in clause (f) of the definition of “Permitted Investments.”

Except as otherwise provided in a Supplemental indenture, interest or other income (net of that which (i) represents a return of accrued interest paid in connection with the purchase of any investment or (ii) is required to effect the amortization of any premium paid in connection with the purchase of any investment) earned on any moneys or investments in the Funds created under the Indenture shall be paid into the Interest Account.

In making any investment in any Permitted Investments with moneys in any Fund established under the Indenture, any Fiduciary may combine such moneys with moneys in any other Fund but solely for the purposes of making such investment in such Investments and provided that any amount so combined shall be separately accounted for. The Trustee may act as principal or agent in the acquisition or disposition of investments.

Nothing in the Indenture shall prevent any Permitted Investments acquired as investments of moneys in any Fund from being issued or held in book-entry form on the books of the Department of the Treasury or the Federal Reserve System of the United States.

Sale of Investments. Obligations purchased as an investment of moneys in any Fund shall be deemed at all times to be a part of such Fund and any profit realized from the liquidation of such investment shall be credited to such Fund and any loss resulting from the liquidation of such investment shall be charged to the respective Fund.

Except as otherwise provided in the Indenture, the Trustee may sell at the best price reasonably obtainable, or present for redemption, any obligation purchased as an investment whenever it shall be directed by the Agency so to do or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund held by it. Any obligation purchased as an investment may be credited on a pro-rata basis to more than one Fund and need not be sold in order to provide for the transfer of amounts from one Fund to another, provided that such obligation is an appropriate Permitted Investment for the purposes of the Fund to which it is to be transferred. The Trustee shall not be liable or responsible for making any such investment in the manner provided above or for any loss resulting from any such investment.

Covenants

Compliance with Indenture. The Agency shall punctually pay the Bonds and the other Parity Obligations in strict conformity with the terms of the Indenture and the Bonds and other Parity Obligations, and shall faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Indenture required to be observed and performed by it, and shall not fail to make any payment required by the Indenture for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of any party to observe or perform any agreement, condition, covenant or term contained in any contract or agreement required to be observed and

performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with any such contract or agreement or the insolvency, or deemed insolvency, or bankruptcy or liquidation of any party or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

Against Encumbrances. The Agency will not mortgage or otherwise encumber, pledge or place any charge upon any of the Subordinate Pledged Tax Revenues, except as provided in the Indenture, and will not issue any bond, note, or other evidence of indebtedness payable from or secured by the Subordinate Pledged Tax Revenues on a basis which is: (i) except for the Senior Bonds, in any manner prior or superior to the lien on, pledge of and security interest in the Subordinate Pledged Tax Revenues securing the Outstanding Bonds pursuant to the Indenture; (ii) except for Parity Obligations with respect to the Subordinate Pledged Tax Revenues, in any manner on a parity with the lien on, pledge of and security interest in the Subordinate Pledged Tax Revenues securing the Outstanding Bonds pursuant to the Indenture; or (iii) except for Subordinated Obligations, in any manner subordinate to the lien on, pledge of and security interest in the Subordinate Pledged Tax Revenues securing the Outstanding Bonds pursuant to the Indenture.

Extension or Funding of Claims for Interest. In order to prevent any claims for interest after maturity, the Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any Bonds or other Parity Obligations and will not, directly or indirectly, be a party to or approve any such arrangements by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the Agency, such claim for interest so extended or funded shall not be entitled, in case of default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Payment of Claims. The Agency will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Agency or upon the Subordinate Pledged Tax Revenues or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds and other Parity Obligations; provided that nothing in the Indenture contained shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such claims.

Protection of Security and Rights of Owners. The Agency will preserve and protect the security of the Bonds and other Parity Obligations and the rights of the Owners and providers or owners of other Parity Obligations, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Bonds by the Agency, such Bonds shall be incontestable by the Agency.

Payment of Taxes and Other Charges. Subject to the provisions of the Indenture, the Agency will pay and discharge all taxes, service charges, assessments and other governmental charges that may hereafter be lawfully imposed upon the Agency or any properties owned by the Agency in the Project Area, or upon the revenues therefrom, when the same shall become due; provided that nothing in the Indenture contained shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges.

Financing the Project. The Agency will commence the financing or refinancing of the Project to be aided with the proceeds of the Bonds with all practicable dispatch, and such financing will be accomplished and completed in a sound, economical and expeditious manner and in conformity with the Redevelopment Plan and the Law so as to complete the Project as soon as possible.

Taxation of Leased Property. Whenever any property in the Project is redeveloped by the Agency and thereafter is leased by the Agency to any person or persons, or whenever the Agency leases any real property in the Project to any person or persons for redevelopment, the property shall be assessed and taxed in the same manner as privately-owned property (in accordance with the Law), and the lease or contract shall provide (1) that the lessee shall pay taxes upon the assessed value of the entire property and not merely upon the assessed value of the leasehold interest, and (2) that if for any reason the taxes paid by the lessee on such property in any year during the

term of the lease shall be less than the taxes that would have been payable upon the entire property if the property were assessed and taxed in the same manner as privately-owned property, the lessee shall pay such difference to the Agency within thirty (30) days after the taxes for such year become payable, and in any event prior to the delinquency date of such taxes established by law, which such payments shall be treated as tax increment revenues.

Disposition of Property in Project Area. The Agency will not authorize the disposition of any real property in the Project Area that will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except for public ownership or use contemplated by the Redevelopment Plan in effect on the date of execution and delivery of the Indenture, or property to be used for public streets or public off-street parking facilities or easements or rights of way for public utilities, or other similar uses), if such disposition, together with all similar prior dispositions on or subsequent to the effective date of the Indenture, shall cause the amount of projected Tax Revenues expected to be received in the succeeding Fiscal Year (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of such determination) to be less 125% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law.

Amendment of Redevelopment Plan. If the Agency proposes to amend the Redevelopment Plan, it shall cause to be filed with the Trustee, the Credit Provider, if any, and each provider or owner of Parity Obligations (other than Owners of Bonds), a Consultant's Report on the effect of such proposed amendment. If the Consultant's Report concludes that the effect of such proposed amendment on Tax Revenues is such that the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law will continue to meet the debt service coverage requirements set forth in the Indenture, the Agency may adopt such amendment. If the Consultant's Report concludes that the effect of such proposed amendment on Tax Revenues is such that the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law will not continue to meet the debt service coverage requirements set forth in the Indenture, the Agency shall not adopt such proposed amendment. The Trustee shall be entitled to rely upon any said Consultant's Report and shall have no duty to verify the information or statements set forth therein.

Subordinate Pledged Tax Revenues. The Agency shall comply with all requirements of the Law to insure the allocation and payment to the Agency of the Subordinate Pledged Tax Revenues (excluding receipts and payments made to the Agency pursuant to Public Finance Contracts entered into in connection with any Bonds), including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of Contra Costa County.

Further Assurances. The Agency shall adopt, make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the Bonds and providers or owners of other Parity Obligations of the rights and benefits provided in the Indenture.

Tax Covenants. The Agency covenants it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the Tax-exempt status of interest on any Tax-Exempt Bond under Section 103 of the Code. Without limiting the generality of the foregoing, the Agency shall comply with the requirements of the Tax Certificate, if any, delivered in connection with the issuance of each Series of Tax-Exempt Bonds.

In the event that at any time the Agency is of the opinion that, in order to comply with its obligations under paragraph (a) below, it is necessary or helpful to restrict or limit the yield on the investment of any moneys in any of the Funds held by the Trustee pursuant to the Indenture, the Agency shall so instruct the Trustee in writing, and cause the Trustee to take such action as may be necessary in accordance with such instructions.

(a) Notwithstanding any provisions under this "—Tax Covenants," if the Agency shall provide to the Trustee an Opinion of Bond Counsel to the effect that any specified action required under this caption "—Tax Covenants" or a Tax Certificate is no longer required or that some further or different action is required to maintain

the exclusion from federal income tax of interest on the Tax-Exempt Bonds under Section 103 of the Code, the Agency and the Trustee may conclusively rely on such opinion in complying with the requirements of under this caption “—Tax Covenants” and of the applicable Tax Certificate, and the covenants under the Indenture shall be deemed to be modified to that extent.

(b) The covenants under this caption under this “—Tax Covenants” shall survive payment in full or discharge of the Tax-Exempt Bonds.

Agreements with Other Taxing Agencies. So long as any Bonds or other Parity Obligations are Outstanding, the Agency shall not enter into any agreement or amend any existing agreement with any other taxing agency entered into (i) pursuant to Section 33401 of the Law or (ii) which operates as a waiver of the Agency’s right to receive Subordinate Pledged Tax Revenues (excluding receipts and payments made to the Agency pursuant to Public Finance Contracts entered into in connection with any Bonds) under the Redevelopment Plan, unless the Agency’s obligations under such agreement are made expressly subordinate and junior to the Agency’s obligations under the Indenture, the Bonds and any other Parity Obligations.

Annual Review of Subordinate Pledged Tax Revenues. The Agency covenants that it will annually review (i) the total amount of Subordinate Pledged Tax Revenues remaining available to be received by the Agency under the Redevelopment Plan’s cumulative tax increment limitation, and (ii) future cumulative annual Debt Service. Once it has been determined that during the next succeeding Fiscal Year, the total amount of Subordinate Pledged Tax Revenues remaining available to be received by the Agency under the Redevelopment Plan’s cumulative tax increment limitation equals 110% of future cumulative annual Debt Service on Parity Obligations, then the Agency shall deposit all future Subordinate Pledged Tax Revenues into a special escrow account exclusively for the payment of interest on and principal of and redemption premiums, if any, on the Parity Obligations, until such time as the cumulative tax increment limitation, certified to the Agency by an Independent Redevelopment Consultant in a Consultant’s Report, is amended to increase the limitation such that the remaining available Subordinated Pledged Tax Revenues will be in excess of 110% of future cumulative annual Debt Service on Parity Obligations (at which time all amounts deposited in such special escrow account may be released).

The Agency shall annually, not later than July 1 (commencing July 1, 2012), transmit to the Trustee, the Credit Provider, if any, and each provider or owner of Parity Obligations (other than Owners of Bonds) a statement setting forth the calculation required by the above paragraph, including (a) remaining annual Debt Service on Parity Obligations, (b) remaining tax increment under the then-current limit, (c) the amount of Subordinate Pledged Tax Revenues accepted during the period covered by the statement, and (d) the amount, if any, to be used or escrowed for use to pay interest on and principal of and redemption premiums, if any, on the Parity Obligations.

Amendments to Indenture

Amendments Permitted. (a) Subject to the provisions of paragraph (d) below, the provisions of the Indenture or of any Supplemental Indenture and the rights and obligations of the Agency and of the Owners of the Outstanding Bonds and of the Fiduciaries may be modified, amended or supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, with the written consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, when the written consent of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Trustee; or if less than all of the Outstanding Bonds are affected, the written consent of the Owners of at least a majority in aggregate principal amount of all affected Outstanding Bonds; provided that if such modification, amendment or supplement shall, by its terms, not take effect so long as any Bonds of any particular Series and maturity remain Outstanding, and, with respect to Bonds which are Tender Indebtedness if the conditions of paragraph (d) below are satisfied, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any the calculation of Outstanding Bonds for purposes of this caption “Amendments to Indenture.” No such modification, amendment or supplement shall (1) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification, amendment or supplement without the consent of the Owners of all of the Bonds then Outstanding; or (2) modify the rights or obligations of any Fiduciary without the consent of such Fiduciary.

It shall not be necessary for the consent of the Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Prior to the entry into any Supplemental Indenture by the Agency and the Trustee for any of the purposes described under this caption “—Amendments Permitted,” the Agency shall cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to the Owners of all Outstanding Bonds (or the affected Outstanding Bonds) at their addresses appearing on the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the office of the Trustee for inspection by each Owner of an Outstanding Bond.

Whenever, at any time after the date of the mailing of notice of the proposed entry into a Supplemental Indenture pursuant to the Indenture, the Agency shall have received an instrument or instruments in writing executed in accordance with the Indenture by or on behalf of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, or if less than all of the Outstanding Bonds are affected, by the Owners of not less than a majority in aggregate principal amount of the affected Outstanding Bonds, which instrument or instruments shall refer to the proposed Supplemental Indenture described in the notice of the proposed Supplemental Indenture and shall consent to such Supplemental Indenture in substantially the form referred to in such notice, thereupon, but not otherwise, the Agency and the Trustee may enter into such Supplemental Indenture in substantially such form, without liability or responsibility to any Owner of any Bond, whether or not such Owner shall have consented thereto.

(b) The Indenture or any Supplemental Indenture may be supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, which the Agency and the Trustee may enter into with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement but without the consent of the Owner of any Bond, to provide for the issuance of a Series of Additional Bonds or a Series of Refunding Bonds in accordance with the terms and conditions of the Indenture, and establishing the terms and conditions thereof, including the rights of any Credit Provider for such Additional Bonds or Refunding Bonds, which may include permitting such Credit Provider to act for and on behalf of the Owners of such Additional Bonds or Refunding Bonds for any or all purposes of the Indenture except that no such Credit Provider shall be authorized to extend the fixed maturity of any Bond, or reduce the principal amount thereof, or reduce the amount of any Sinking Fund Installment therefor, or extend the due date of any such Sinking Fund Installment, or reduce the rate of interest on any Bond or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected; or except as otherwise provided with respect to a Bond constituting Tender Indebtedness in the Supplemental Indenture authorizing such Bond and subject to the satisfaction of the conditions of paragraph (f) below, reduce the Redemption Price due on the redemption of any Bond or change the date or dates when any Bond is subject to redemption.

(c) The Indenture and any Supplemental Indenture and the rights and obligations of the Agency, the Fiduciaries and the Owners of the Outstanding Bonds may also be modified, amended or supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, which the Agency and the Trustee may enter into with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement but without the consent of any Owners of Bonds (but with the consent of any affected Fiduciary), so long as such modification, amendment or supplement shall not materially, adversely affect the interests of the Owners of the Outstanding Bonds, including without limitation, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Agency contained in the Indenture or a Supplemental Indenture other covenants and agreements thereafter to be observed, to pledge, provide or assign any security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Agency;

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

(iii) to modify, amend or supplement the Indenture or a Supplemental Indenture in such manner as to permit the qualification of the Indenture 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) Notwithstanding anything to the contrary under this caption "Amendments to Indenture," the provisions of the Indenture or any Supplemental Indenture may also be modified, amended or supplemented by a Supplemental Indenture or Supplemental Indentures, including amendments which would otherwise be described in paragraph (a) above, without the consent of the Owners of Bonds constituting Tender Indebtedness if either (i) the effective date of such Supplemental Indenture is a date on which such Bonds are subject to mandatory tender for purchase pursuant to the Indenture or (ii) the notice described in the third paragraph of paragraph (a) above is given to Owners of such Bonds at least thirty (30) days before the effective date of such Supplemental Indenture, and on or before such effective date, the Owners of such Bonds have the right to demand purchase of such Bonds pursuant to the Indenture.

(e) If the Supplemental Indenture authorizing the issuance of a Series of Bonds provides that a Credit Provider for all or any portion of the Bonds of such Series shall have the right to consent to Supplemental Indentures which require the consent of the Owners of the Bonds of such Series pursuant to this caption "Amendments to Indenture," then for the purposes of sending notice of any proposed Supplemental Indenture and for determining whether the Owners of the requisite percentage of Bonds have consented to such Supplemental Indenture, but subject to the provisions of paragraph (b) above, references to the Owners of such Bonds shall be deemed to be to the applicable Credit Provider.

(f) For purposes of this caption "Amendments to Indenture," it shall not be necessary that consents of the Owners of any particular percentage of Outstanding Bonds of any affected Series be obtained but it shall be sufficient for purposes of this caption "Amendments to Indenture," if the consent of the Owners of a majority in aggregate principal amount of the combination of affected Outstanding Bonds shall be obtained.

(g) Notwithstanding anything to the contrary contained in this caption "Amendments to Indenture," if authorized by the Supplemental Indenture authorizing the issuance of a Bond constituting Tender Indebtedness, any premium due on the redemption of such Bond and the date or dates when such Bond is subject to redemption may be modified or amended as provided in such Supplemental Indenture if either: (i) the effective date of such modification or amendment is a date on which such Bond is subject to mandatory tender for purchase pursuant to such Supplemental Indenture; or (ii) notice of such modification or amendment has been mailed to the Owner of such Bond at the address set forth in the Bond Register at least thirty (30) days before the effective date of such modification or amendment and on or before such effective date, the Owner of such Bond has the right to demand purchase of such Bond pursuant to such Supplemental Indenture.

Effect of Supplemental Indenture. Upon the Agency and the Trustee entering into any Supplemental Indenture pursuant to the Indenture, the Indenture shall be deemed to be modified, amended or supplemented in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Agency, the Fiduciaries and all Owners of Outstanding Bonds shall thereafter be determined, exercised and enforced subject in all respects to such modification, amendment and supplement, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes. Upon the Agency and the Trustee entering into any Supplemental Indenture pursuant to the Indenture, no Owner of any Bond shall have any right to object to the entry into such Supplemental Indenture by the Agency and the Trustee, or to object to any of the terms and provisions contained therein or the operation thereof or in any manner to question the propriety of the entry into such Supplemental Indenture, or to enjoin or restrain the Agency or the Trustee from entering into the same or to enjoin or restrain the Agency or the Trustee from taking any action pursuant to the provisions thereof whether or not such Owner gave his consent to such Supplemental Indenture.

Bonds Owned by Agency. For purposes of the Indenture, Bonds owned or held by or for the account of the Agency, or any funds of the Agency, shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Indenture, and the Agency shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the Indenture as an Owner of Bonds. At the time of any consent or other action taken under the Indenture, the Agency shall furnish the Trustee a

certificate of an Authorized Agency Representative upon which the Trustee may rely, describing all Bonds so to be excluded.

Notation on Bonds. Bonds authenticated and delivered after the effective date of any Supplemental Indenture entered into by the Agency and the Trustee as in the Indenture provided may bear a notation by endorsement or otherwise in a form approved by the Agency as to such action, and in that case upon demand of the Owner of any Bond Outstanding on such effective date and presentation of the Bond for the purpose at the Principal Office of the Trustee or upon any transfer or exchange of any Bond Outstanding on such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action.

Consent of Providers or Owners of Parity Obligations. The Indenture may not be amended in a manner which materially affects the rights of a provider or owner of Parity Obligations (excluding the Owners of Bonds) under the Indenture without the prior written consent of such provider or owner of such Parity Obligations.

Concerning the Fiduciaries

Trustee; Acceptance of Duties. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Indenture, including the duties of Paying Agent for the Bonds, by the execution and the delivery of the Indenture to the Agency and by such execution and delivery the Trustee shall be deemed to have accepted such duties and obligations with respect to all the Bonds thereafter to be issued, but only, however, upon the terms and conditions set forth in the Indenture and no implied covenants shall be read into the Indenture against the Trustee.

Paying Agents; Appointment and Acceptance of Duties.

(a) The Agency appoints the Trustee as a Paying Agent for the Bonds of each Series, and may at any time or from time to time appoint one or more other Paying Agents having the qualifications set forth in the Indenture as an additional Paying Agent for the Bonds of one or more Series.

(b) Each Paying Agent other than the Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Indenture by executing and delivering to the Agency and to the Trustee a written acceptance thereof.

(c) The Principal Offices of the Paying Agents are designated as the respective offices or agencies of the Agency for the payment of the principal and any applicable Redemption Price of the Bonds.

Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by the Indenture by giving not less than 60 days written notice to the Agency, each Credit Provider and each Reserve Financial Guaranty Provider, specifying the date when such resignation shall take effect; provided that no such resignation shall take effect until a successor shall have been appointed in accordance with the Indenture.

Removal of Trustee. The Trustee may be removed (i) with the consent (to the extent required by a Supplemental Indenture) of each Credit Provider and each Reserve Financial Guaranty Provider, at any time when no Event of Default has occurred and is continuing and when no event has occurred which, with notice or the passage of time, would become an Event of Default which has not been cured, by an instrument in writing signed by an Authorized Agency Representative and filed with the Trustee or (ii) with the consent (to the extent required by a Supplemental Indenture) of each Credit Provider and each Reserve Financial Guaranty Provider, at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Owners of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Agency or (iii) with the consent (to the extent required by a Supplemental Indenture,) of each Credit Provider and each Reserve Financial Guaranty Provider, at any time by an instrument in writing signed by an Authorized Agency Representative and filed with the Trustee, for any breach of its fiduciary duties under the Indenture; provided that no such removal shall be effective until 30 days have lapsed from the filing of such instrument with the Trustee and until a successor shall have been appointed in accordance with the Indenture.

Defeasance

Payment of Bonds. (a) If the Agency shall pay, or cause to be paid, or there shall otherwise be paid, to the Owners of all Bonds the principal amount or Redemption Price, if applicable, of the Bonds, and interest due or to become due on the Bonds, at the times and in the manner stipulated therein and in the Indenture, together with all other sums payable by the Agency under the Indenture, including all fees and expenses of the Trustee, then and in that case, subject to the provisions of paragraph (b) below, the Indenture, and the pledge of and lien on the Subordinate Pledged Tax Revenues and all money in the Special Fund and in the funds or accounts so specified and provided for under the Indenture and all covenants, agreements and obligations of the Agency contained in the Indenture, shall cease and terminate and shall be completely discharged and satisfied and the Agency shall be released therefrom and the Trustee shall assign and transfer to or upon the order of the Agency all property (in excess of the amounts required for the foregoing) then held by the Trustee under the Indenture free and clear of any liens or encumbrances on the Indenture pursuant to the Indenture and shall execute such documents as may be reasonably required by the Agency in this regard.

(b) Notwithstanding the termination, satisfaction and discharge of the Indenture or the satisfaction discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, tender and exchange provisions, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentation of Bonds, compliance by the Agency of the covenants contained in the Indenture and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Agency, the Trustee and the Owners and the Trustee shall continue to be obligated to hold in trust any monies and investments then held by the Trustee for the payment of the principal or Redemption Price of, and interest on, the Bonds, to pay to the Owners, but only from the monies and investments so held by the Trustee, the principal or Redemption Price of, and interest on, the Bonds as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Indenture or the satisfaction discharge of the Indenture in respect of any Bonds, those provisions of the Indenture contained in the Indenture relating to the compensation of the Trustee shall remain in effect and shall be binding upon the Trustee and the Agency.

Prior to the defeasance of any Bonds bearing interest at a variable rate becoming effective under the Indenture, the Trustee shall have received a Rating Confirmation from each Rating Agency.

(c) Notwithstanding the termination, satisfaction and discharge of the Indenture with respect to any Bonds, so long as any other Parity Obligations remain Outstanding the Indenture shall remain in effect and shall be binding upon the Agency, the Trustee and the providers and owners of such Parity Obligations.

Bonds Deemed Paid. Bonds (or portions of Bonds) for the payment or redemption of which moneys shall have been set aside and shall be held in trust by an Escrow Agent (through deposit pursuant to a deposit of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof, as applicable, shall be deemed to have been paid within the meaning and with the effect expressed in the provisions of the Indenture described above under “—Payment of Bonds.” Any Outstanding Bond (or any portion thereof such that both the portion thereof which is deemed paid and the portion which is not deemed paid pursuant to this paragraph shall be in an Authorized Denomination) shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the provisions of the Indenture described above under “—Payment of Bonds” (except that the obligations under the Indenture set forth in paragraph (b) thereof and the giving of the notices of the redemption of Bonds to be redeemed as provided in the Indenture shall continue) if (1) in case said Bond (or portion thereof) is to be redeemed on any date prior to maturity, the Agency shall have given the Trustee irrevocable instructions to give notice of redemption of such Bond (or portion thereof) on said date as provided in the Indenture, (2) there shall have been deposited with an Escrow Agent either moneys in an amount which shall be sufficient, or Federal Securities, the principal of and the interest on which when due shall provide moneys which, together with the moneys, if any, held by such Escrow Agent for such purpose, shall be sufficient, in each case as evidenced by an Accountant’s Certificate, to pay when due the principal amount of, and any redemption premiums on, said Bond (or portion thereof) and interest due and to become due on said Bond (or portion thereof) on and prior to the redemption date or maturity date thereof, as the case may be, and (3) if such Bond (or portion thereof) is not to be paid or redeemed within 60 days of the date of the deposit required by (2) above, the Agency shall have given the Trustee, in form satisfactory to it, instructions to mail, as soon as practicable, by first class mail, postage prepaid, to

the Owner of such Bond, at the last address, if any, appearing upon the Bond Register, a notice that the deposit required by (2) above has been made with an Escrow Agent and that said Bond (or the applicable portion thereof) is deemed to have been paid in accordance with this paragraph and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal amount of, and any redemption premiums on, said Bond. Any notice given pursuant to clause (3) of this paragraph with respect to Bonds which constitute less than all of the Outstanding Bonds of any Series and maturity shall specify the letter and number or other distinguishing mark of each such Bond. Any notice given pursuant to clause (3) of this paragraph with respect to less than the full principal amount of a Bond shall specify the principal amount of such Bond which shall be deemed paid pursuant to this paragraph and notify the Owner of such Bond that such Bond must be surrendered as provided in the Indenture. The receipt of any notice required by this paragraph shall not be a condition precedent to any Bond being deemed paid in accordance with this paragraph and the failure of any Owner to receive any such notice shall not affect the validity of the proceedings for the payment of Bonds in accordance with this paragraph. Neither Federal Securities nor moneys deposited with an Escrow Agent pursuant to this paragraph, nor principal or interest payments on any such Federal Securities, shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal amount of, and any redemption premiums on, said Bonds and the interest thereon; provided that any cash received from principal or interest payments on such Federal Securities deposited with an Escrow Agent, (A) to the extent such cash shall not be required at any time for such payment, as evidenced by an Accountant's Certificate, shall be paid over upon the written direction of an Authorized Agency Representative, including a transfer to the Agency free and clear of any trust, lien, pledge or assignment securing said Bonds, and (B) to the extent such cash shall be required for such payment at a later date, shall, to the extent practicable, at the written direction of an Authorized Agency Representative, be reinvested in Federal Securities maturing at times and in amounts, which together with the other funds to be available to the Escrow Agent for such purpose, shall be sufficient to pay when due the principal amount of, and any redemption premiums on, said Bonds and the interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, as evidenced by an Accountant's Certificate.

Nothing in the Indenture shall prevent the Agency from substituting for the Federal Securities held for the payment or redemption of Bonds (or portions thereof) other Federal Securities which, together with the moneys held by the Escrow Agent for such purpose, as evidenced by an Accountant's Certificate, shall be sufficient to pay when due the principal amount of, and any redemption premiums on, the Bonds (or portions thereof) to be paid or redeemed, and the interest due on the Bonds (or portions thereof) to be paid or redeemed at the times established with the initial deposit of Federal Securities for such purpose provided that the Agency shall deliver to the Escrow Agent a Favorable Opinion of Bond Counsel with respect to such substitution.

Defeasance of Portion of Bond. If there shall be deemed paid pursuant to the Indenture less than all of the full principal amount of a Bond, the Agency shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the Owner of such Bond, a new Bond or Bonds for the principal amount of the Bond so surrendered which is deemed paid pursuant to the Indenture and another new Bond or Bonds for the balance of the principal amount of the Bond so surrendered, in each case of like Series, maturity and other terms, and in any of the Authorized Denominations.

Discharge of Liability on Bonds. Upon the deposit with an Escrow Agent, in trust, at or before maturity or the applicable redemption date, of money or Federal Securities in the necessary amount (as provided in the provisions of the Indenture described above under the captions "—Payment of Bonds" or "—Bonds Deemed Paid," as applicable) to pay or redeem Outstanding Bonds (or portions thereof), and to pay the interest thereto to such maturity or redemption date, as applicable, (provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for giving such notice), all liability of the Agency in respect of such Bonds shall cease, terminate and be completely discharged, except that the Agency shall remain liable for such payment but only from, and the Bondowners shall thereafter be entitled only to payment (without interest accrued thereon after such redemption date or maturity date, as applicable) out of, the money and Federal Securities deposited with the Escrow Agent as aforesaid for their payment, subject, however, to the provisions of the Indenture; provided that no Bond which constitutes Tender Indebtedness shall be deemed to be paid within the meaning of the Indenture unless the Purchase Price of such Bond, if tendered for purchase in accordance with the Indenture, could be paid when due from such moneys or Federal Securities (as evidenced by an Accountant's Certificate) or a Credit Support Instrument is provided in connection with such Purchase Price.

Events of Default; Remedies

Events of Default. Each of the following shall constitute an Event of Default under the Indenture:

(i) if default shall be made in the payment of the principal or Redemption Price of or Sinking Fund Installment for, or interest on, any Outstanding Bond or other Parity Obligations (excluding Termination Payments), when and as the same shall become due and payable, whether on an Interest Payment Date, at maturity, by call for redemption, or otherwise;

(ii) if default shall be made by the Agency in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture or in the Outstanding Bonds contained or in any other Issuing Instrument of other Parity Obligations or in the other Parity Obligations contained (excluding any covenants, agreements or conditions with respect to the payment of Termination Payments payable by the Agency), and such default shall continue for a period of 120 days after written notice thereof to the Agency by the Trustee or to the Agency and to the Trustee by the relevant Credit provider or by the Owners of not less than 10% in principal amount of the Bonds Outstanding or to the Agency and to the Trustee by the trustee, or owner or holder of not less than 10% in principal amount of, the other Parity Obligations; provided, however, if such default is such that it can be corrected by the Agency but not within the applicable period specified above, it shall not constitute an Event of Default if corrective action is instituted by the Agency within 30 days of the Agency's receipt of the notice of the default required by this paragraph and diligently pursued until the default is corrected; or

(iii) an Event of Bankruptcy shall have occurred and be continuing with respect to the Agency.

Accounting and Examination of Records After Default.

(a) The Agency covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and accounts of the Agency shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys.

(b) The Agency covenants that if an Event of Default shall have happened and shall not have been remedied, the Agency, upon demand of the Trustee, shall account, as if it were the trustee of an express trust, for all Subordinate Pledged Tax Revenues and other moneys, securities and funds pledged or held under the Indenture for such period as shall be stated in such demand.

Application of Subordinate Pledged Tax Revenues and Other Moneys After Default.

(a) Notwithstanding anything to the contrary contained in the Indenture, the Agency covenants that if an Event of Default shall happen and shall not have been remedied, the Agency, upon the demand of the Trustee, shall cause to be paid over to the Trustee by the first Business Day of each month, all Subordinate Pledged Tax Revenues with respect to the preceding month.

(b) During the continuance of an Event of Default, the Trustee shall apply all Subordinate Pledged Tax Revenues received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture described under the caption "Events of Default; Remedies" which are held by the Trustee pursuant and subject to the terms and conditions of the Indenture, as follows and in the following order of priority:

First: To the payment of the reasonable and proper fees, charges, expenses and liabilities of the Fiduciaries and the payment of the reasonable and proper charges, expenses and liabilities of the fiduciaries for Parity Obligations.

Second: To the payment of the principal and Redemption Price of and interest on the Outstanding Bonds, and the principal and redemption price of and interest on the other Outstanding Parity Obligations then due and

payable; provided however, that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the payment of the principal and redemption price of and interest on all Outstanding Parity Obligations then due and payable ratably (based on the respective amounts to be paid), without any discrimination on preferences.

Third: Subject to the provisions of paragraph (b) above under the caption “—Conditions of Issuance of Subordinated Obligations,” to the payment of any Termination Payments due and payable under the Qualified Swap Agreements; provided however, that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause with respect to all Qualified Swap Agreements, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the payment of the Termination Payments then due and payable under all Qualified Swap Agreements ratably (based on the respective amounts to be paid), without any discrimination on preferences.

Fourth: To the transfer to the Debt Service Reserve Account for the Bonds and to each debt service reserve fund for other Outstanding Parity Obligations, the amount, if any, necessary so that the amount on deposit in the Debt Service Reserve Account shall equal the Debt Service Reserve Requirement and the amount in each debt service reserve fund for other Outstanding Parity Obligations shall equal the amount required to be on deposit in such debt service reserve fund under the applicable Issuing Instrument; provided that that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the transfer to the Debt Service Reserve Account and each debt service reserve fund for other Outstanding Parity Obligations ratably (based on the respective amounts to be paid), without any discrimination on preferences.

Fifth: Subject to the provisions of paragraph (b) above under the caption “—Conditions of Issuance of Subordinated Obligations,” to the payment of amounts due with respect to outstanding Subordinated Obligations (other than Termination Payments) in accordance with the provisions of the Issuing Instrument pursuant to which such Subordinated Obligations have been issued; provided that that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the payments of amounts due with respect to all Subordinated Obligations ratably (based on the respective amounts to be paid), without any discrimination on preferences except as otherwise provided in the Issuing Instruments pursuant to which such Subordinated Obligations have been issued.

(c) If and whenever all overdue installments of interest on all Outstanding Bonds and Outstanding Parity Obligations, together with the reasonable and proper charges, expenses and liabilities of the Trustee and any other fiduciary for Parity Obligations, and all other sums payable for the account of the Agency under the Indenture, including the principal and Redemption Price of all Outstanding Bonds and Outstanding Parity Obligations and unpaid interest on all Outstanding Bonds and Outstanding Parity Obligations which shall then be payable, shall be paid for by the account of the Agency, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Indenture, the Outstanding Bonds and the Outstanding Parity Obligation shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over all unexpended Subordinate Pledged Tax Revenues in the hands of the Trustee (except Subordinate Pledged Tax Revenues deposited or pledged, or required by the terms of the Indenture to be deposited or pledged, with the Trustee), and thereupon the Agency and the Trustee shall be restored, respectively, to their former positions and rights under the Indenture. No such payment by the Trustee nor such restoration of the Agency and the Trustee to their former positions and rights shall extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

(d) The Trustee may in its discretion establish special record dates for the determination of the Owners of Bonds for various purposes of the Indenture, including without limitation, payment of defaulted interest and giving direction to the Trustee.

Right to Accelerate Upon Default. Notwithstanding anything contrary in the Indenture or in the Bonds, upon the occurrence of an Event of Default, the Trustee may, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, and shall, at the direction of each

Credit Provider whose is permitted to so direct the Trustee under a Supplemental Indenture or a Credit Support Agreement or the Owners of a majority in principal amount of Outstanding Bonds (other than Bonds owned by or on behalf of the Agency), with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, by written notice to the Agency, declare the principal of the Outstanding Bonds to be immediately due and payable, whereupon the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable.

Appointment of Receiver. If an Event of Default shall happen and shall not have been remedied, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of the Bonds under the Indenture, the Trustee shall be entitled to make application for the appointment of a receiver or custodian of the Subordinate Pledged Tax Revenues, pending such proceedings, with such power as the court making such appointment shall confer.

Enforcement Proceedings.

(a) If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, proceed, and upon the written request of the Owners of not less than a majority in principal amount of the Bonds at the time Outstanding, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, shall proceed, to protect and enforce its rights and the rights of the Owners of the Outstanding Bonds by a suit or suits in equity or at law, whether for damages or the specific performance of any covenant contained in the Indenture, to enforce the security interest in, pledge of and lien on the Subordinate Pledged Tax Revenues granted pursuant to the Indenture, or in aid of the execution of any power granted in the Indenture or any remedy granted under applicable provisions of the laws of the State of California, or for an accounting by the Agency as if the Agency were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

(b) All rights of action under the Indenture may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust.

(c) Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the Indenture, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Indenture and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

(d) Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Owners of a majority in principal amount of the Bonds then Outstanding and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Owners of the Bonds.

(e) If the Trustee or any Owner or Owners of Outstanding Bonds have instituted any proceeding to enforce any right or remedy under the Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Owner or Owners, then and in every such case the Agency, the Trustee and the Owners shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions under the Indenture, and thereafter all rights and remedies of the Trustee and the Owners shall continue as though no such proceeding had been instituted.

Restriction on Owner's Action.

(a) Except as otherwise provided in paragraph (b) below, and subject to rights of the relevant Credit Provider to direct remedies as set forth in the Indenture or in any Supplemental Indenture, no Owner of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Indenture or the execution of any trust under the Indenture or for any remedy under the Indenture unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in the Indenture, and the Owners of at least 25% in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in the Indenture or by the applicable laws of the State of California or to institute such action, suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the ratable benefit of all Owners of the Outstanding Bonds, subject only to the provisions of the Indenture.

(b) Nothing in the Indenture or in the Bonds contained shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay on the respective due dates thereof and at the places therein expressed, but solely from the Subordinate Pledged Tax Revenues and the other moneys pledged under the Indenture, the principal amount, or Redemption Price if applicable, of the Bonds, and the interest thereon, to the respective Owners thereof, or affect or impair the right, which is also absolute and unconditional, of any Owner to institute suit for the enforcement of any such payment.

Remedies Not Exclusive. No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or the Owners of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or existing at law or in equity or by statute whether effective on or after the effective date of the Indenture. The assertion or employment of any right or remedy, under the Indenture or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Effect of Waiver and Other Circumstances.

(a) No delay or omission of the Trustee or any Owner of a Bond to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein; and every power and remedy given by the Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Owners of the Bonds.

(b) The Owners of not less than sixty percent in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Owners of all of the Bonds, waive any Event of Default and its consequences. No such waiver shall extend to any subsequent or Event of Default or impair any right consequent thereon unless the provisions of this paragraph have been satisfied with respect to such subsequent Event of Default.

Notice of Default. The Trustee shall, within thirty (30) days after obtaining knowledge thereof, mail written notice of the occurrence of any Event of Default of which the Trustee has knowledge to each Credit Provider, each Reserve Financial Guaranty Provider and each Owner of Bonds then Outstanding at such Owner's address, if any, appearing in the Bond Register.

Miscellaneous

Credit Providers. (a) Except as limited by the provisions of the Indenture relating to amendments, a Supplemental Indenture authorizing a Series of Bonds may provide that any Credit Provider providing a Credit Support Instrument with respect to Bonds of such Series may exercise any right under the Indenture or the

Supplemental Indenture authorizing the issuance of such Series of Bonds given to the Owners of the Bonds to which such Credit Support Instrument relates in lieu of such Owners.

(b) All provisions under the Indenture or a Supplemental Indenture authorizing the exercise of rights by a Credit Provider with respect to Bonds of a Series, including without limitation actions relating to consents, approvals, directions, waivers, appointments and requests, shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Credit Provider were not mentioned therein (i) during any period during which there is a default by such Credit Provider under the applicable Credit Support Instrument or (ii) after the applicable Credit Support Instrument shall at any time for any reason cease to be valid and binding on the Credit Provider, or shall be declared to be null and void by final judgment of a court of competent jurisdiction, or after the Credit Support Instrument has been rescinded, repudiated or terminated (other than in accordance with its terms), or after a receiver, conservator or liquidator has been appointed for the Credit Provider; provided, however, that the payment of amounts due or that may become due (including without limitation all indemnity payments) to the Credit Provider or any other person identified under such Credit Provider's Credit Support Agreement pursuant to the terms of the Indenture, any Supplemental Indenture and/or such Credit Support Agreement shall continue in full force and effect. The foregoing shall not affect any other rights of a Credit Provider.

(c) All provisions in the Indenture relating to the rights of a Credit Provider shall be of no force and effect if there is no Credit Support Instrument in effect and all amounts owing to the Credit Provider under the Credit Support Agreement have been paid.

Reserve Financial Guaranty Providers. All provisions under the Indenture or a Supplemental Indenture authorizing the exercise of rights by a Reserve Financial Guaranty Provider with respect to Bonds of a Series, including without limitation actions relating to consents, approvals, directions, waivers, appointments and requests, shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Reserve Financial Guaranty Provider were not mentioned therein (a) during any period during which there is a default by such Reserve Financial Guaranty Provider under the applicable Reserve Financial Guaranty or (b) after the applicable Reserve Financial Guaranty shall at any time for any reason cease to be valid and binding on the Reserve Financial Guaranty Provider, or shall be declared to be null and void by final judgment of a court of competent jurisdiction, or after the Reserve Financial Guaranty has been rescinded, repudiated or terminated, or after a receiver, conservator or liquidator has been appointed for the Reserve Financial Guaranty Provider; provided, however, that the payment of amounts due (including without limitation all indemnity payments) to the Reserve Financial Guaranty Provider pursuant to the terms of the Indenture, any Supplemental Indenture, any Reserve Financial Guaranty shall continue in full force and effect. The foregoing shall not affect any other rights of a Reserve Financial Guaranty Provider.

All provisions in the Indenture relating to the rights of a Reserve Financial Guaranty Provider shall be of no force and effect if there is no Reserve Financial Guaranty Provider in effect issued by such Reserve Financial Guaranty Provider and all amounts owing to such Reserve Financial Guaranty Provider Credit Provider under the Reserve Financial Guaranty have been paid.

No Recourse on Bonds. Neither the members of the Agency nor the officers or employees of the Agency shall be individually liable on the Bonds or in respect of any undertakings by the Agency under the Indenture, any Supplemental Indenture or any Bond.

Unclaimed Moneys. Anything in the Indenture or any Supplemental Indenture to the contrary notwithstanding, any moneys held by the Trustee, an Escrow Agent or any Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates, tender for purchase or by call for redemption, if such moneys were held by the Trustee, an Escrow Agent or a Paying Agent at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee, an Escrow Agent or a Paying Agent after the date when such Bonds or the Purchase Price thereof became due and payable, shall, at the written request of an Authorized Agency Representative be repaid by such Trustee, Escrow Agent or Paying Agent to the Agency, as its absolute property and free and clear of any trust, lien, pledge or assignment securing said Bonds, and such Trustee, Escrow Agent or Paying Agent shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall

look only to the Agency for the payment of such Bonds; provided, however, that before being required to make any such payment to the Agency, the Trustee, the Escrow Agent or the Paying Agent, as applicable, shall, at the expense of the Agency, mail, postage prepaid to the Owners of such Bonds, at the last address, if any, appearing upon the Bond Register a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the mailing of such notice, the balance of such moneys then unclaimed shall be returned to the Agency.

Governing Law. The Indenture and each Bond shall be interpreted, governed by and construed for all purposes in accordance with the laws of the State for contracts executed and to be performed in the State.

Bond Insurance Provisions

Any provision of the Indenture expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer without the prior written consent of the Bond Insurer.

The Series 2007A Bond Insurer's consent shall be required, in lieu of the consent of the Owners of the Bonds, when such consent is required for the following purposes: (i) execution and delivery of any Supplemental Indenture (except that no consent of the Series 2007A Bond Insurer shall be required with respect to the issuance of or the entering into additional Parity Obligations or Subordinated Obligations in accordance with the terms and conditions of the Indenture), or (ii) amendment of the Indenture, including, but not limited to, any change in the definition of Permitted Investments.

To the extent the consent of a Credit Provider is provided for, or a Credit Provider is permitted to direct the remedies pursued by the Trustee contained in the Indenture, the consent or direction, as appropriate, of the Series 2007A Bond Insurer shall be required or permitted in connection with the remedies pursued by the Trustee upon the occurrence of an Event of a Default under the Indenture, including, to the extent provided: (i) the right to accelerate the principal of the Bonds as described in the Indenture, and (ii) the right to annul any declaration of acceleration, and the Series 2007A Bond Insurer shall also be entitled to approve all waivers of events of default.

The Series 2007A Bond Insurer shall at all times be deemed the sole and exclusive Owner of the Outstanding 2007 Series Bonds for the purposes of all approvals, consents, waivers, institution of any action and the direction of all remedies; provided, however, that the Series 2007A Bond Insurer shall not be deemed to be the sole and exclusive Owner of the Outstanding Bonds with respect to any amendment or supplement to the Indenture which seeks to amend or supplement the Indenture to extend the maturity of or reduce the amount of interest on or principal of any Bond or otherwise alter or impair the obligation of the Agency to pay principal or interest at the time and place and at the rate and in the currency provided therein.

In the event of any reorganization or liquidation relating to the Agency, the Series 2007A Bond Insurer shall have the right to vote with respect to such reorganization or liquidation on behalf of all Owners of the Outstanding Series 2007A Bonds absent a default by the Series 2007A Bond Insurer under the Series 2007A Bond Insurance Policy insuring the Series 2007A Bonds. To the extent permitted by law, any reorganization or liquidation plan with respect to the Agency must be acceptable to the Series 2007A Bond Insurer.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal or interest due on the Series 2007A Bonds shall be paid by the Series 2007A Bond Insurer pursuant to the Series 2007A Bond Insurance Policy, the Series 2007A Bonds shall remain Outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the Agency, and the pledge of the Subordinate Pledged Tax Revenues and other assets pledged under the Indenture and all covenants, agreements and other obligations of the Agency to the Owners of the Bonds shall continue to exist and shall run to the benefit of the Series 2007A Bond Insurer, and the Series 2007A Bond Insurer shall be subrogated to the rights of such Owners of the Bonds.

Notwithstanding any other provision of the Indenture, in determining whether the rights of the Owners of the Series 2007A Bonds will be adversely affected by any action taken pursuant to the terms and provisions of the

Indenture, the Trustee shall consider the effect on the such Owners as if there were no Series 2007A Bond Insurance Policy.

To the extent that the Indenture confers upon or gives or grants to the Series 2007A Bond Insurer any right, remedy or claim under or by reason of the Indenture, the Series 2007A Bond Insurer is explicitly recognized as being a third party beneficiary under the Indenture and may enforce any such right remedy or claim conferred, given or granted under the Indenture.

The Agency covenants and agrees that it shall reimburse the Series 2007A Bond Insurer for any amounts paid under the Series 2007A Bond Insurance Policy and all costs of collection thereof and enforcement of the Indenture and any other documents executed in connection with the Indenture, together with interest thereon, from the date paid or incurred by the Series 2007A Bond Insurer until payment thereof in full by the Agency, payable at the Series 2007A Bond Insurer Payment Rate (as hereinafter defined), including without limitation (to the extent permitted by applicable law) interest on claims paid by the Series 2007A Bond Insurer in respect of interest on the Bonds. Such payment obligation shall be payable on demand and on a parity with and from the same sources and secured by the same security as, regularly scheduled principal and interest payments in respect of the Bonds. For the purposes of the foregoing, "Series 2007A Bond Insurer Payment Rate" shall mean the lesser of (a) the maximum rate permissible under applicable usury or similar laws limiting interest rates and (b) the greater of (i) the then applicable highest rate of interest on the Bonds and (ii) the per annum rate of interest, publicly announced from time to time by Citibank, N.A. ("Citibank") at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by Citibank) plus 3 percent. The Series 2007A Bond Insurer Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event that Citibank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the Series 2007A Bond Insurer shall specify.

The Trustee (or Paying Agent) may be removed at any time, at the request of the Series 2007A Bond Insurer, for any breach of the Trust set forth in the Indenture.

The Agency shall obtain the consent of the Series 2007A Bond Insurer prior to issuing or incurring any Variable Rate Indebtedness constituting Parity Obligations other than the Series 2007A Bonds; provided, however, that the Agency may issue or incur such Variable Rate Indebtedness in accordance with the Indenture without the consent of the Series 2007A Bond Insurer if

- (i) such Variable Rate Indebtedness constitutes Hedged Bonds, and
 - (1) upon entering into the applicable Qualified Swap Agreement, the counter party to such Qualified Swap Agreement shall be rated at least "AA-" by S&P or "Aa3" by Moody's or have an equivalent rating determined by a nationally-recognized ratings service acceptable to the Series 2007A Bond Insurer;
 - (2) such Qualified Swap Agreement shall provide that if the counter party's or counter party's guarantor's rating is downgraded to "A" or below by S&P or "A2" or below by Moody's and the Agency's exposure to a potential early termination payment owed by the counter party to the Agency is \$5,000,000 or greater, the counter party's obligations to make such payment under such Qualified Swap Agreement shall be collateralized with Eligible Collateral;
 - (3) the failure of the Agency to pay any termination payments payable by the Agency under such Qualified Swap Agreement shall not be cross-defaulted with such Hedged Bonds;
 - (4) any termination payments payable by the Agency under such Qualified Swap Agreement shall be subordinate and junior in right of payment from the Subordinate Pledged Tax Revenues to the payment of Parity Obligations; and
 - (5) if applicable, the Credit Provider providing any Credit Support Instrument shall be rated at least "AA" by S&P or "Aa2" by Moody's or have an equivalent rating determined by a nationally-recognized ratings

service acceptable to the Series 2007A Bond Insurer, and such Credit Support Instrument and any related Credit Support Agreement shall not contain any provision requiring an acceleration of such Hedged Bonds upon any default under such Credit Support Instrument or related Credit Support Agreement; or

(ii) such Variable Rate Indebtedness constitutes Capped Bonds, and

(1) upon entering into the applicable Qualified Cap, the counter party to the applicable Qualified Cap shall be rated at least "AA" by S&P or "Aa2" by Moody's or have an equivalent rating determined by a nationally-recognized ratings service acceptable to the Series 2007A Bond Insurer, and

(2) such Qualified Cap shall provide that if the counter party's rating is downgraded to "A" or below by S&P or "A2" or below by Moody's and the Agency's exposure to a potential early termination payment owed by the counter party to the Agency is \$5,000,000 or greater, the counter party's obligations to make such payment under such Qualified Cap shall be collateralized with Eligible Collateral.

Termination Payments under the 2007 Swap

Termination Payments payable pursuant to the 2007 Swap are deemed Subordinated Obligations by the Indenture, and the Agency by the Indenture grants a lien on, security interest in and pledge of the Subordinate Pledged Tax Revenues to secure its obligations to make such 2007 Swap Termination Payments, which lien on, security interest in and pledge shall be subordinate and junior in all respects to the payment of the Bonds and Parity Obligations under the Indenture.

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APPENDIX C

SUMMARY OF THE HOUSING INDENTURE

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APPENDIX C

SUMMARY OF THE HOUSING INDENTURE

The following is a brief summary of certain provisions of the Housing Indenture not previously discussed in this Official Statement. Such summary is not intended to be definitive, and reference is made to the Housing Indenture in its entirety for the complete terms thereof. Capitalized terms used in this summary which are not otherwise defined in this Official Statement have the meanings ascribed to such terms in the Housing Indenture.

DEFINITIONS

“Accountant’s Certificate” means a certificate signed by an Independent Certified Public Accountant selected by the Agency.

“Accreted Value” means, with respect to any Capital Appreciation Obligation and as of any date, the Initial Amount thereof plus the interest accrued thereon from its delivery date, compounded at the approximate interest rate with respect to such Capital Appreciation Obligation specified in or pursuant to the Issuing Instrument authorizing the issuance of such Capital Appreciation Obligation on each date specified therein. The applicable Accreted Value at any date shall be the amount set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, shall be determined by straight-line interpolation with reference to such Accreted Value Table.

“Accreted Value Table” means, with respect to Capital Appreciation Obligations, the table denominated as such in, and to which reference is made in, the Issuing Instrument authorizing the issuance of such Capital Appreciation Obligations.

“Additional Bonds” means Bonds issued in accordance with the terms and conditions of the Indenture for the purposes set forth in the Indenture.

“Additional Parity Obligations” means Parity Obligations, including Additional Bonds, issued for the purposes set forth in the Indenture and satisfying the conditions set forth in the Indenture.

“Adjusted Combined Debt Service” means, for any period of time, the Combined Debt Service for such period minus the sum of the amount of such Combined Debt Service with respect to Outstanding Senior Bonds or Parity Obligations to be paid during such period from the proceeds of Senior Bonds or Parity Obligations as set forth in a certificate of the Agency.

“Agency” means the Richmond Community Redevelopment Agency, a public body, corporate and politic, duly organized and existing under and pursuant to the Law.

“Agency Swap Payments” means, with respect to a Qualified Swap Agreement, the regularly scheduled payments payable by the Agency under such Qualified Swap Agreement, without regard to netting of payments payable by the counterparty to the Agency thereunder.

“Applicable Combined Obligations” means, with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to the Indenture and as of the date of such certificate, all Senior Obligations and Parity Obligations Outstanding on such date plus the Additional Parity Obligations proposed to be issued.

“Authority” means the Richmond Joint Powers Financing Authority.

“Authorized Denominations” means, with respect to the 2007 Series B Bonds, \$5,000 principal amount, or \$5,000 Maturity Value for any 2007 Series B Bonds issued as Capital Appreciation Obligations, and any integral multiple thereof; provided that the first numbered 2007 Series B Bond issued as a Capital Appreciation Obligation may be issued in a denomination such that the Maturity Value of such Bond shall not be in an integral multiple of \$5,000.

“Authorized Agency Representative” means the Executive Director of the Agency and any other officer of the Agency duly authorized to act as an Authorized Agency Representative for purposes of the Indenture by the Agency or written authorization of the Executive Director of the Agency.

“Balloon Indebtedness” means, with respect to any Series of Obligations 25% or more of the principal of which matures on the same date or within a 12-month period (with Sinking Fund Installments on Term Obligations deemed to be payments of matured principal), that portion of such Series of Obligations which matures on such date or within such 12-month period. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such indebtedness which is required, by the documents governing such indebtedness, to be amortized by prepayment or redemption prior to its stated maturity date.

“Basis Differential Amount” means the amount equal to principal amount of the related Bonds multiplied by the greater of (i) 0.25% per annum or (ii) the actual per annum interest rate paid on the Bonds that relate to the Qualified Swap Agreement in the previous Fiscal Year less the actual resulting per annum interest rate required to be paid by a counterparty to the Agency with respect to the related notional amount under the Qualified Swap Agreement in the previous Fiscal Year without regard to netting of payments payable by the Agency to the counterparty thereunder; provided, however, that so long as the Qualified Swap Agreement is based on the BMA Municipal Swap Index or the actual rate of the related Bonds, the Basis Differential Amount shall be zero.

“Beneficial Owner” means, with respect any Book-Entry Bond, the beneficial owner of such Bond as determined in accordance with the applicable rules of the Securities Depository for such Book-Entry Bonds.

“Bond” means any of the Richmond Community Redevelopment Agency Subordinate Housing Set-Aside Tax Allocation Bonds (Merged Project Areas) authorized pursuant to the Indenture and a Supplemental Indenture.

“Bond Counsel” means Orrick, Herrington & Sutcliffe LLP or another attorney or firm of attorneys of recognized national standing in the field of law relating to municipal securities and to exclusion of interest thereon from income for federal income tax purposes selected by the Agency.

“Bond Debt Service” means, for any period of time, the sum of (a) the interest payable during such period on all Outstanding Bonds, assuming that all Outstanding Bonds which are Serial Obligations are retired as scheduled and that all Outstanding Bonds which are Term Obligations are redeemed or paid from Sinking Fund Installments as scheduled, (b) that portion of the principal amount of all Outstanding Bonds which are Serial Obligations maturing on each principal payment date during such period, including the Final Compounded Amount of any Bonds which are Capital Appreciation Obligations and Serial Obligations, (c) that portion of the principal amount of all Outstanding Bonds which are Term Obligations required to be redeemed or paid from Sinking Fund Installments during such period (together with the redemption premiums, if any, thereon), including the Accreted Value of any Bonds which are Capital Appreciation Obligations and Term Obligations.

“Bond Register” means the registration books for the ownership of Bonds maintained by the Trustee pursuant to the Indenture.

“Bondowner” or “Owner” means, with respect to a Bond, the registered owner of such Bond as set forth in the Bond Register.

“Book-Entry Bonds” means Bonds registered in the name of a nominee of DTC or any successor Securities Depository for the Bonds, or a nominee thereof, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

“Business Day” means, with respect to each Series of Bonds, unless otherwise provided with respect to a Series of Bonds in the Supplemental Indenture authorizing the issuance of such Series, any day of the year other than (i) a Saturday, (ii) a Sunday, (iii) any day which shall be in San Francisco, California or New York, New York a legal holiday or a day on which banking institutions are authorized or required by law or other government action to close, and (iv) any day on which the banks are authorized or required by law or other government action to close

in the State of New York or State of California or any city in which the Principal Office of any Paying Agent or any Credit Provider for such Series of Bonds is located.

“Capital Appreciation Obligations” means any Obligations the interest on which is compounded and not scheduled to be paid until the maturity or prior redemption of such Obligations.

“Capped Bonds” means Bonds issued under the Indenture as Variable Rate Indebtedness for which a Qualified Cap has been entered into or purchased.

“Code” means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code in the Indenture shall be deemed to include the applicable United States Treasury Regulations thereunder and also includes all amendments and successor provisions unless the context clearly requires otherwise.

“Combined Debt Service” means, for any period of time, the combined Debt Service on all Outstanding Senior Obligations and Parity Obligations.

“Combined Adjusted Annual Debt Service” means, with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to the Indenture, as of any date and with respect to the Applicable Combined Obligations, the amount of Adjusted Combined Debt Service becoming due on the Applicable Combined Obligations in each Fiscal Year, as adjusted as provided in this definition and calculated by the Agency or by a Consultant. For purposes of calculating Combined Adjusted Annual Debt Service, the determination of Combined Debt Service on the Applicable Combined Obligations coming due in each Fiscal Year shall be subject to the Debt Service Adjustments and Assumptions.

“Commercial Paper Program” means a program of short-term Obligations having the characteristics of commercial paper in that such Obligations have a stated maturity not later than 270 days from their date of issue and that maturing Obligations of such program may be paid with the proceeds of renewal short-term Obligations.

“Consultant” means a consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm retained by the Agency to perform acts, prepare certificates or otherwise carry out the duties provided for a Consultant in the Indenture or any Supplemental Indenture. Such consultant, consulting firm, engineer, architect, engineering firm or architectural firm shall be nationally recognized within its profession for works of the character required. Such accountants or accounting firm shall be Independent Certified Public Accountants licensed to practice in the State of California. Any financial consultant or firm of such consultants shall be an Independent Financial Consultant. Any consultant or firm of consultants recognized to be well qualified in the field of consulting relating to tax allocation bond financing by California redevelopment agencies shall an Independent Redevelopment Consultant.

“Consultant’s Report” means a report signed by an Independent Financial Consultant or an Independent Redevelopment Consultant, as may be appropriate to the subject of the report, and including:

- (1) statement that the person or firm making or giving such report has read the pertinent provisions of the Indenture to which such report relates;
- (2) a brief statement as to the nature and scope of the examination or investigation upon which the report is based;
- (3) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said Independent Financial Consultant or Independent Redevelopment Consultant to express an informed opinion with respect to the subject matter referred to in the report.

“Costs of Issuance” means, to the extent permitted by the Law, all items of expense directly or indirectly payable by or reimbursable to the Agency and related to the original authorization, execution, sale and delivery of Parity Obligations, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, including disclosure documents and documents relating to the sale of such Parity Obligations, initial

fees and charges (including counsel fees) of any fiscal agent, any paying agent and any Credit Provider, legal fees and charges, financial advisor fees and expenses, fees and expenses of other consultants and professionals, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Parity Obligations and any other cost, charge or fee in connection with the authorization, issuance, sale or original delivery of Parity Obligations.

“Credit Provider” means any municipal bond insurance company, bank or other financial institution or organization which is performing in all material respects its obligations under any Credit Support Instrument for some or all of the Parity Obligations.

“Credit Provider Reimbursement Obligations” means obligations of the Agency to pay from the Subordinate Pledged Tax Revenues amounts due under a Credit Support Agreement, including without limitation amounts advanced by a Credit Provider pursuant to a Credit Support Instrument as credit support or liquidity for Parity Obligations and the interest with respect thereto.

“Credit Provider Bonds” means any Bonds paid as to principal, Redemption Price, Purchase Price and/or interest with funds provided under a Credit Support Instrument for so long as such Bonds are held by or for the account of, or are pledged to, the applicable Credit Provider or any assignee thereof in accordance with the applicable Credit Support Agreement.

“Credit Support Agreement” means, with respect to any Credit Support Instrument, the agreement or agreements (which may be the Credit Support Instrument itself) between the Agency and the applicable Credit Provider, as originally executed or as it may from time to time be replaced, supplemented or amended in accordance with the provisions thereof, providing for the reimbursement to the Credit Provider for payments under such Credit Support Instrument or for extensions of credit made to the Agency by the Credit Provider, and the interest thereon, and includes any subsequent agreement pursuant to which a substitute Credit Support Instrument is provided, together with any related pledge agreement, security agreement or other security document.

“Credit Support Instrument” means a policy of insurance, a letter of credit, a stand-by purchase agreement, revolving credit agreement or other credit arrangement pursuant to which a Credit Provider provides credit and/or liquidity support with respect to the payment of interest, principal, Redemption Price or Purchase Price of any Parity Obligations but shall not include a Reserve Financial Guaranty.

“Crossover Date” means, with respect to a Series of Refunding Parity Obligations constituting Crossover Refunding Obligations, the date on which the proceeds of the sale of such Refunding Parity Obligations are to be applied to the payment of the principal of and premium, if any, on the Parity Obligations to be refunded with the proceeds of such Refunding Parity Obligations in accordance with the applicable Crossover Refunding Instructions.

“Crossover Refunding Escrow” means, with respect to any Series of Refunding Parity Obligations constituting Crossover Refunding Obligations, a trust or escrow fund or account established with an Escrow Agent into which proceeds of the sale of such Series of Refunding Parity Obligations and, if necessary, other available funds have been deposited in an amount sufficient to pay when due, or to purchase bonds, notes or other evidences of indebtedness the scheduled payments of principal of and interest on which shall provide moneys at the times and in amounts sufficient to pay when due, the applicable Crossover Refunding Requirements in accordance with the applicable Crossover Refunding Instructions.

“Crossover Refunding Instructions” means, with respect to a Series of Refunding Parity Obligations which constitute Crossover Refunding Obligations, a certificate, order, escrow deposit agreement, or other direction from an Authorized Agency Representative to the Escrow Agent for the applicable Crossover Refunding Escrow to apply amounts in the applicable Crossover Refunding Escrow to the payments of principal and interest scheduled to be made on the Crossover Refunding Obligations to and including the applicable Crossover Date and on such Crossover Date to apply moneys in the applicable Crossover Refunding Escrow to the payment or redemption of the Parity Obligations to be refunded or, in the event that the conditions to such payment or redemption contained in the Issuing Instrument authorizing the issuance of such Crossover Refunding Obligations are not satisfied, to the payment or redemption of the Crossover Refunding Obligations on the terms and conditions set forth in such Issuing Instrument.

“Crossover Refunding Obligations” means Refunding Parity Obligations as to which a Crossover Refunding Escrow has been established and which are payable, prior to the application of moneys in the applicable Crossover Refunding Escrow to the payment or redemption of the Parity Obligations to be refunded, only from amounts in such Crossover Refunding Escrow.

“Crossover Refunding Requirements” means, with respect to a Series of Refunding Parity Obligations constituting Crossover Refunding Obligations and the Parity Obligations to be refunded with the proceeds of the sale of such Refunding Parity Obligations, moneys sufficient to pay when due: (i) the scheduled principal of and interest on the Series of Refunding Parity Obligations coming due on and before the applicable Crossover Date (other than as a result of the failure to apply moneys in the applicable Crossover Refunding Escrow to the refunding of the Parity Obligations to be refunded with the proceeds of the sale of such Refunding Parity Obligations on the Crossover Date); (ii) the principal of, premium, if any, and interest on such Refunding Parity Obligations which are payable in accordance with the applicable Crossover Refunding Instructions in the event the amounts in the applicable Crossover Refunding Escrow are not applied to the payment or redemption of the Parity Obligations to be refunded with the proceeds of the sale of such Refunding Parity Obligations; and (iii) the principal of and premium, if any, on the Parity Obligations to be refunded with the proceeds of the sale of the Refunding Parity Obligations coming due in accordance with the applicable Crossover Refunding Instructions.

“Debt Service” means, for any period of time, the sum of (a) the interest payable during such period on all Outstanding Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, assuming that all Outstanding Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, are retired as scheduled and that all Outstanding Term Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, are redeemed or paid from Sinking Fund Installments as scheduled, (b) that portion of the principal amount of all Outstanding Serial Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, maturing on each principal payment date during such period, including the Final Compounded Amount of any Capital Appreciation Obligations which are Serial Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, (c) that portion of the principal amount of all Outstanding Term Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, required to be redeemed or paid from Sinking Fund Installments becoming due during such period (together with the premiums, if any, thereon), including the Accreted Value of any Capital Appreciation Obligations which are Term Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, and (d) amounts, if any, required to be deposited in the Debt Service Reserve Account or any other debt service reserve fund with respect to Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable (other than Bonds), established under any Issuing Instrument. Debt Service, with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to the Indenture, shall not include (a) interest on Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, which is to be paid from amounts constituting capitalized interest or (b) principal and interest allocable to that portion of the proceeds of any Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, required to remain unexpended and to be held in escrow pursuant to the terms of a Supplemental Indenture or other Issuing Instrument, provided that (i) projected interest earnings on such proceeds, plus such amounts, if any, deposited by the Agency in an interest account therefor, are sufficient to pay the interest due on such portion of the Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, so long as it is required to be held in escrow and (ii) the conditions for the release of such proceeds from escrow, insofar as they relate to Tax Revenue and Adjusted Tax Revenue coverage and satisfaction of any debt service reserve requirement, are substantially similar to those for the issuance of Additional Parity Obligations set forth in the Indenture.

“Debt Service Adjustments and Assumptions” means, for purposes of determining Combined Adjusted Annual Debt Service and for purposes of determining the amount of money to be set aside from the Special Fund and deposited in the Interest Account pursuant to the Indenture, the following adjustments and assumptions are to be made with respect to Combined Debt Service or Debt Service, as applicable:

- (a) in determining the amount of Combined Debt Service or Debt Service, as applicable, constituting principal due in each Fiscal Year, principal payments with respect to Applicable Combined Obligations or Parity Obligations, as applicable, which are, or upon issuance shall be, part of a Commercial Paper Program, but which would not constitute Balloon Indebtedness, shall be treated as if such Applicable Combined Obligations or Parity Obligations,

as applicable, were to be amortized with substantially level annual Debt Service payments over the Remaining Redevelopment Plan Limit commencing on the date the calculation of Combined Adjusted Annual Debt Service or interest deposit determination, as applicable, is made;

(b) if all or any portion or portions of the Applicable Combined Obligations or Parity Obligations, as applicable, constitute, or upon issuance would constitute, Balloon Indebtedness, then, for purposes of determining Combined Adjusted Annual Debt Service or the interest deposit, as applicable, each maturity which constitutes, or upon issuance would constitute, Balloon Indebtedness shall be treated as if it were to be amortized with substantially level annual Debt Service payments over the Remaining Redevelopment Plan Limit commencing on the date which is the first anniversary of the initial issuance of such Applicable Combined Obligations or Parity Obligations, as applicable;

(c) if any Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constitute Tax-Exempt Variable Rate Indebtedness (except to the extent paragraph (g) applies), the interest rate on such Applicable Combined Obligations or Parity Obligations, as applicable, for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Applicable Combined Obligations or Parity Obligations, as applicable, during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Applicable Combined Obligations or Parity Obligations, as applicable, shall have been Outstanding;

(d) if any Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constitute Variable Rate Indebtedness which is not Tax-Exempt (except to the extent paragraph (g) applies), the interest rate on such Applicable Combined Obligations or Parity Obligations, as applicable, for any period as to which such interest rate has not been established shall be assumed to be 110% of the average One Month USD LIBOR Rate during the calendar quarter preceding the calendar quarter in which the calculation of Combined Adjusted Annual Debt Service or interest deposit determination, as applicable, is made or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the Agency.

(e) if the Additional Parity Obligations proposed to be issued shall be Tax-Exempt Variable Rate Indebtedness (except to the extent paragraph (h) below applies), then the interest rate on such Additional Parity Obligations shall be assumed to be 110% of the average TBMA Index during the calendar quarter preceding the calendar quarter in which the calculation of Combined Adjusted Annual Debt Service or interest deposit determination, as applicable, is made, or if that index is no longer published, seventy-five percent (75%) of the One Month USD LIBOR Rate, or if the One Month USD LIBOR Rate is not available, another similar rate or index selected by the Agency;

(f) if the Additional Parity Obligations proposed to be issued shall be Variable Rate Indebtedness which is not Tax-Exempt (except to the extent paragraph (h) below applies) then the interest rate on such Additional Parity Obligations shall be assumed to be 110% of the average One Month USD LIBOR Rate during the calendar quarter preceding the calendar quarter in which the calculation of Combined Adjusted Annual Debt Service or interest deposit determination, as applicable, is made, or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the Agency;

(g) if a Qualified Swap Agreement has been entered into in connection with any Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, which are not Hedged Bonds, the interest rate on such Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, for each Fiscal Year or portion thereof during which payments are to be exchanged by the parties under such Qualified Swap Agreement shall be determined for purposes of calculating Combined Adjusted Annual Debt Service and determining the interest deposit, as applicable, by adding: (1) the amount of Debt Service paid or to be paid by the Agency as interest on the Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, during

such Fiscal Year or portion thereof (determined as provided in paragraph (c) or (d), as applicable, if such Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constitute Variable Rate Indebtedness) and (2) the net amount (which may be a negative amount) paid or to be paid by the Agency under the Qualified Swap Agreement (after giving effect to payments made and received, and to be made and received, by the Agency under the Qualified Swap Agreement) during such Fiscal Year or portion thereof, and for this purpose any variable rate of interest agreed to be paid under the Qualified Swap Agreement shall be deemed to be the rate at which the related Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constituting Variable Rate Indebtedness is assumed to bear interest;

(h) if a Qualified Swap Agreement has been entered into by the Agency with respect to any Additional Parity Obligations which are not Hedged Bonds proposed to be issued, the interest on such proposed Additional Parity Obligations for each Fiscal Year or portion thereof during which payments are to be exchanged under the Qualified Swap Agreement shall be determined for purposes of calculating Maximum Adjusted Annual Debt Service and determining the interest deposit, as applicable, by adding: (1) the amount of Debt Service to be paid by the Agency as interest on such Additional Parity Obligations during such Fiscal Year or portion thereof (determined as provided in paragraph (e) or (f), as applicable, if such Additional Parity Obligations are to constitute Variable Rate Indebtedness) and (2) the net amount (which may be a negative amount) to be paid by the Agency under the Qualified Swap Agreement (after giving effect to payments to be made and received by the Agency under the Qualified Swap Agreement) during such Fiscal Year or portion thereof, and for this purpose any variable rate of interest agreed to be paid under the Qualified Swap Agreement shall be deemed to be the rate at which the related Additional Parity Obligations which are to constitute Variable Rate Indebtedness shall be assumed to bear interest;

(i) if any of the Applicable Combined Obligations or Parity Obligations, as applicable, are, or upon issuance shall be, Paired Obligations, the interest thereon shall be the resulting linked rate or effective fixed rate to be paid with respect to such Paired Obligations;

(j) if the Additional Parity Obligations proposed to be issued are Hedged Bonds, then, for purposes of determining Combined Adjusted Annual Debt Service and determining the interest deposit, as applicable, the interest on such proposed Additional Parity Obligations for each Fiscal Year or portion thereof shall be assumed to be equal to the Agency's fixed payments under the applicable Qualified Swap Agreement; and

(k) if the Additional Parity Obligations proposed to be issued are Capped Bonds, then, for purposes of determining Combined Adjusted Annual Debt Service and determining the interest deposit, as applicable, the interest on such proposed Additional Parity Obligations for each Fiscal Year or portion thereof shall be assumed to be equal to the interest rate specified under the related Qualified Cap above which the counter party under the Qualified Cap is obligated to pay to the Agency payments equal to the interest payable on the Capped Bonds above such specified interest rate.

“Debt Service Reserve Account” means the Debt Service Reserve Account, and any account thereof, established pursuant to the Indenture.

“Debt Service Reserve Requirement” means, as of any date of calculation, an amount equal to the least of (a) ten percent (10%) of the initial offering price to the public of the Bonds as determined under the Code, or (b) the greatest amount of Bond Debt Service in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Bond is due, or (c) one hundred twenty-five percent (125%) of the sum of the Bond Debt Service for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the execution and delivery of any Bonds) and terminating with the last Fiscal Year in which any Bond Debt Service is due, divided by the number of such Fiscal Years, all as computed and determined by the Agency and specified in writing to the Trustee; provided, however, that in determining Bond Debt Service with

respect to any Bonds or Series of Bonds that constitute Variable Rate Indebtedness, (A) with respect to Hedged Bonds, the interest on such Bonds shall be assumed to be equal to the Agency's fixed payments under the applicable Qualified Swap Agreement, and (B) with respect to other Bonds that constitute Variable Rate Indebtedness, the interest rate on such Bonds for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Bonds shall have been Outstanding; provided, further, that, to the extent the Agency elects in a Supplemental Indenture to maintain a separate account for any Series of Bonds, the Debt Service Reserve Requirement with respect to such Series shall be as set forth in such Supplemental Indenture.

“Denominational Amount” means, for each maturity of 2007 Series B Bonds issued as Capital Appreciation Obligations, the initial principal amount thereof as of the Dated Date, as set forth in the Indenture.

“Depository” means any bank or trust company organized under the laws of any state of the United States (including the Trustee and its affiliates), or any national banking association which is willing and able to accept the office on reasonable and customary terms, authorized by law to act in accordance with the provisions of the Indenture.

“DTC” means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York or its successors and assigns. References in the Indenture to DTC shall include any Nominee of DTC in whose name any Bond is registered.

“Electronic” means, with respect to notice, notice through telecopy, telegraph, telex, facsimile transmission, internet, e-mail, dedicated electronic link or other electronic means of communication capable of producing a written record.

“Escrow Agent” means the Trustee or a bank or trust company organized under the laws of any state of the United States, or a national banking association, appointed by the Agency to hold in trust moneys set aside for either: (i) the payment or redemption of, or interest installments on, a Bond or Bonds, or any portion thereof, deemed paid and defeased pursuant to the Indenture; or (ii) the payment of the principal, premium, if any, or interest on Crossover Refunding Bonds or the Parity Obligations to be refunded with the proceeds of the sale of such Crossover Refunding Bonds.

“Event of Bankruptcy” means any of the following with respect to any Person: (a) the commencement by such person of a voluntary case under the Federal Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency or similar laws; (b) failure by such Person to timely controvert the filing of a petition with a court having jurisdiction over such Person to commence an involuntary case against such person under the Federal Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency or similar laws; (c) such Person shall admit in writing its inability to pay its debts generally as they become due; (d) a receiver, trustee, custodian or liquidator of such Person or such Person's assets shall be appointed in any proceeding brought against the Person or such Person's assets; (e) assignment of assets by such person for the benefit of its creditors; or (f) the entry by such Person into an agreement of composition with its creditors.

“Event of Default” means an event described as such in the provisions of the Indenture described below under the caption “Events of Default; Remedies—Events of Default.”

“Favorable Opinion of Bond Counsel” means, with respect to any action requiring such an opinion, an Opinion of Bond Counsel to the effect that such action shall not, in and of itself, adversely affect the Tax-Exempt status of interest on the Bonds or such portion thereof as shall be specified in the provisions of the Indenture or the Supplemental Indenture requiring such an opinion.

“Federal Bankruptcy Code” means Title 11 of the United States Code entitled “Bankruptcy,” as the same may be amended and supplemented, and any successor statute.

“Federal Securities” means obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full

faith and credit of the United States of America, including U.S. treasury obligations, all direct or fully guaranteed obligations, Farmers Home Administration, guaranteed Title XI financing, Government National Mortgage Association (GNMA) and State and Local Government Series.

“Fiduciary” means the Trustee for the Bonds appointed as provided in the Indenture.

“Final Compounded Amount” means the Accreted Value of any Capital Appreciation Obligation on its maturity date.

“First Supplemental Indenture” means the First Supplemental Indenture of Trust, dated as of July 1, 2007, between the Agency and the Trustee, supplementing the Indenture.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period selected and designated as the official Fiscal Year of the Agency.

“Fitch” means Fitch, Inc. and any successor entity rating Parity Obligations at the request of the Agency.

“Generally Accepted Accounting Principles” means generally accepted accounting principles applied on a consistent basis set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants applicable to a government-owned utility applying all statements and interpretations issued by the Governmental Accounting Standards Board and statements and pronouncements of the Financial Accounting Standards Board which are not in conflict with the statements and interpretations issued by the Governmental Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, that are applicable to the circumstances as of the date of determination.

“Hedged Bonds” means Bonds issued under the Indenture as Variable Rate Indebtedness for which a Qualified Swap Agreement has been entered into under which all of the following apply: (a) the term of the Qualified Swap Agreement is coterminous with the maturity of the Hedged Bonds, (b) the initial notional amount of the Qualified Swap Agreement is equal to the initial principal amount of the Hedged Bonds and the notional amount of the Qualified Swap Agreement reduces at the same times and in the same amounts as the scheduled payment of principal (whether at maturity or as a result of mandatory sinking account redemption) of the Hedged Bonds, (c) the Agency’s payment obligations under the Qualified Swap Agreement are based upon a fixed interest rate for the term thereof, and (d) the counterparty’s payment obligations under the Qualified Swap Agreement are reasonably expected to be equivalent to the interest payments on the Hedged Bonds as certified by the counterparty and the Agency at the time of entering into the Qualified Swap Agreement.

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

- (1) is in fact independent and not under the domination of the Agency;
- (2) does not have any substantial interest, direct or indirect, with the Agency; and
- (3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other audits of the books of or reports to the Agency.

“Independent Financial Consultant” means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the Agency and who, or each of whom:

- (1) is in fact independent and not under the domination of the Agency;
- (2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

“Independent Redevelopment Consultant” means a consultant or firm of such consultants generally recognized to be well qualified in the field of consulting relating to tax allocation bond financing by California redevelopment agencies, appointed and paid by the Agency, and who, or each of whom:

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

“Initial Amount” means the Accreted Value of a Capital Appreciation Obligation on its date of issuance and delivery to the original purchaser thereof.

“Interest Account” means the account by that name in the Special Fund established pursuant to the Indenture.

“Interest Payment Date” or “Interest Date” means , with respect to the 2007 Series B Bonds, each March 1 and September 1, commencing September 1, 2007.

“Issuing Instrument” means any, indenture, trust agreement or other instrument or agreement under which Obligations are issued.

“Law” means the Community Redevelopment Law of the State of California (being Part 1 of Division 24 of the California Health and Safety Code, as amended), and all laws amendatory thereof or supplemental thereto.

“Maturity Value” means, for each maturity of 2007 Series B Bonds issued as Capital Appreciation Obligations, the value of such 2007 Series B Bond at its maturity, as set forth in the Indenture.

“Moody’s” means Moody’s Investors Service, Inc. and any successor entity rating Parity Obligations at the request of the Agency.

“Net Payment” means with respect to a Qualified Swap Agreement, the net amount payable or receivable by the Agency in connection with each scheduled payment date (other than Termination Payments) under such Qualified Swap Agreement. For purposes of the calculations required in the Indenture, if a Net Payment is payable by the Agency, it shall be expressed as a positive number and if a Net Payment is receivable by the Agency, it shall be expressed as a negative number.

“Nominee” means the nominee of the Securities Depository for the Book-Entry Bonds in whose name such Bonds are to be registered. The initial Nominee shall be Cede & Co., as the nominee of DTC.

“Obligations” means (a) obligations with respect to borrowed money and includes bonds, notes or other evidences of indebtedness, installment purchase payments under any contract, and lease payments under any financing or capital lease (determined to be such in accordance with Generally Accepted Accounting Principles), which are payable from the Subordinate Pledged Tax Revenues, (b) obligations to replenish any debt service reserve fund with respect to obligations of the Agency described in (a) above; (c) obligations secured by or payable from any of obligations of the Agency described in (a) above; (d) obligations payable from the Subordinate Pledged Tax Revenues and entered into in connection with, relating to, or otherwise serving as a hedge with respect to, an obligation described in (a), (b) or (c) above under any Public Finance Contract; (e) Credit Provider Reimbursement Obligations; and (f) with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to the Indenture, Senior Bonds.

“One Month USD LIBOR Rate” means the British Banker’s Association average of interbank offered rates in the London market for United States dollar deposits for a one month period as reported in the Wall Street Journal or, if not reported in such newspaper, as reported in such other source as may be selected by the Agency.

“Opinion of Bond Counsel” means a written opinion signed by Bond Counsel.

“Outstanding” when used as of any particular time with respect to Obligations, means, except as otherwise provided in the Indenture, all Obligations theretofore or thereupon being issued by the Agency, except (a) Obligations theretofore cancelled or surrendered for cancellation; (b) Obligations paid or deemed to be paid within the meaning of any defeasance provisions of the Issuing Instrument pursuant such Obligations were issued; (c) Obligations in lieu of or in substitution for which replacement Obligations have been issued; and (d) prior to the applicable Crossover Date, Refunding Parity Obligations which are Crossover Refunding Obligations.

“Paired Obligations” means any Series (or portion thereof) of Parity Obligations designated as Paired Obligations in the Issuing Instrument authorizing the issuance thereof, which are simultaneously issued (a) the principal of which is of equal amount maturing and to be redeemed (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (b) the interest rates which, taken together, result in an irrevocably fixed interest rate obligation of the Agency for the terms of such Paired Obligations.

“Parity Obligations” means Bonds and any Obligations which are payable from the Subordinate Pledged Tax Revenues on a parity with the payment of the Bonds and which satisfy the applicable conditions of the Indenture, including without limitation Credit Provider Reimbursement Obligations and Net Payments due under Qualified Swap Agreements. Parity Obligations include the Series 2004 Parity Obligations.

“Participants” means, with respect to a Securities Depository for Book-Entry Bonds, those participants listed in such Securities Depository’s book-entry system as having an interest in such Bonds.

“Paying Agent” means, with respect to a Series of Bonds, the Trustee and any banking corporation, banking association or trust company designated as paying agent for such Series of Bonds pursuant to the Indenture, and its successor or successors appointed in the manner provided in the Indenture.

“Permitted Investments” means any of the following to the extent then permitted by the general laws of the State of California applicable to investments by cities including, without limitation, the provisions of California Government Code Section 5922(d):

- (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, and 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):
 - (a) 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)
 - (b) Farmers Home Administration (FmHA)
Certificates of beneficial ownership
 - (c) General Services Administration;
Participation certificates

- (d) Federal Housing Administration Debentures (FHA)
 - (e) U.S. Maritime Administration;
Guaranteed Title XI financing
 - (f) U.S. Department of Housing and Urban Development (HUD)
Project Notes, Local Authority Bonds, New Communities Debentures –
U.S. government guaranteed public housing notes and bonds,
U.S. Public Housing Notes and Bonds –
U.S. government guaranteed public housing notes and bonds
 - (g) U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership
 - (h) Federal Financing Bank
- (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):
- (a) Federal Home Loan Bank System
Senior debt obligations (Consolidated debt obligations)
 - (b) Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”)
Participation certificates (Mortgage-backed securities)
Senior debt obligations
 - (c) Federal National Mortgage Association (FNMA or “Fannie Mae”)
Mortgage-backed securities and senior debt obligations
 - (d) Resolution Funding Corp. (REFCORP) obligations
 - (e) Farm Credit System
Consolidated systemwide bonds and notes
- (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 Standard & Poor’s of AAAM-G; AAAM; or AA-m and if rated by Moody’s rated Aaa, Aa1 or Aa2;
- (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. The collateral must be held by a third party and the certificateholders must have a perfected first security interest in the collateral;
- (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 Guaranteed Investment Contracts, Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to the Series 2007B Bond Insurer;
- (8) Commercial paper rated “Prime-1 by Moody’s and “A-1” or better by Standard & Poor’s;
- (9) Bonds or notes issued by any state or municipality which are rated by Moody’s and Standard & Poor’s in one or two of the highest long-term 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 “A3” or better by Moody’s and “A-1” or “A” by Standard & Poor’s;

(11) 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) Any state administered pool investment fund in which the Agency is statutorily permitted or required to invest will be deemed a permitted investment, including, but not limited to the Local Agency Investment Fund (LAIF) in the treasury of the State;

(13) Participation in the California Asset Management Program (CAMP); and

(14) Forward Purchase and Sale Agreements for the purchase and delivery of Permitted Investments, approved in writing by the Series 2007B Bond Insurer;

(15) Pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s. If however, the issue is only rated by Standard & Poor’s (i.e., there is no Moody’s rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition;

(16) Any other structured investment arrangement approved in writing by the Series 2007B Bond Insurer.

“Person” means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Account” means the account by that name in the Special Fund established pursuant to the Indenture.

“Principal Office” means, with respect to: (i) the Trustee, the principal office of such Trustee in San Francisco, California, and (ii) a Paying Agent or a Credit Provider, the office designated as such in writing by such party to the Trustee.

“Project” means the undertaking of the Agency pursuant to the Redevelopment Plan and the Law for the redevelopment of the Project Area.

“Project Area” means, collectively, the following project areas established by the Agency, which have been merged by the Agency pursuant to the Law:

Downtown 10A Project Area, initially established May 23, 1966; as amended from time to time.

Eastshore 1A Project Area, initially established August 26, 1957; as amended from time to time.

Galvin 3A Project Area, initially established February 28, 1955, as amended from time to time.

Harbor Gate 6A Project Area, initially established November 8, 1954; as amended from time to time.

Harbour 11A Project Area, initially established June 9, 1975, as amended from time to time.

Hensley 8A Project Area, initially established May 29, 1960; as amended from time to time.

Nevin 10B Project Area, initially established September 18, 1972; as amended from time to time.

North Richmond 12A Project Area, initially established September 18, 1972, as amended from time to time.

Potrero 1C Project Area, initially established April 4, 1960, as amended from time to time.

“Public Finance Contract” means (i) any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, (ii) any contract to exchange cash flows or a series of payments, or (iii) any contract to hedge payment, currency, rate spread or similar exposure, including but not limited to interest, any interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure, between the Agency and a counterparty.

“Purchase Price” means: (i) with respect to Bonds of any Series, the purchase price set forth in the Supplemental Indenture authorizing the Bonds of such Series to be paid to the Owners of such Bonds when such Bonds are tendered for purchase or deemed tendered for purchase in accordance with the provisions of such Supplemental Indenture; and (ii) with respect to other Parity Obligations, the purchase price set forth in the Issuing Instrument authorizing such Parity Obligations to be paid to the owners of such Parity Obligations when such Parity Obligations are tendered or deemed tendered for purchase in accordance with the provisions of such Issuing Instrument.

“Qualified Cap” means a Public Finance Contract under which all of the following apply: (a) the term of the Public Finance Contract is coterminous with the maturity of the Capped Bonds, (b) the initial notional amount of the Public Finance Contract is equal to the initial principal amount of the Capped Bonds and the notional amount of the Public Finance Contract reduces at the same times and in the same amounts as the scheduled payment of principal (whether at maturity or as a result of mandatory sinking account redemption) of the Capped Bonds, and (c) the counterparty’s payment obligations under the Public Finance Contract are equal to the interest payable on the Capped Bonds above a specified interest rate.

“Qualified Swap Agreement” means a Public Finance Contract, the Agency’s obligations to make Net Payments under which are payable from the Subordinate Pledged Tax Revenues on a parity with the payment of other Parity Obligations and satisfying the conditions of the Indenture, intended to place Parity Obligations or the applicable investments on the interest rate, currency, cash flow or such other basis desired by the Agency.

“Rating Agency” means, as of any time and to the extent it is then providing or maintaining a rating on Parity Obligations at the request of the Agency, each of Moody’s, Standard & Poor’s or Fitch, or in the event that neither Moody’s, Standard & Poor’s or Fitch then maintains a rating on Parity Obligations at the request of the Agency, any other nationally recognized rating agency then providing or maintaining a rating on the Bonds at the request of the Agency.

“Rating Category” means (1) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (2) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“Rating Confirmation” means written evidence from each Rating Agency then rating Outstanding Parity Obligations at the request of the Agency to the effect that, following the event which requires the Rating Confirmation, the then current rating for each Outstanding Parity Obligation shall not be lowered or withdrawn solely as a result of the occurrence of such event.

“Record Date” means, with respect to an Interest Payment Date for a Series of Bonds, the date or dates specified as such in the Supplemental Indenture authorizing such Series of Bonds.

“Redemption Date means, with respect to any Bonds to be redeemed in accordance with the Indenture and the Supplemental Indenture authorizing such Bonds, the redemption date set forth in notice of redemption of such Bonds given in accordance with the terms of the Indenture.

“Redemption Fund” means the Richmond Community Redevelopment Agency Subordinate Housing Set-Aside Tax Allocation Bonds Redemption Fund established pursuant to the Indenture.

“Redemption Price” means, with respect to any redemption of a Bond prior to its maturity, the amount to be paid upon such redemption of the Bond as set forth in, or determined in accordance with, the Supplemental Indenture authorizing such Bond.

“Redevelopment Plan” means, collectively, the Redevelopment Plan for the Project Area or “Richmond Community Redevelopment Agency Merged Project Areas Plan.”

“Refunding Bonds” means Bonds issued in accordance with the terms and conditions of the Indenture for the purposes, and satisfying the conditions of the Indenture.

“Refunding Parity Obligations” means Parity Obligations, including Refunding Bonds, issued for the purposes set forth in the Indenture and satisfying the conditions set forth in the Indenture.

“Remaining Redevelopment Plan Limit” means the applicable time limit to collect tax increment under the Redevelopment Plan.

“Representation Letter” means the letter or letters of representation from the Agency to, or other instrument or agreement with, a Securities Depository for Book-Entry Bonds, in which the Agency, among other things, makes certain representations to the Securities Depository with respect to the Book-Entry Bonds, the payment thereof and delivery of notices with respect thereto.

“Repurchase Agreement” means a repurchase agreement with (a) a primary dealer on the Federal Reserve reporting dealer list which are rated “A” or better by Standard & Poor’s and Moody’s, or (b) a bank rated “A” or above by Standard & Poor’s and Moody’s, that require the delivery of investments described in clauses (1) and (2) of the definition of Permitted Investments. The term of the Repurchase Agreement may be up to 30 days. Such collateral must be delivered to the Agency, the Trustee (if the Trustee is not supplying the collateral) or a third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before or simultaneously with payment (perfection by possession of certificated securities). The value of such collateral must equal 104% of the amount of cash transferred by the Agency or the Trustee to the counterparty under the repurchase agreement, plus accrued interest. If the value of securities held as collateral is at any time below 104% of the value of the cash transferred by the Agency or the Trustee, then additional cash and/or acceptable securities must be provided. Notwithstanding the foregoing, if the securities provided as collateral are investments described in clauses (3)(b) or (3)(c) of the definition of Permitted Investments, then the value of such collateral must equal 105%. A legal opinion must be delivered to the Agency to the effect that the Repurchase Agreement meets the guidelines under state law for legal investment of public funds.

“Reserve Financial Guaranty” means a policy of municipal bond insurance or surety bond issued by a financial guaranty insurer or a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit in the highest rating category (without regard to qualifiers) by Standard & Poor’s and Moody’s and, if rated by A.M. Best & Company, also in the highest rating category (without regard to qualifiers) by A.M. Best & Company. The Series 2007B Surety Bond is a Reserve Financial Guaranty for the Series 2007B Bonds.

“Reserve Financial Guaranty Provider” means an issuer of a Reserve Financial Guaranty. The Series 2007B Bond Insurer is a Reserve Financial Guaranty Provider for the Series 2007B Bonds.

“Richmond Joint Powers Financing Authority” means the joint powers financing authority created pursuant to the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto, and its successors and assigns in accordance with the Indenture.

“Rule 15c2-12” means Rule 15c2-12 of the Securities and Exchange Commission adopted pursuant to the Securities Exchange Act of 1934, as amended, as the same may be amended and supplemented from time to time.

“Securities Depository” means a trust company or other entity which provides a book-entry system for the registration of ownership interests of Participants in securities and which is acting as security depository for Book-Entry Bonds.

“Senior Bonds” means the Richmond Joint Powers Financing Authority Housing Set-Aside Tax Allocation Revenue Bonds, 2000B (Taxable).

“Senior Debt Service” means, for any period of time, the sum of (a) the interest payable during such period on all Outstanding Senior Bonds, assuming that all Outstanding Senior Bonds that are Serial Obligations are retired as scheduled and that all Outstanding Senior Bonds that are Term Obligations are redeemed or paid from sinking fund installments as scheduled, (b) that portion of the principal amount of all Outstanding Senior Bonds that are Serial Obligations maturing on each principal payment date during such period, including the Final Compounded Amount of any Capital Appreciation Obligations which are Senior Bonds that are Serial Obligations, (c) that portion of the principal amount of all Outstanding Senior Bonds that are Term Obligations required to be redeemed or paid from Sinking Fund Installments becoming due during such period (together with the premiums, if any, thereon), including the Accreted Value of any Capital Appreciation Obligations which are Senior Bonds that are Term Obligations, and (d) amounts, if any, required to be deposited in the Reserve Account (as defined in the Senior Obligations) established under the Senior Obligations with respect to Senior Bonds and any other amounts required to be deposited in the Accounts (as defined in the Senior Obligations) established under the Senior Obligations.

“Senior Obligations” means the Obligations of the Pre-2004 Loan Agreement, dated as of November 1, 2000, between the Agency and the Authority (the “2000 Senior Loan Agreement”), but only with respect to the payments thereunder required to be paid from amounts allocable to the housing fund in respect of the Richmond Joint Powers Financing Authority Housing Set-Aside Tax Allocation Revenue Bonds, Series 2000B (Taxable).

“Serial Obligations” means Obligations for which no Sinking Fund Installments are established.

“Serial Parity Obligations” means Serial Obligations which are Parity Obligations.

“Series” means Obligations issued at the same time or sharing some other common term or characteristic and designated in the Issuing Instrument pursuant to which such Obligations were issued as a separate issue or series of Obligations.

“Series 2004 Parity Obligations” means the obligations under the Loan Agreement (Housing), dated as of October 1, 2004, between the Agency and the Authority, which secure the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds, Series 2004A (Taxable) and all of the Richmond Joint Powers Financing Authority Housing Set-Aside Tax Allocation Revenue Bonds, Series 2004B (Tax-Exempt).

“Sinking Fund Account” means the account by that name in the Special Fund established pursuant to the Indenture.

“Sinking Fund Installment” means, with respect to any Term Parity Obligations, each amount so designated for such Term Parity Obligations in the Issuing Instrument authorizing the issuance of such Parity Obligations requiring payments by the Agency from the Subordinate Pledged Tax Revenues to be applied to the retirement of such Parity Obligations on and prior to the stated maturity date thereof.

“Special Fund” means the Richmond Community Redevelopment Agency Subordinate Housing Set-Aside Tax Allocation Bonds (Merged Project Areas) Special Fund established pursuant to the Indenture.

“Standard & Poor’s” means Standard & Poor’s Rating Services and any successor entity rating Parity Obligations at the request of the Agency.

“State” means the State of California.

“Subordinated Obligation” means any Obligation which is expressly made subordinate and junior in right of payment from the Subordinate Pledged Tax Revenues to the payment of Parity Obligations and which complies with the provisions of the Indenture.

“Supplemental Indenture” means any supplemental indenture supplementing or amending the Indenture as theretofore in effect, entered into by the Agency and the Trustee in accordance with the Indenture.

“Tax Certificate” means a certificate relating to the requirements of the Code signed on behalf of the Agency and delivered in connection with the issuance of a Series of Bonds.

“Tax-Exempt” means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a “substantial user” of facilities financed with such obligations or a “related person” within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

“Tax-Exempt Securities” means bonds, notes or other securities the interest on which is Tax-Exempt.

“Tender Indebtedness” means any Parity Obligations or portions of Parity Obligations, a feature of which is an option or obligation, on the part of the owners thereof under the terms of such Parity Obligations, to tender all or a portion of such Parity Obligations to the Agency, a fiscal agent, a paying agent, a tender agent or other agent for purchase and requiring that such Parity Obligations or portions thereof be purchased at the applicable Purchase Price if properly presented.

“Termination Payment” means with respect to a Qualified Swap Agreement, the amount payable by the Agency as a result of the termination of such Qualified Swap Agreement prior to its scheduled expiration date.

“Term Obligations” means Obligations which are payable on or before their specified maturity dates from Sinking Fund Installments established for that purpose and calculated to retire such Obligations on or before their specified maturity dates.

“Term Parity Obligations” means Term Obligations which are Parity Obligations.

“2007 Series B Continuing Disclosure Certificate” means the Continuing Disclosure Certificate, dated as of July 1, 2007, of the Agency, relating to the Series 2007B Bonds, as the same may be amended and supplemented.

“2007 Series B Coverage Reserve Requirement” means the amount required to be deposited and maintained in the 2007 Series B Coverage Reserve Subaccount pursuant to the Indenture.

“2007 Series B Coverage Reserve Termination Date” means the date on which the Agency files with the Trustee (with a copy to the Series 2007B Bond Insurer) a Certificate of an Independent Redevelopment Consultant showing that if the assessed value in each of the component sub-areas constituting the Project Area were to decline by 20% from the most recent equalized assessment roll value of the County of Contra Costa, the Tax Revenues (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Certificate, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency’s authority to collect tax

increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area expected to be received in the current Fiscal Year and in each Fiscal Year thereafter shall be in an amount equal to at least 100% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations and Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law; provided, that for the purposes of the calculations required by the Housing Indenture, Outstanding Parity Obligations shall not include any Bonds the proceeds of which are deposited in an escrow fund held by a escrow agent, provided that the Supplemental Indenture authorizing issuance of such Bonds shall provide that: (i) such proceeds shall be deposited or invested with or secured by an institution rated "AA" or higher by Standard & Poor's and "Aa" or higher by Moody's at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Debt Service on the foregoing Bonds; (ii) moneys may be transferred from said escrow fund only if Tax Revenues expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Bonds are Outstanding (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the transfer from said escrow fund, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area shall be in an amount equal to at least 140% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations (exclusive of disqualified Bonds described in the Housing Indenture), Senior Obligations and such Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law less a principal amount of Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and (iii) such Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

"Variable Rate Indebtedness" means any Obligation, other than Paired Obligations, the interest rate on which to the maturity thereof is not established at a rate which is not subject to fluctuation or subsequent adjustment, either at the time of issuance of such Obligation or some subsequent date.

"Yield to Maturity" means the rate of interest applied to the Denominational Amount of any Series 2007B Bond issued as a Capital Appreciation Obligation for purposes of the calculations and as set forth in the First Supplemental Indenture

THE HOUSING INDENTURE

Authorization of Bonds

The Housing Indenture provides certain terms and conditions upon which Bonds of the Agency to be designated as "Richmond Community Redevelopment Agency Subordinate Housing Set-Aside Tax Allocation Bonds (Merged Project Areas)" may be issued from time to time as authorized by Supplemental Indentures. The aggregate principal amount of Bonds which may be executed, authenticated and delivered under the Housing Indenture is not limited except as may hereafter be provided in the Indenture or as may be limited by law.

Bonds Constitute Limited Obligations

The Bonds shall not constitute a charge against the general credit of the Agency but shall constitute and evidence limited obligations of the Agency payable as to principal, Redemption Price, if any, and interest solely from the Subordinate Pledged Tax Revenues and the other funds pledged therefor under the Indenture and, with respect to any particular Series of Bonds, from such other sources as shall be specified in the Supplemental Indenture authorizing the issuance of such Series. The Purchase Price for the Bonds of any Series which are Tender Indebtedness shall be payable from such sources as are specified in the Supplemental Indenture authorizing the issuance of such Series. The provisions of this paragraph shall not preclude the payment or redemption of Bonds, at the election of the Agency, from any other legally available funds.

Indenture to Constitute Contract

In consideration of the purchase and acceptance of each Bond issued under the Indenture by those who shall own the same from time to time, the provisions of each Bond and the provisions of the Indenture applicable to such Bond, and unless otherwise provided in the Supplemental Indenture authorizing such Bond, the provisions of the State Constitution, the Law and any general laws of the State applicable to such Bond, shall be deemed to be and shall constitute a contract between the Agency and the Owner of such Bond.

General Provisions for Issuance of Bonds

(a) All (but not less than all) the Bonds of each Series shall be executed by the Agency for issuance under the Indenture and delivered to the Trustee and thereupon shall be authenticated by the Trustee and by it delivered to the Agency or upon its order, but only upon the receipt by the Trustee of the following items (upon which the Trustee may conclusively rely in determining whether the conditions precedent for the issuance and authentication of such Series of Bonds have been satisfied):

(1) An executed counterpart of the Indenture, as amended to the date of the initial delivery of such Series of Bonds, and an executed counterpart of the Supplemental Indenture authorizing the issuance of such Series of Bonds, which Supplemental Indenture shall specify: (i) the sources of payment for the Bonds of such Series other than the Subordinate Pledged Tax Revenues, if any; (ii) the Series designation of such Bonds; (iii) the authorized principal amount of the Bonds of such Series; (iv) the purposes for which such Series of Bonds are being issued, which shall be one of the purposes specified in the provisions of the Indenture described below under the captions “—Additional Bonds” and “—Refunding Bonds”; (v) the date or manner of determining the date of the Bonds of such Series; (vi) the maturity date or dates of the Bonds of such Series and the principal amount of the Bonds of such Series maturing on each such maturity date; (vii) which, if any, of the Bonds of such Series shall constitute Serial Obligations and which, if any, shall constitute Term Obligations; (viii) the interest rate or rates on the Bonds of such Series or the manner of determining such interest rate or rates; (ix) the Interest Payment Dates for the Bonds of such Series or the manner of establishing such Interest Payment Dates; (x) the Authorized Denominations of the Bonds of such Series; (xi) the Redemption Price or Prices, if any, and, subject to the provisions of the Indenture, the redemption terms for the Bonds of such Series; (xii) the Sinking Fund Installments, if any, for the Bonds of such Series which constitute Term Obligations, provided that each Sinking Fund Installment, if any, shall fall upon an Interest Payment Date for the Bonds of such Series; (xiii) if any of the Bonds of such Series constitute Tender Indebtedness, the terms and conditions, including Purchase Price, for the exercise by the Owners or Beneficial Owners of such Bonds of the purchase and extension options granted with respect to such Bonds and the terms and conditions, including Purchase Price, upon which the Bonds of such Series shall be subject to mandatory tender for purchase; (xiv) if the Bonds of such Series are not to be Book-Entry Bonds, a statement to such effect; (xv) the application of the proceeds of the sale of such Series of Bonds including the amount, if any, to be deposited in the funds and accounts under the Indenture; (xvi) the forms of the Bonds of such Series and of the certificate of authentication thereon; and (xvii) the appropriate funds and accounts, if any, relating to such Series of Bonds established under such Supplemental Indenture;

(2) an Opinion of Bond Counsel, dated the date of the initial delivery of such Series of Bonds, to the effect that the Indenture, as amended to such date, as supplemented by the Supplemental Indenture authorizing the issuance of such Series of Bonds, constitutes the valid and binding obligations of the Agency;

(3) With respect to any Additional Bonds, the Trustee shall have received the certificate referred to in the provisions of the Indenture described below under the captions “—Refunding Bonds” or “—Conditions to Issuance of Parity Obligations,” as applicable;

(4) With respect to any Refunding Bonds which are not Crossover Refunding Obligations, the Trustee shall have received a copy of the Opinion of Bond Counsel required below in paragraph (b) under the caption “—Refunding Bonds,” or with respect to Refunding Bonds constituting Crossover Refunding Obligations, the Accountant’s Certificate and Crossover Escrow Instructions required by paragraph (c) under the caption “—Refunding Bonds,” as applicable; and

(5) Such further documents, moneys and securities as are required by the applicable provisions of the Indenture or of the Supplemental Indenture authorizing the issuance of such Series of Bonds.

After the original issuance of Bonds of any Series, no Bonds of such Series shall be issued except in lieu of or in substitution for other Bonds of such Series pursuant to the Indenture.

Additional Bonds

Subject to the provisions of the Indenture described below under the caption “—Conditions to Issuance of Parity Obligations,” one or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for any purpose permitted by the Law and the Redevelopment Plan in connection with the Project, including, without limitation, the financing of costs of the Project (or for making reimbursements to the Agency for such costs theretofore paid by it) as permitted by the Law and the Redevelopment Plan. Additional Bonds may be issued in a principal amount sufficient to pay such costs, including making of any deposits into the funds or accounts required by the provisions of the Indenture.

Refunding Bonds

(a) Subject to the provisions of the Indenture described below under the caption “—Conditions to Issuance of Parity Obligations,” one or more Series of Refunding Bonds may be issued, authenticated and delivered upon original issuance for the purpose of refunding all or any portion of the Outstanding Parity Obligations. Refunding Bonds may be issued in a principal amount sufficient to accomplish such refunding including providing amounts for the Costs of Issuance of such Refunding Bonds, and the making of any deposits into the funds and accounts required by the provisions of the Indenture.

(b) Refunding Bonds of each Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by the provisions of the Indenture described above under the caption “—General Provisions for Issuance of Bonds” and except as otherwise provided in the following paragraph with respect to Refunding Bonds constituting Crossover Refunding Obligations) of an Opinion of Bond Counsel to the effect that the Parity Obligations (or the portion thereof) to be refunded are deemed paid pursuant to the Issuing Instrument authorizing such Parity Obligations. Such Opinion of Bond Counsel may rely upon an Accountant’s Certificate as to the sufficiency of available funds to pay such Parity Obligations. The Trustee may conclusively rely on such Opinion of Bond Counsel in determining whether the conditions precedent for the issuance and authentication of such Series of Refunding Bonds have been satisfied.

(c) A Series of Refunding Bonds which constitute Crossover Refunding Obligations shall be authenticated and delivered by the Trustee upon the receipt of the Trustee (in addition to the documents required by the provisions of the Indenture described above under the caption “—General Provisions for Issuance of Bonds”) of: (i) an Accountant’s Certificate to the effect that the moneys scheduled to be available in the applicable Crossover Refunding Escrow are sufficient to pay the applicable Crossover Escrow Requirements when due; and (ii) a copy of the Crossover Escrow Instructions relating to such Series of Refunding Bonds and the Parity Obligations to be refunded.

(d) The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied simultaneously with the delivery of such Bonds as provided in the Supplemental Indenture authorizing such Series of Refunding Bonds.

Conditions to Issuance of Parity Obligations

(a) Without regard to subparagraph (e) below, the Agency may, at any time and from time to time, issue or enter into an obligation or commitment which is a Qualified Swap Agreement, the Net Payments under which shall constitute Parity Obligations, provided (i) the Qualified Swap Agreement shall relate to a principal amount of Outstanding Parity Obligations or investments held under an Issuing Instrument for Parity Obligations, in each case specified by an Authorized Agency Representative; (ii) the notional amount of the Qualified Swap Agreement shall not exceed the principal amount of the related Parity Obligation or the amount of such investments,

as applicable; (iii) the Agency has received a Rating Confirmation from each Rating Agency with respect to such Qualified Swap Agreement; and (iv) the prior written consent of each Credit Provider, whose consent is required by a Supplemental Indenture or a Credit Support Agreement, is obtained with respect to the Qualified Swap Agreement.

(b) The Agency may, at any time and from time to time, issue Refunding Parity Obligations provided that either: (i) the requirements set forth in paragraph (e) below are satisfied upon the issuance of such Refunding Parity Obligations and the application of the proceeds thereof; or (ii) the Agency has provided to the Trustee a certificate showing that the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations, such Refunding Parity Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues is not greater than the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans if such Refunding Bonds were not issued.

(c) Without regard to subparagraph (e) below, the Agency may issue the Bonds and may enter into a Qualified Swap Agreement with respect to all or a portion of the Bonds.

(d) Without regard to subparagraph (e) below, the Agency may, at any time and from time to time, enter into Credit Support Agreements or otherwise become obligated for Credit Provider Reimbursement Obligations with respect to Parity Obligations.

(e) The Agency may, at any time and from time to time, issue any Additional Parity Obligations, provided the Agency obtains or provides a certificate or certificates, prepared by the Agency or at the Agency's option by a Consultant, showing that the Tax Revenues (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Agency's adoption of the Supplemental Indenture or other Issuing Instrument providing for the issuance of such Additional Parity Obligations, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area) expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Additional Parity Obligations are Outstanding shall be in an amount equal to at least 140% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and such Additional Parity Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law.

For the purposes of the issuance of Additional Parity Obligations, Outstanding Parity Obligations shall not include any Bonds the proceeds of which are deposited in an escrow fund held by an escrow agent, provided that the Supplemental Indenture authorizing issuance of such Bonds shall provide that: (i) such proceeds shall be deposited or invested with or secured by an institution rated "AA" or higher by Standard & Poor's and "Aa" or higher by Moody's at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Debt Service on the foregoing Bonds; (ii) moneys may be transferred from said escrow fund only if Tax Revenues expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Bonds are Outstanding (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the transfer from said escrow fund, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area) shall be in an amount equal to at least 140% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations (exclusive of disqualified Bonds described in the Indenture), Senior Obligations and such Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law less a principal amount of Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and (iii) such Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

Nothing contained in the Indenture shall limit the issuance of any tax allocation bonds of the Agency payable from Subordinate Pledged Tax Revenues and secured by a lien and charge on Subordinate Pledged Tax Revenues if, after the issuance and delivery of such tax allocation bonds, none of the Parity Obligations theretofore issued under the Indenture or other Issuing Instrument will be Outstanding.

Conditions of Issuance of Subordinated Obligations

(a) The Agency may, at any time or from time to time, issue Subordinated Obligations without satisfying the requirements of paragraph (e) above under the caption "Refunding Bonds" for any purpose permitted by the Law and the Redevelopment Plan in connection with the Project, including, without limitation, the financing of costs of the Project (or for making reimbursements to the Agency for such costs theretofore paid by it) as permitted by the Law and the Redevelopment Plan or the refunding of any Subordinated Obligations or Outstanding Parity Obligations (or portions thereof). Such Subordinated Obligations shall be payable out of amounts of the Subordinate Pledged Tax Revenues as may from time to time be available therefor, provided that any such payment shall be, and shall be expressed to be, subordinate and junior in all respects to the payment of such Parity Obligations as may be Outstanding from time to time, including Parity Obligations issued after the issuance of such Subordinated Obligations.

(b) The indenture or other instrument authorizing the issuance of Subordinated Obligations shall contain provisions (which shall be binding on all owners of such Subordinated Obligations) not more favorable to the owners of such Subordinated Obligations than the following:

(1) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Agency or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Agency, whether or not involving insolvency or bankruptcy, the owners of all Outstanding Parity Obligations shall be entitled to receive payment in full in cash of all principal and interest on all such Parity Obligations before the owners of the Subordinated Obligations are entitled to receive any payment from the Subordinate Pledged Tax Revenues with respect to the Subordinated Obligations, including Termination Payments.

(2) In the event that any Subordinated Obligation is declared due and payable before its expressed maturity because of the occurrence of an event of default (under circumstances when the provisions of (1) above shall not be applicable), the owners of all Parity Obligations Outstanding at the time such Subordinated Obligation so becomes due and payable because of such event of default, shall be entitled to receive payment in full in cash of all principal and interest on all such Parity Obligations before the owners of such Subordinated Obligation are entitled to receive any accelerated payment from Subordinate Pledged Tax Revenues with respect to such Subordinated Obligation. For purposes of this subdivision (2), a Termination Payment shall not be considered a declaration of amounts due and payable before expressed maturity even if declared due and payable because of the occurrence of an event of default.

(3) If any default with respect to any Outstanding Parity Obligation shall have occurred and be continuing (under circumstances when the provisions of (1) above shall not be applicable), the owners of all Outstanding Parity Obligations shall be entitled to receive payment in full in cash of all principal and interest on all such Parity Obligations as the same become due and payable in accordance with the provisions of the Issuing Instrument authorizing the issuance of such Parity Obligations before the owners of the Subordinated Obligations are entitled to receive, subject to the provisions of (5) below, any payment from the Subordinate Pledged Tax Revenues with respect to the Subordinated Obligations.

(4) No Bondowner or other owner of Outstanding Parity Obligations shall be prejudiced in his right to enforce subordination of the Subordinated Obligations by any act or failure to act on the part of the Agency or the Trustee.

(5) The Subordinated Obligations may provide that the provisions (1), (2), (3) and (4) above are solely for the purpose of defining the relative rights of the Owners of the Bonds and the owners of all other Outstanding Parity Obligations on the one hand, and the owners of Subordinated Obligations on the other hand, and that nothing therein shall impair, as between the Agency and the owners of the Subordinated Obligations, the obligation of the Agency, which may be unconditional and absolute, to pay to the owners of such Subordinated Obligations the principal thereof and premium, if any, and interest thereon and Net Payments in accordance with their terms, nor shall anything therein prevent the owners of the Subordinated Obligations from exercising all remedies otherwise permitted by applicable law or thereunder upon default thereunder, subject to the rights under (1), (2), (3) and (4) above of the Owners of Outstanding Bonds and the owners of other Outstanding Parity Obligations to receive

payment from the Subordinate Pledged Tax Revenues otherwise payable or deliverable to the owners of the Subordinated Obligations; and the Subordinated Obligations may provide that, insofar as a trustee, fiscal agent or paying agent for such Subordinated Obligations is concerned, the foregoing provisions shall not prevent the application by such trustee, fiscal agent or paying agent of any moneys deposited with such trustee, fiscal agent or paying agent for the purpose of the payment of or on account of the principal (and premium, if any) and interest on such Subordinated Obligations if such trustee, fiscal agent or paying agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

(c) Any Subordinated Obligations may have such rank or priority with respect to any other Subordinated Obligations as may be provided in the indenture or other instrument, authorizing the issuance or incurrence, or securing of such Subordinated Obligations and may contain such other provisions as are not in conflict with the provisions of the Indenture.

Credit Provider Bonds. Subject only to the provisions of the Indenture described above under the caption “—Bonds Constitute Special Obligations,” notwithstanding any other provision contained in the Indenture to the contrary, Bonds which are Credit Provider Bonds shall have terms and conditions, including terms of maturity, payment, prepayment and interest rate, as shall be specified in the applicable Credit Support Agreement.

Limitation on Issuance of Senior Bonds. The Agency covenants that so long as any Parity Obligations are Outstanding, the Agency shall not issue any additional (including any refunding) Senior Bonds under the Senior Obligations or other debt which is payable on a parity with the Senior Bonds and on a priority basis to any Parity Obligations.

Establishment of Funds and Application Thereof

Pledge of Subordinate Pledged Tax Revenues. Subject to the provisions of the Indenture permitting application thereof for the purposes and on the terms and conditions set forth in the Indenture, to secure the payment of all the Outstanding Bonds and Parity Obligations, including without limitation Credit Provider Bonds, and the interest payments becoming due thereon according to their tenor, purport and effect, and to secure the performance and observance of all of the covenants, agreements and conditions contained in the Outstanding Bonds, including without limitation Credit Provider Bonds, and the Indenture, the Agency irrevocably grants a lien on and a security interest in, and pledges, the Subordinate Pledged Tax Revenues and all money in the Special Fund and in the funds or accounts so specified and provided for in the Indenture, whether held by the Agency or the Trustee, to the Trustee for the benefit of the Owners of the Outstanding Bonds, including without limitation Credit Provider Bonds, and any Parity Obligations, including without limitation Credit Support Agreements for Parity Obligations and Qualified Swap Agreements. This lien on and security interest in and pledge of the Subordinate Pledged Tax Revenues and such money in the Special Fund and in the funds or accounts so specified and provided for in the Indenture shall constitute a first pledge of and charge and lien upon the Subordinate Pledged Tax Revenues and such money in the Special Fund and in the funds or accounts so specified and provided for in the Indenture, shall immediately attach and be effective, binding, and enforceable against the Agency, its successors, purchasers of any of the Subordinate Pledged Tax Revenues or such money in the Special Fund or in the funds or accounts so specified and provided for in the Indenture, creditors, and all others asserting rights therein to the extent set forth in, and in accordance with, the Indenture, irrespective of whether those parties have notice of the lien on, security interest in and pledge of the Subordinate Pledged Tax Revenues and such money in the Special Fund and in the funds or accounts so specified and provided for in the Indenture and without the need for any physical delivery, recordation, filing or further act.

Funds. To ensure the payment when due and payable, whether at maturity or upon redemption or upon acceleration, of the principal of, Redemption Price, if any, and interest on the Bonds, there are established the following funds and accounts, to be held and maintained by the Trustee and applied as provided in the Indenture for so long as any of the Bonds are Outstanding:

(a) the Richmond Community Redevelopment Agency Subordinate Housing Set-Aside Tax Allocation Bonds (Merged Project Areas) Special Fund (the “Special Fund”), comprised of an Interest Account, a Principal Account, a Sinking Fund Account and a Debt Service Reserve Account; and

(b) the Richmond Community Redevelopment Agency Subordinate Housing Set-Aside Tax Allocation Bonds (Merged Project Areas) Redemption Fund (the “Redemption Fund”).

Receipt and Deposit of Subordinate Pledged Tax Revenues. After the Agency has made all required deposits of Tax Revenues in the Funds and Accounts (as defined in the Senior Obligations) established under the Senior Obligations, the Agency shall transfer all Subordinate Pledged Tax Revenues held or received by the Agency to the Trustee for deposit in the Special Fund; provided that the Agency shall not be obligated to deposit in the Special Fund in any Fiscal Year an amount of Subordinate Pledged Tax Revenues which, together with other available amounts then in the Special Fund, exceeds the amounts required to be transferred to the Trustee for deposit in the Interest Account, the Principal Account, the Sinking Fund Account and the Debt Service Reserve Account in such Fiscal Year and the next succeeding Fiscal Year pursuant to the Indenture. Any Subordinate Pledged Tax Revenues received during any Fiscal Year following deposit in the Special Fund of an amount equal to the aggregate amount required to be transferred to the Interest Account, the Principal Account, the Sinking Fund Account and the Debt Service Reserve Account in such Fiscal Year and the next succeeding Fiscal Year pursuant to the Indenture, shall be released from the pledge and lien under the Indenture and may be used for any lawful purposes of the Agency. There shall not be deposited with the Trustee any taxes eligible for allocation to the Agency for deposit in the Special Fund pursuant to the Law in an amount in excess of that amount which, together with all money then on deposit with the Trustee in the Special Fund and the accounts therein, shall be sufficient to discharge all Outstanding Parity Obligations as provided in the Indenture.

The Agency covenants and agrees that all Subordinate Pledged Tax Revenues deposited in the Special Fund will be accounted for through, and held in trust in the Special Fund, and the Agency shall have no beneficial right or interest in any of such money, except only as provided in the Indenture. All such Subordinate Pledged Tax Revenues shall nevertheless be disbursed, allocated and applied solely to the uses and purposes in the Indenture set forth, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the Agency.

Special Fund. (a) All moneys in the Special Fund shall be set-aside by the Trustee in each Fiscal Year when and as received in the following respective special accounts within the Special Fund; provided, however, that all receipts and payments made to the Agency pursuant to a Qualified Swap Agreement, and if so provided in a Supplemental Indenture, all receipts and payments made to the Agency pursuant to other Public Finance Contracts entered into in connection with any Bonds, and constituting Subordinate Pledged Tax Revenues shall immediately upon receipt thereof be deposited in the Interest Account. All moneys in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized in the Indenture.

(1) Interest Account. The Trustee shall set aside from the Special Fund and deposit in the Interest Account an amount of money which, together with any money contained therein equals the aggregate amount of the Debt Service constituting interest becoming due and payable on all Outstanding Bonds on the Interest Payment Dates and on all other outstanding Parity Obligations on interest payment dates thereof in such Fiscal Year and the next succeeding Fiscal Year. In addition, the Trustee shall deposit in the Interest Account all receipts and payments made to the Agency pursuant to Qualified Swap Agreements entered into in connection with any Bonds or other Parity Obligations and constituting Subordinate Pledged Tax Revenues. In addition, the Trustee shall deposit in the Interest Account all receipts and payments made to the Agency pursuant a Qualified Swap Agreement, and to the extent provided in a Supplemental Indenture, all receipts and payments made to the Agency pursuant to other Public Finance Contracts entered into in connection with any Bonds or other Parity Obligations and constituting Subordinate Pledged Tax Revenues.

For purposes of determining the amount of money to be set aside from the Special Fund and deposited in the Interest Account pursuant to the Indenture, the determination of the amount the Debt Service constituting interest becoming due and payable on all Outstanding Bonds and on all other outstanding Parity Obligations shall be subject to the Debt Service Adjustments and Assumptions; provided, however, that, if and to the extent that all or a portion of the Outstanding Bonds or the other outstanding Parity Obligations are the subject of a Qualified Swap Agreement, the amount to be deposited in the Interest Account with respect to such Bonds or other Parity Obligations shall be an amount equal to the aggregate amount of Agency Swap Payments plus the Basis Differential Amount becoming due and payable in such Fiscal Year and the next succeeding Fiscal Year.

All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds and the other Parity Obligations, including Net Payments, as the same shall become due and payable.

(2) Principal Account. The Trustee shall set aside from the Special Fund and deposit in the Principal Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on all Outstanding Bonds and all other outstanding Parity Obligations which are Serial Obligations in such Fiscal Year and the next succeeding Fiscal Year. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Outstanding Bonds and other outstanding Parity Obligations which are Serial Obligations as they shall become due and payable.

(3) Sinking Fund Account. The Trustee shall set aside from the Special Fund and deposit in the Sinking Fund Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of Sinking Fund Installments becoming due and payable with respect to all Outstanding Bonds and sinking fund installments becoming due and payable with respect to all other outstanding Parity Obligations which are Term Obligations in such Fiscal Year and the next succeeding Fiscal Year. All moneys in the Sinking Fund Account shall be used by the Trustee to redeem the Outstanding Bonds and other outstanding Parity Obligations which are Term Obligations in accordance with the Supplemental Indenture authorizing such Bonds or other outstanding Parity Obligations. In the event that Bonds or which are Term Obligations purchased or redeemed at the option of the Agency are deposited with the Trustee for the credit of the Sinking Fund Account not less than forty-five (45) days prior to the due date for any Sinking Fund Installment for such Bonds, such deposit shall satisfy (to the extent of 100% of the principal amount of such Bonds) any obligation of the Agency to make a payment with respect to such Sinking Fund Installments. Any Bond so deposited with the Trustee shall be cancelled and shall no longer be deemed to be Outstanding for any purpose. Upon making the deposit with the Trustee of Bonds which are Term Obligations as provided in this paragraph, the Agency may specify the dates and amounts of Sinking Fund Installments for such Bonds as to which the Agency's obligations to make a payment with respect to Sinking Fund Installments for such Bonds shall be satisfied.

(4) Debt Service Reserve Account.

(i) The Trustee shall set aside from the Special Fund and deposit in the Debt Service Reserve Account an amount of money (or other authorized deposit of security, as provided in paragraph (v) below) equal to the Debt Service Reserve Requirement for the Bonds then Outstanding. The Trustee shall also set aside from the Special Fund and deposit in the debt service reserve account established under an Issuing Instrument for any other Parity Obligation an amount of money equal to the debt service reserve requirement for such Parity Obligations then outstanding. The Debt Service Reserve Account shall be replenished in the following priority: (i) principal and interest on Reserve Financial Guaranties shall be paid from first available Subordinate Pledged Tax Revenues on a pro rata basis; and (ii) after all such amounts are paid in full, amounts necessary to fund the Debt Service Reserve Account to the required level, after taking into account the amounts available under the Reserve Financial Guaranties shall be deposited from next available Subordinate Pledged Tax Revenues. No deposit need be made in the Debt Service Reserve Account or the debt serve reserve account for such other Parity Obligations so long as there shall be on deposit therein an amount equal to the Debt Service Reserve Requirement of the Bonds then Outstanding or the debt service reserve requirement for such Parity Obligations then outstanding, as applicable. If on any date on which the principal or Redemption Price of, or interest on, Bonds or an Agency Swap Payment is due, the amount in the applicable account in the Special Fund available for such payment is less than the amount of the principal and Redemption Price of and interest on the Bonds or Agency Swap Payment due on such date, the Trustee shall apply amounts from the Debt Service Reserve Account to the extent necessary to make good the deficiency.

(ii) Except as provided in paragraph (v) below, if on the last Business Day of any month the amount on deposit in any Debt Service Reserve Account shall exceed the Debt Service Reserve Requirement, such excess shall be applied to the reimbursement of each drawing on a Reserve Financial Guaranty deposited in or credited to such Fund and to the payment of interest or other amounts due with

respect to such a Reserve Financial Guaranty and any remaining moneys shall be deposited in the Interest Account.

(iii) Whenever the amount in the Debt Service Reserve Account (excluding Reserve Financial Guaranties), together with the amount in the Special Fund, is sufficient to pay in full all of the Outstanding Bonds in accordance with their terms (including principal or Redemption Price and interest thereon), the funds on deposit in the Debt Service Reserve Account shall be transferred to the Special Fund.

(iv) In the event of the refunding of one or more Bonds (or portions thereof), the Trustee shall, upon the written direction of an Authorized Agency Representative, withdraw from the Debt Service Reserve Account any or all of the amounts on deposit therein (excluding Reserve Financial Guaranties) and deposit such amounts with itself as Trustee, or the Escrow Agent for the Bonds to be refunded, to be held for the payment of the principal or Redemption Price, if any, of, and interest on, the Bonds (or portions thereof) being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the Bonds (or portions thereof) being refunded shall be deemed to have been paid pursuant to the Indenture, and (b) the amount remaining in the Debt Service Reserve Account after such withdrawal, taking into account any deposits to be made in the Debt Service Reserve Account in connection with such refunding, shall not be less than the Debt Service Reserve Requirement.

(v) In lieu of the deposits and transfers to the Debt Service Reserve Account required by the Indenture, the Agency may cause to be deposited in the Debt Service Reserve Account a Reserve Financial Guaranty or Reserve Financial Guaranties in an amount equal to the difference between the Debt Service Reserve Requirement and the sums, if any, then on deposit in the Debt Service Reserve Account or being deposited in such Fund concurrently with such Reserve Financial Guaranty or Guaranties. The Trustee shall draw upon or otherwise take such action as is necessary in accordance with the terms of the Reserve Financial Guaranties to receive payments with respect to the Reserve Financial Guaranties (including the giving of notice as required thereunder): (i) on any date on which moneys shall be required to be withdrawn from the Debt Service Reserve Account and applied to the payment of principal or Redemption Price of, or interest on, any Bonds and such withdrawal cannot be met by amounts on deposit in the applicable accounts in the Debt Service Reserve Account; (ii) on the first Business Day which is at least ten (10) days prior to the expiration date of each Reserve Financial Guaranty, in an amount equal to the deficiency which would exist in the Debt Service Reserve Account if the Reserve Financial Guaranty expired, unless a substitute Reserve Financial Guaranty with an expiration date not earlier than 180 days after the expiration date of the expiring Reserve Financial Guaranty is acquired prior to such date or the Agency deposits funds in the Debt Service Reserve Account on or before such date such that the amount in the Debt Service Reserve Account on such date (without regard to such expiring Reserve Financial Guaranty) is at least equal to the Debt Service Reserve Requirement.

If, upon the deposit of a Reserve Financial Guaranty into the Debt Service Reserve Account pursuant to this paragraph (v), there shall be any amount in the Debt Service Reserve Account in excess of the Debt Service Reserve Requirement, such excess amount may be applied to the cost of acquiring such Reserve Financial Guaranty and, to the extent not so applied, shall be transferred to the Interest Account or, with a Favorable Opinion of Bond Counsel, as directed by the Agency.

If at any time obligations insured or issued by a Reserve Financial Guaranty Provider shall no longer maintain the required ratings set forth in the definition of "Reserve Financial Guaranty," the Agency shall provide or cause to be provided cash or a substitute Reserve Financial Guaranty meeting such requirements to the extent necessary to satisfy the Debt Service Reserve Requirement with either cash, qualified Reserve Financial Guaranties or a combination thereof.

(vi) To the extent the Agency elects to have the Trustee establish and maintain a separate account in the Debt Service Reserve Account for a particular Series of Bonds pursuant to a Supplemental Indenture, these provisions regarding the Debt Service Reserve Account shall not apply to such Series of Bonds.

(5) Surplus. After making the deposits required in paragraphs (1) through (4) above, in any Fiscal Year, the Trustee shall transfer any amount remaining on deposit in the Special Fund to the Agency to be used for any lawful purpose of the Agency.

(b) In the event that on any date upon which the Agency is to make a payment from Subordinate Pledged Tax Revenues pursuant to paragraphs (1), (2) and/or (3) of paragraph (a) above and the amount of available Subordinate Pledged Tax Revenues is not sufficient to make such payment, then the Agency shall apply the available Subordinate Pledged Tax Revenues to the payments required by paragraphs (1), (2) and/or (3) of paragraph (a) above ratably (based on the respective amounts to be paid), without any discrimination or preferences.

(c) In the event that on any date upon which the Agency is to make a payment or deposit from Subordinate Pledged Tax Revenues pursuant to paragraph (4) of paragraph (a) above and the amount of available Subordinate Pledged Tax Revenues is not sufficient to make such payment or deposit, then the Agency, after making the payments required by paragraphs (1), (2) and/or (3) of paragraph (a) above, shall apply the available Subordinate Pledged Tax Revenues to the payments required by paragraph (4) of paragraph (a) above ratably (based on the respective amounts to be paid), without any discrimination or preferences.

(d) In the event one or more Paying Agents have been appointed for the Bonds, moneys may be transferred by the Trustee to such Paying Agents from the appropriate account in the Special Fund for deposit into a special trust account to ensure the payment when due of the principal of, Redemption Price, if any, and interest on the Bonds or on the other Parity Obligations. In the event that any principal of, Redemption Price or interest on, any Bond or on any other Parity Obligation has been paid from amounts made available pursuant to a Credit Support Instrument, amounts in the appropriate accounts in the Special Fund with respect to such Bond or other Parity Obligation, and any such amounts transferred by the Trustee from the Special Fund to a Paying Agent for such Bond or other Parity Obligation pursuant to the Indenture, shall be paid to the applicable Credit Provider as a reimbursement of the amounts so paid.

Redemption Fund. From the moneys paid by the Agency, the Trustee shall, on or before each date fixed for redemption, deposit in the Redemption Fund an amount equal to the Redemption Price of the Bonds to be redeemed. Said moneys shall be set aside in said Fund and shall be applied on or after the redemption date to the payment of the Redemption Price of the Bonds to be redeemed and, except as otherwise provided in this paragraph, shall be used only for that purpose. In the event one or more Paying Agents have been appointed for the Bonds which are to be redeemed with moneys in the Redemption Fund, amounts in the Redemption Fund may be transferred from such Fund by the Trustee to the Paying Agent for the Bonds to be redeemed for deposit into a special trust account held by such Paying Agent to ensure the payment when due the Redemption Price of the Bonds to be redeemed. In the event that the Redemption Price of a Bond has been paid by a Credit Provider pursuant to a Credit Support Instrument, amounts in the Redemption Fund with respect to such Redemption Price, and any such amounts transferred by the Trustee from the Redemption Fund to a Paying Agent for such Bonds pursuant to this paragraph, shall be paid to such Credit Provider as a reimbursement of the amounts so paid. If, after all of the Bonds designated for redemption have been redeemed and cancelled or paid and cancelled, there are moneys remaining in the Redemption Fund, said moneys shall be transferred to the Interest Account; provided, however, that if said moneys are part of the proceeds of Refunding Obligations said moneys shall be applied as provided in the Issuing Instrument authorizing the issuance of such Refunding Obligations.

Depositories. The Trustee shall hold all moneys deposited with it pursuant to the Indenture or may deposit such moneys with one or more Depositories in trust. All moneys deposited under the provisions of the Indenture with the Trustee or any Depository shall be held in trust and applied only in accordance with the provisions of the Indenture, and each of the Funds established by the Indenture shall be a trust fund for the purposes of the Indenture.

Deposits.

All moneys held by any Fiduciary under the Indenture may be placed on demand or time deposit, if and as directed by the Agency, provided that such deposits shall permit the moneys so held to be available for use at the time when reasonably expected to be needed. No Fiduciary shall be liable for any loss or depreciation in value resulting from any investment made pursuant to the Indenture. Any such deposit may be made in the commercial banking department of any Fiduciary or its affiliates which may honor checks and drafts on such deposit with the

same force and effect as if it were not such Fiduciary. All moneys held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Agency and acceptable to such Fiduciary, on time deposit, provided that such moneys on deposit be available for use at the time when reasonably expected to be needed. Such Fiduciary shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size and under similar condition or as required by law.

All moneys held under the Indenture by any Fiduciary shall be (1) either (A) continuously and fully insured by the Federal Deposit Insurance Corporation, or (B) continuously and fully secured by lodging with the Trustee or any Federal Reserve Bank, as custodian, as collateral security, such securities as are described in clauses (a) through (c), inclusive, of the definition of "Permitted Investments" having a market value (exclusive of accrued interest) not less than the amount of such moneys, or (2) held in such other manner as may then be required by applicable Federal or State of California laws and regulations and applicable state laws and regulations of the state in which such Fiduciary is located, regarding security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Fiduciaries to give security under this paragraph for the deposit of any moneys with them held in trust and set aside by them for the payment of the principal amount or Redemption Price of, or interest on, any Bonds or to give security for any moneys which shall be represented by obligations or certificates of deposit purchased as an investment of such moneys.

All moneys deposited with a Fiduciary shall be credited to the particular Fund to which such moneys belong.

Investment of Certain Funds. Moneys held in the Special Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in "Permitted Investments" which mature not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Funds. Moneys held in the Debt Service Reserve Account shall be invested and reinvested by the Trustee to the fullest extent practicable in securities described in clauses (1), (2), (3), (4), (5), (6) and (7) of the definition of "Permitted Investments" which mature, or which may be drawn upon, not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Account, but, except for investments which permit the Trustee to make withdrawals without penalty, at any time upon not more than two Business Days notice, to provide moneys for payments to be made from such Account, not later than five years from the time of such investment. The Trustee shall make all such investments of moneys held by it and shall sell or otherwise liquidate any such investment and take all actions necessary to draw funds under any such investment, including the giving of necessary notices of the drawing of any moneys under any investment, in each case in accordance with directions of an Authorized Agency Representative, which directions shall be consistent with the Indenture and applicable law, and which directions can either be written or oral; provided that if such directions are oral they shall be promptly confirmed in writing by such Authorized Agency Representative. In the absence of any such written investment directions, the Trustee shall, unless otherwise provided in the provisions of the Indenture described under this caption "—Investment of Certain Funds," invest such moneys in the money market funds described in clause (f) of the definition of "Permitted Investments."

Except as otherwise provided in a Supplemental indenture, interest or other income (net of that which (i) represents a return of accrued interest paid in connection with the purchase of any investment or (ii) is required to effect the amortization of any premium paid in connection with the purchase of any investment) earned on any moneys or investments in the Funds created under the Indenture shall be paid into the Interest Account.

In making any investment in any Permitted Investments with moneys in any Fund established under the Indenture, any Fiduciary may combine such moneys with moneys in any other Fund but solely for the purposes of making such investment in such Investments and provided that any amount so combined shall be separately accounted for. The Trustee may act as principal or agent in the acquisition or disposition of investments.

Nothing in the Indenture shall prevent any Permitted Investments acquired as investments of moneys in any Fund from being issued or held in book-entry form on the books of the Department of the Treasury or the Federal Reserve System of the United States.

Sale of Investments. Obligations purchased as an investment of moneys in any Fund shall be deemed at all times to be a part of such Fund and any profit realized from the liquidation of such investment shall be credited to such Fund and any loss resulting from the liquidation of such investment shall be charged to the respective Fund.

Except as otherwise provided in the Indenture, the Trustee may sell at the best price reasonably obtainable, or present for redemption, any obligation purchased as an investment whenever it shall be directed by the Agency so to do or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund held by it. Any obligation purchased as an investment may be credited on a pro-rata basis to more than one Fund and need not be sold in order to provide for the transfer of amounts from one Fund to another, provided that such obligation is an appropriate Permitted Investment for the purposes of the Fund to which it is to be transferred. The Trustee shall not be liable or responsible for making any such investment in the manner provided above or for any loss resulting from any such investment.

Covenants

Compliance with Indenture. The Agency shall punctually pay the Bonds and the other Parity Obligations in strict conformity with the terms of the Indenture and the Bonds and other Parity Obligations, and shall faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Indenture required to be observed and performed by it, and shall not fail to make any payment required by the Indenture for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of any party to observe or perform any agreement, condition, covenant or term contained in any contract or agreement required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with any such contract or agreement or the insolvency, or deemed insolvency, or bankruptcy or liquidation of any party or any *force majeure*, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

Against Encumbrances. The Agency will not mortgage or otherwise encumber, pledge or place any charge upon any of the Subordinate Pledged Tax Revenues, except as provided in the Indenture, and will not issue any bond, note, or other evidence of indebtedness payable from or secured by the Subordinate Pledged Tax Revenues on a basis which is: (i) except for the Senior Bonds, in any manner prior or superior to the lien on, pledge of and security interest in the Subordinate Pledged Tax Revenues securing the Outstanding Bonds pursuant to the Indenture; (ii) except for Parity Obligations with respect to the Subordinate Pledged Tax Revenues, in any manner on a parity with the lien on, pledge of and security interest in the Subordinate Pledged Tax Revenues securing the Outstanding Bonds pursuant to the Indenture; or (iii) except for Subordinated Obligations, in any manner subordinate to the lien on, pledge of and security interest in the Subordinate Pledged Tax Revenues securing the Outstanding Bonds pursuant to the Indenture.

Extension or Funding of Claims for Interest. In order to prevent any claims for interest after maturity, the Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any Bonds or other Parity Obligations and will not, directly or indirectly, be a party to or approve any such arrangements by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the Agency, such claim for interest so extended or funded shall not be entitled, in case of default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Payment of Claims. The Agency will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Agency or upon the Subordinate Pledged Tax Revenues or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds and other Parity Obligations; provided that nothing in the Indenture contained shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such claims.

Protection of Security and Rights of Owners. The Agency will preserve and protect the security of the Bonds and other Parity Obligations and the rights of the Owners and providers or owners of other Parity Obligations, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Bonds by the Agency, such Bonds shall be incontestable by the Agency.

Payment of Taxes and Other Charges. Subject to the provisions of the Indenture, the Agency will pay and discharge all taxes, service charges, assessments and other governmental charges that may hereafter be lawfully imposed upon the Agency or any properties owned by the Agency in the Project Area, or upon the revenues therefrom, when the same shall become due; provided that nothing in the Indenture contained shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges.

Financing the Project. The Agency will commence the financing or refinancing of the Project to be aided with the proceeds of the Bonds with all practicable dispatch, and such financing will be accomplished and completed in a sound, economical and expeditious manner and in conformity with the Redevelopment Plan and the Law so as to complete the Project as soon as possible.

Taxation of Leased Property. Whenever any property in the Project is redeveloped by the Agency and thereafter is leased by the Agency to any person or persons, or whenever the Agency leases any real property in the Project to any person or persons for redevelopment, the property shall be assessed and taxed in the same manner as privately-owned property (in accordance with the Law), and the lease or contract shall provide (1) that the lessee shall pay taxes upon the assessed value of the entire property and not merely upon the assessed value of the leasehold interest, and (2) that if for any reason the taxes paid by the lessee on such property in any year during the term of the lease shall be less than the taxes that would have been payable upon the entire property if the property were assessed and taxed in the same manner as privately-owned property, the lessee shall pay such difference to the Agency within thirty (30) days after the taxes for such year become payable, and in any event prior to the delinquency date of such taxes established by law, which such payments shall be treated as tax increment revenues.

Disposition of Property in Project Area. The Agency will not authorize the disposition of any real property in the Project Area that will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except for public ownership or use contemplated by the Redevelopment Plan in effect on the date of execution and delivery of the Indenture, or property to be used for public streets or public off-street parking facilities or easements or rights of way for public utilities, or other similar uses), if such disposition, together with all similar prior dispositions on or subsequent to the effective date of the Indenture, shall cause the amount of projected Tax Revenues expected to be received in the succeeding Fiscal Year (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of such determination) to be less 125% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law.

Amendment of Redevelopment Plan. If the Agency proposes to amend the Redevelopment Plan, it shall cause to be filed with the Trustee, the Credit Provider, if any, and each provider or owner of Parity Obligations (other than Owners of Bonds), a Consultant's Report on the effect of such proposed amendment. If the Consultant's Report concludes that the effect of such proposed amendment on Tax Revenues is such that the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law will continue to meet the debt service coverage requirements set forth in the Indenture, the Agency may adopt such amendment. If the Consultant's Report concludes that the effect of such proposed amendment on Tax Revenues is such that the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law will not continue to meet the debt service coverage requirements set forth in the Indenture, the Agency shall not adopt such proposed amendment. The Trustee shall be entitled to rely upon any said Consultant's Report and shall have no duty to verify the information or statements set forth therein.

Subordinate Pledged Tax Revenues. The Agency shall comply with all requirements of the Law to insure the allocation and payment to the Agency of the Subordinate Pledged Tax Revenues (excluding receipts and

payments made to the Agency pursuant to Public Finance Contracts entered into in connection with any Bonds), including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of Contra Costa County.

Further Assurances. The Agency shall adopt, make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the Bonds and providers or owners of other Parity Obligations of the rights and benefits provided in the Indenture.

Tax Covenants. The Agency covenants it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the Tax-exempt status of interest on any Tax-Exempt Bond under Section 103 of the Code. Without limiting the generality of the foregoing, the Agency shall comply with the requirements of the Tax Certificate, if any, delivered in connection with the issuance of each Series of Tax-Exempt Bonds.

In the event that at any time the Agency is of the opinion that, in order to comply with its obligations under paragraph (a) below, it is necessary or helpful to restrict or limit the yield on the investment of any moneys in any of the Funds held by the Trustee pursuant to the Indenture, the Agency shall so instruct the Trustee in writing, and cause the Trustee to take such action as may be necessary in accordance with such instructions.

(a) Notwithstanding any provisions under this “—Tax Covenants,” if the Agency shall provide to the Trustee an Opinion of Bond Counsel to the effect that any specified action required under this caption “—Tax Covenants” or a Tax Certificate is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Tax-Exempt Bonds under Section 103 of the Code, the Agency and the Trustee may conclusively rely on such opinion in complying with the requirements of under this caption “—Tax Covenants” and of the applicable Tax Certificate, and the covenants under the Indenture shall be deemed to be modified to that extent.

(b) The covenants under this caption under this “—Tax Covenants” shall survive payment in full or discharge of the Tax-Exempt Bonds.

Agreements with Other Taxing Agencies. So long as any Bonds or other Parity Obligations are Outstanding, the Agency shall not enter into any agreement or amend any existing agreement with any other taxing agency entered into (i) pursuant to Section 33401 of the Law or (ii) which operates as a waiver of the Agency’s right to receive Subordinate Pledged Tax Revenues (excluding receipts and payments made to the Agency pursuant to Public Finance Contracts entered into in connection with any Bonds) under the Redevelopment Plan, unless the Agency’s obligations under such agreement are made expressly subordinate and junior to the Agency’s obligations under the Indenture, the Bonds and any other Parity Obligations.

Annual Review of Subordinate Pledged Tax Revenues. The Agency covenants that it will annually review (i) the total amount of Subordinate Pledged Tax Revenues remaining available to be received by the Agency under the Redevelopment Plan’s cumulative tax increment limitation, and (ii) future cumulative annual Debt Service. Once it has been determined that during the next succeeding Fiscal Year, the total amount of Subordinate Pledged Tax Revenues remaining available to be received by the Agency under the Redevelopment Plan’s cumulative tax increment limitation equals 110% of future cumulative annual Debt Service on Parity Obligations, then the Agency shall deposit all future Subordinate Pledged Tax Revenues into a special escrow account exclusively for the payment of interest on and principal of and redemption premiums, if any, on the Parity Obligations, until such time as the cumulative tax increment limitation, certified to the Agency by an Independent Redevelopment Consultant in a Consultant’s Report, is amended to increase the limitation such that the remaining available Subordinated Pledged Tax Revenues will be in excess of 110% of future cumulative annual Debt Service on Parity Obligations (at which time all amounts deposited in such special escrow account may be released).

The Agency shall annually, not later than July 1 (commencing July 1, 2012), transmit to the Trustee, the Credit Provider, if any, and each provider or owner of Parity Obligations (other than Owners of Bonds) a statement setting forth the calculation required by the above paragraph, including (a) remaining annual Debt Service on Parity Obligations, (b) remaining tax increment under the then-current limit, (c) the amount of Subordinate Pledged Tax

Revenues accepted during the period covered by the statement, and (d) the amount, if any, to be used or escrowed for use to pay interest on and principal of and redemption premiums, if any, on the Parity Obligations.

Amendments to Indenture

Amendments Permitted. (a) Subject to the provisions of paragraph (d) below, the provisions of the Indenture or of any Supplemental Indenture and the rights and obligations of the Agency and of the Owners of the Outstanding Bonds and of the Fiduciaries may be modified, amended or supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, with the written consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, when the written consent of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Trustee; or if less than all of the Outstanding Bonds are affected, the written consent of the Owners of at least a majority in aggregate principal amount of all affected Outstanding Bonds; provided that if such modification, amendment or supplement shall, by its terms, not take effect so long as any Bonds of any particular Series and maturity remain Outstanding, and, with respect to Bonds which are Tender Indebtedness if the conditions of paragraph (d) below are satisfied, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any the calculation of Outstanding Bonds for purposes of this caption "Amendments to Indenture." No such modification, amendment or supplement shall (1) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification, amendment or supplement without the consent of the Owners of all of the Bonds then Outstanding; or (2) modify the rights or obligations of any Fiduciary without the consent of such Fiduciary.

It shall not be necessary for the consent of the Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Prior to the entry into any Supplemental Indenture by the Agency and the Trustee for any of the purposes described under this caption "—Amendments Permitted," the Agency shall cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to the Owners of all Outstanding Bonds (or the affected Outstanding Bonds) at their addresses appearing on the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the office of the Trustee for inspection by each Owner of an Outstanding Bond.

Whenever, at any time after the date of the mailing of notice of the proposed entry into a Supplemental Indenture pursuant to the Indenture, the Agency shall have received an instrument or instruments in writing executed in accordance with the Indenture by or on behalf of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, or if less than all of the Outstanding Bonds are affected, by the Owners of not less than a majority in aggregate principal amount of the affected Outstanding Bonds, which instrument or instruments shall refer to the proposed Supplemental Indenture described in the notice of the proposed Supplemental Indenture and shall consent to such Supplemental Indenture in substantially the form referred to in such notice, thereupon, but not otherwise, the Agency and the Trustee may enter into such Supplemental Indenture in substantially such form, without liability or responsibility to any Owner of any Bond, whether or not such Owner shall have consented thereto.

(b) The Indenture or any Supplemental Indenture may be supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, which the Agency and the Trustee may enter into with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement but without the consent of the Owner of any Bond, to provide for the issuance of a Series of Additional Bonds or a Series of Refunding Bonds in accordance with the terms and conditions of the Indenture, and establishing the terms and conditions thereof, including the rights of any Credit Provider for such Additional Bonds or Refunding Bonds, which may include permitting such Credit Provider to act for and on behalf of the Owners of such Additional Bonds or Refunding Bonds for any or all purposes of the Indenture except that no such Credit Provider shall be authorized to extend the fixed maturity of any Bond, or reduce the principal amount thereof, or reduce the amount of any Sinking Fund Installment therefor, or extend the due date of any such Sinking Fund Installment, or reduce the rate of interest on any Bond or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected; or except as otherwise provided with respect to a Bond constituting Tender Indebtedness in the Supplemental Indenture authorizing such Bond and subject to the satisfaction of the

conditions of paragraph (f) below, reduce the Redemption Price due on the redemption of any Bond or change the date or dates when any Bond is subject to redemption.

(c) The Indenture and any Supplemental Indenture and the rights and obligations of the Agency, the Fiduciaries and the Owners of the Outstanding Bonds may also be modified, amended or supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, which the Agency and the Trustee may enter into with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement but without the consent of any Owners of Bonds (but with the consent of any affected Fiduciary), so long as such modification, amendment or supplement shall not materially, adversely affect the interests of the Owners of the Outstanding Bonds, including without limitation, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Agency contained in the Indenture or a Supplemental Indenture other covenants and agreements thereafter to be observed, to pledge, provide or assign any security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Agency;

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

(iii) to modify, amend or supplement the Indenture or a Supplemental Indenture in such manner as to permit the qualification of the Indenture 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) Notwithstanding anything to the contrary under this caption "Amendments to Indenture," the provisions of the Indenture or any Supplemental Indenture may also be modified, amended or supplemented by a Supplemental Indenture or Supplemental Indentures, including amendments which would otherwise be described in paragraph (a) above, without the consent of the Owners of Bonds constituting Tender Indebtedness if either (i) the effective date of such Supplemental Indenture is a date on which such Bonds are subject to mandatory tender for purchase pursuant to the Indenture or (ii) the notice described in the third paragraph of paragraph (a) above is given to Owners of such Bonds at least thirty (30) days before the effective date of such Supplemental Indenture, and on or before such effective date, the Owners of such Bonds have the right to demand purchase of such Bonds pursuant to the Indenture.

(e) If the Supplemental Indenture authorizing the issuance of a Series of Bonds provides that a Credit Provider for all or any portion of the Bonds of such Series shall have the right to consent to Supplemental Indentures which require the consent of the Owners of the Bonds of such Series pursuant to this caption "Amendments to Indenture," then for the purposes of sending notice of any proposed Supplemental Indenture and for determining whether the Owners of the requisite percentage of Bonds have consented to such Supplemental Indenture, but subject to the provisions of paragraph (b) above, references to the Owners of such Bonds shall be deemed to be to the applicable Credit Provider.

(f) For purposes of this caption "Amendments to Indenture," it shall not be necessary that consents of the Owners of any particular percentage of Outstanding Bonds of any affected Series be obtained but it shall be sufficient for purposes of this caption "Amendments to Indenture," if the consent of the Owners of a majority in aggregate principal amount of the combination of affected Outstanding Bonds shall be obtained.

(g) Notwithstanding anything to the contrary contained in this caption "Amendments to Indenture," if authorized by the Supplemental Indenture authorizing the issuance of a Bond constituting Tender Indebtedness, any premium due on the redemption of such Bond and the date or dates when such Bond is subject to redemption may be modified or amended as provided in such Supplemental Indenture if either: (i) the effective date of such modification or amendment is a date on which such Bond is subject to mandatory tender for purchase pursuant to such Supplemental Indenture; or (ii) notice of such modification or amendment has been mailed to the Owner of

such Bond at the address set forth in the Bond Register at least thirty (30) days before the effective date of such modification or amendment and on or before such effective date, the Owner of such Bond has the right to demand purchase of such Bond pursuant to such Supplemental Indenture.

Effect of Supplemental Indenture. Upon the Agency and the Trustee entering into any Supplemental Indenture pursuant to the Indenture, the Indenture shall be deemed to be modified, amended or supplemented in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Agency, the Fiduciaries and all Owners of Outstanding Bonds shall thereafter be determined, exercised and enforced subject in all respects to such modification, amendment and supplement, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes. Upon the Agency and the Trustee entering into any Supplemental Indenture pursuant to the Indenture, no Owner of any Bond shall have any right to object to the entry into such Supplemental Indenture by the Agency and the Trustee, or to object to any of the terms and provisions contained therein or the operation thereof or in any manner to question the propriety of the entry into such Supplemental Indenture, or to enjoin or restrain the Agency or the Trustee from entering into the same or to enjoin or restrain the Agency or the Trustee from taking any action pursuant to the provisions thereof whether or not such Owner gave his consent to such Supplemental Indenture.

Bonds Owned by Agency. For purposes of the Indenture, Bonds owned or held by or for the account of the Agency, or any funds of the Agency, shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Indenture, and the Agency shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the Indenture as an Owner of Bonds. At the time of any consent or other action taken under the Indenture, the Agency shall furnish the Trustee a certificate of an Authorized Agency Representative upon which the Trustee may rely, describing all Bonds so to be excluded.

Notation on Bonds. Bonds authenticated and delivered after the effective date of any Supplemental Indenture entered into by the Agency and the Trustee as in the Indenture provided may bear a notation by endorsement or otherwise in a form approved by the Agency as to such action, and in that case upon demand of the Owner of any Bond Outstanding on such effective date and presentation of the Bond for the purpose at the Principal Office of the Trustee or upon any transfer or exchange of any Bond Outstanding on such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action.

Consent of Providers or Owners of Parity Obligations. The Indenture may not be amended in a manner which materially affects the rights of a provider or owner of Parity Obligations (excluding the Owners of Bonds) under the Indenture without the prior written consent of such provider or owner of such Parity Obligations.

Concerning the Fiduciaries

Trustee; Acceptance of Duties. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Indenture, including the duties of Paying Agent for the Bonds, by the execution and the delivery of the Indenture to the Agency and by such execution and delivery the Trustee shall be deemed to have accepted such duties and obligations with respect to all the Bonds thereafter to be issued, but only, however, upon the terms and conditions set forth in the Indenture and no implied covenants shall be read into the Indenture against the Trustee.

Paying Agents; Appointment and Acceptance of Duties.

(a) The Agency appoints the Trustee as a Paying Agent for the Bonds of each Series, and may at any time or from time to time appoint one or more other Paying Agents having the qualifications set forth in the Indenture as an additional Paying Agent for the Bonds of one or more Series.

(b) Each Paying Agent other than the Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Indenture by executing and delivering to the Agency and to the Trustee a written acceptance thereof.

(c) The Principal Offices of the Paying Agents are designated as the respective offices or agencies of the Agency for the payment of the principal and any applicable Redemption Price of the Bonds.

Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by the Indenture by giving not less than 60 days written notice to the Agency, each Credit Provider and each Reserve Financial Guaranty Provider, specifying the date when such resignation shall take effect; provided that no such resignation shall take effect until a successor shall have been appointed in accordance with the Indenture.

Removal of Trustee. The Trustee may be removed (i) with the consent (to the extent required by a Supplemental Indenture) of each Credit Provider and each Reserve Financial Guaranty Provider, at any time when no Event of Default has occurred and is continuing and when no event has occurred which, with notice or the passage of time, would become an Event of Default which has not been cured, by an instrument in writing signed by an Authorized Agency Representative and filed with the Trustee or (ii) with the consent (to the extent required by a Supplemental Indenture) of each Credit Provider and each Reserve Financial Guaranty Provider, at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Owners of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Agency or (iii) with the consent (to the extent required by a Supplemental Indenture,) of each Credit Provider and each Reserve Financial Guaranty Provider, at any time by an instrument in writing signed by an Authorized Agency Representative and filed with the Trustee, for any breach of its fiduciary duties under the Indenture; provided that no such removal shall be effective until 30 days have lapsed from the filing of such instrument with the Trustee and until a successor shall have been appointed in accordance with the Indenture.

Defeasance

Payment of Bonds. (a) If the Agency shall pay, or cause to be paid, or there shall otherwise be paid, to the Owners of all Bonds the principal amount or Redemption Price, if applicable, of the Bonds, and interest due or to become due on the Bonds, at the times and in the manner stipulated therein and in the Indenture, together with all other sums payable by the Agency under the Indenture, including all fees and expenses of the Trustee, then and in that case, subject to the provisions of paragraph (b) below, the Indenture, and the pledge of and lien on the Subordinate Pledged Tax Revenues and all money in the Special Fund and in the funds or accounts so specified and provided for under the Indenture and all covenants, agreements and obligations of the Agency contained in the Indenture, shall cease and terminate and shall be completely discharged and satisfied and the Agency shall be released therefrom and the Trustee shall assign and transfer to or upon the order of the Agency all property (in excess of the amounts required for the foregoing) then held by the Trustee under the Indenture free and clear of any liens or encumbrances on the Indenture pursuant to the Indenture and shall execute such documents as may be reasonably required by the Agency in this regard.

(b) Notwithstanding the termination, satisfaction and discharge of the Indenture or the satisfaction discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, tender and exchange provisions, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, compliance by the Agency of the covenants contained in the Indenture and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Agency, the Trustee and the Owners and the Trustee shall continue to be obligated to hold in trust any monies and investments then held by the Trustee for the payment of the principal or Redemption Price of, and interest on, the Bonds, to pay to the Owners, but only from the monies and investments so held by the Trustee, the principal or Redemption Price of, and interest on, the Bonds as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Indenture or the satisfaction discharge of the Indenture in respect of any Bonds, those provisions of the Indenture contained in the Indenture relating to the compensation of the Trustee shall remain in effect and shall be binding upon the Trustee and the Agency.

Prior to the defeasance of any Bonds bearing interest at a variable rate becoming effective under the Indenture, the Trustee shall have received a Rating Confirmation from each Rating Agency.

(c) Notwithstanding the termination, satisfaction and discharge of the Indenture with respect to any Bonds, so long as any other Parity Obligations remain Outstanding the Indenture shall remain in effect and shall be binding upon the Agency, the Trustee and the providers and owners of such Parity Obligations.

Bonds Deemed Paid. Bonds (or portions of Bonds) for the payment or redemption of which moneys shall have been set aside and shall be held in trust by an Escrow Agent (through deposit pursuant to a deposit of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof, as applicable, shall be deemed to have been paid within the meaning and with the effect expressed in the provisions of the Indenture described above under “—Payment of Bonds.” Any Outstanding Bond (or any portion thereof such that both the portion thereof which is deemed paid and the portion which is not deemed paid pursuant to this paragraph shall be in an Authorized Denomination) shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the provisions of the Indenture described above under “—Payment of Bonds” (except that the obligations under the Indenture set forth in paragraph (b) thereof and the giving of the notices of the redemption of Bonds to be redeemed as provided in the Indenture shall continue) if (1) in case said Bond (or portion thereof) is to be redeemed on any date prior to maturity, the Agency shall have given the Trustee irrevocable instructions to give notice of redemption of such Bond (or portion thereof) on said date as provided in the Indenture, (2) there shall have been deposited with an Escrow Agent either moneys in an amount which shall be sufficient, or Federal Securities, the principal of and the interest on which when due shall provide moneys which, together with the moneys, if any, held by such Escrow Agent for such purpose, shall be sufficient, in each case as evidenced by an Accountant’s Certificate, to pay when due the principal amount of, and any redemption premiums on, said Bond (or portion thereof) and interest due and to become due on said Bond (or portion thereof) on and prior to the redemption date or maturity date thereof, as the case may be, and (3) if such Bond (or portion thereof) is not to be paid or redeemed within 60 days of the date of the deposit required by (2) above, the Agency shall have given the Trustee, in form satisfactory to it, instructions to mail, as soon as practicable, by first class mail, postage prepaid, to the Owner of such Bond, at the last address, if any, appearing upon the Bond Register, a notice that the deposit required by (2) above has been made with an Escrow Agent and that said Bond (or the applicable portion thereof) is deemed to have been paid in accordance with this paragraph and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal amount of, and any redemption premiums on, said Bond. Any notice given pursuant to clause (3) of this paragraph with respect to Bonds which constitute less than all of the Outstanding Bonds of any Series and maturity shall specify the letter and number or other distinguishing mark of each such Bond. Any notice given pursuant to clause (3) of this paragraph with respect to less than the full principal amount of a Bond shall specify the principal amount of such Bond which shall be deemed paid pursuant to this paragraph and notify the Owner of such Bond that such Bond must be surrendered as provided in the Indenture. The receipt of any notice required by this paragraph shall not be a condition precedent to any Bond being deemed paid in accordance with this paragraph and the failure of any Owner to receive any such notice shall not affect the validity of the proceedings for the payment of Bonds in accordance with this paragraph. Neither Federal Securities nor moneys deposited with an Escrow Agent pursuant to this paragraph, nor principal or interest payments on any such Federal Securities, shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal amount of, and any redemption premiums on, said Bonds and the interest thereon; provided that any cash received from principal or interest payments on such Federal Securities deposited with an Escrow Agent, (A) to the extent such cash shall not be required at any time for such payment, as evidenced by an Accountant’s Certificate, shall be paid over upon the written direction of an Authorized Agency Representative, including a transfer to the Agency free and clear of any trust, lien, pledge or assignment securing said Bonds, and (B) to the extent such cash shall be required for such payment at a later date, shall, to the extent practicable, at the written direction of an Authorized Agency Representative, be reinvested in Federal Securities maturing at times and in amounts, which together with the other funds to be available to the Escrow Agent for such purpose, shall be sufficient to pay when due the principal amount of, and any redemption premiums on, said Bonds and the interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, as evidenced by an Accountant’s Certificate.

Nothing in the Indenture shall prevent the Agency from substituting for the Federal Securities held for the payment or redemption of Bonds (or portions thereof) other Federal Securities which, together with the moneys held by the Escrow Agent for such purpose, as evidenced by an Accountant’s Certificate, shall be sufficient to pay when due the principal amount of, and any redemption premiums on, the Bonds (or portions thereof) to be paid or redeemed, and the interest due on the Bonds (or portions thereof) to be paid or redeemed at the times established

with the initial deposit of Federal Securities for such purpose provided that the Agency shall deliver to the Escrow Agent a Favorable Opinion of Bond Counsel with respect to such substitution.

Defeasance of Portion of Bond. If there shall be deemed paid pursuant to the Indenture less than all of the full principal amount of a Bond, the Agency shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the Owner of such Bond, a new Bond or Bonds for the principal amount of the Bond so surrendered which is deemed paid pursuant to the Indenture and another new Bond or Bonds for the balance of the principal amount of the Bond so surrendered, in each case of like Series, maturity and other terms, and in any of the Authorized Denominations.

Discharge of Liability on Bonds. Upon the deposit with an Escrow Agent, in trust, at or before maturity or the applicable redemption date, of money or Federal Securities in the necessary amount (as provided in the provisions of the Indenture described above under the captions “—Payment of Bonds” or “—Bonds Deemed Paid,” as applicable) to pay or redeem Outstanding Bonds (or portions thereof), and to pay the interest thereto to such maturity or redemption date, as applicable, (provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for giving such notice), all liability of the Agency in respect of such Bonds shall cease, terminate and be completely discharged, except that the Agency shall remain liable for such payment but only from, and the Bondowners shall thereafter be entitled only to payment (without interest accrued thereon after such redemption date or maturity date, as applicable) out of, the money and Federal Securities deposited with the Escrow Agent as aforesaid for their payment, subject, however, to the provisions of the Indenture; provided that no Bond which constitutes Tender Indebtedness shall be deemed to be paid within the meaning of the Indenture unless the Purchase Price of such Bond, if tendered for purchase in accordance with the Indenture, could be paid when due from such moneys or Federal Securities (as evidenced by an Accountant’s Certificate) or a Credit Support Instrument is provided in connection with such Purchase Price.

Events of Default; Remedies

Events of Default. Each of the following shall constitute an Event of Default under the Indenture:

(i) if default shall be made in the payment of the principal or Redemption Price of or Sinking Fund Installment for, or interest on, any Outstanding Bond or other Parity Obligations (excluding Termination Payments), when and as the same shall become due and payable, whether on an Interest Payment Date, at maturity, by call for redemption, or otherwise;

(ii) if default shall be made by the Agency in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture or in the Outstanding Bonds contained or in any other Issuing Instrument of other Parity Obligations or in the other Parity Obligations contained (excluding any covenants, agreements or conditions with respect to the payment of Termination Payments payable by the Agency), and such default shall continue for a period of 120 days after written notice thereof to the Agency by the Trustee or to the Agency and to the Trustee by the relevant Credit Provider or by the Owners of not less than 10% in principal amount of the Bonds Outstanding or to the Agency and to the Trustee by the trustee, or owner or holder of not less than 10% in principal amount of, the other Parity Obligations; provided, however, if such default is such that it can be corrected by the Agency but not within the applicable period specified above, it shall not constitute an Event of Default if corrective action is instituted by the Agency within 30 days of the Agency’s receipt of the notice of the default required by this paragraph and diligently pursued until the default is corrected; or

(iii) an Event of Bankruptcy shall have occurred and be continuing with respect to the Agency.

Accounting and Examination of Records After Default.

(a) The Agency covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and accounts of the Agency shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys.

(b) The Agency covenants that if an Event of Default shall have happened and shall not have been remedied, the Agency, upon demand of the Trustee, shall account, as if it were the trustee of an express trust, for all Subordinate Pledged Tax Revenues and other moneys, securities and funds pledged or held under the Indenture for such period as shall be stated in such demand.

Application of Subordinate Pledged Tax Revenues and Other Moneys After Default.

(a) Notwithstanding anything to the contrary contained in the Indenture, the Agency covenants that if an Event of Default shall happen and shall not have been remedied, the Agency, upon the demand of the Trustee, shall cause to be paid over to the Trustee by the first Business Day of each month, all Subordinate Pledged Tax Revenues with respect to the preceding month.

(b) During the continuance of an Event of Default, the Trustee shall apply all Subordinate Pledged Tax Revenues received by the Trustee pursuant to any right given or action taken under the provisions of the provisions of the Indenture described under the caption “Events of Default; Remedies” which are held by the Trustee pursuant and subject to the terms and conditions of the Indenture, as follows and in the following order of priority:

First: To the payment of the reasonable and proper fees, charges, expenses and liabilities of the Fiduciaries and the payment of the reasonable and proper charges, expenses and liabilities of the fiduciaries for Parity Obligations.

Second: To the payment of the principal and Redemption Price of and interest on the Outstanding Bonds, and the principal and redemption price of and interest on the other Outstanding Parity Obligations then due and payable; provided however, that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the payment of the principal and redemption price of and interest on all Outstanding Parity Obligations then due and payable ratably (based on the respective amounts to be paid), without any discrimination on preferences.

Third: Subject to the provisions of paragraph (b) above under the caption “—Conditions of Issuance of Subordinated Obligations,” to the payment of any Termination Payments due and payable under the Qualified Swap Agreements; provided however, that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause with respect to all Qualified Swap Agreements, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the payment of the Termination Payments then due and payable under all Qualified Swap Agreements ratably (based on the respective amounts to be paid), without any discrimination on preferences.

Fourth: To the transfer to the Debt Service Reserve Account for the Bonds and to each debt service reserve fund for other Outstanding Parity Obligations, the amount, if any, necessary so that the amount on deposit in the Debt Service Reserve Account shall equal the Debt Service Reserve Requirement and the amount in each debt service reserve fund for other Outstanding Parity Obligations shall equal the amount required to be on deposit in such debt service reserve fund under the applicable Issuing Instrument; provided that that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the transfer to the Debt Service Reserve Account and each debt service reserve fund for other Outstanding Parity Obligations ratably (based on the respective amounts to be paid), without any discrimination on preferences.

Fifth: Subject to the provisions of paragraph (b) above under the caption “—Conditions of Issuance of Subordinated Obligations,” to the payment of amounts due with respect to outstanding Subordinated Obligations (other than Termination Payments) in accordance with the provisions of the Issuing Instrument pursuant to which

such Subordinated Obligations have been issued; provided that that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the payments of amounts due with respect to all Subordinated Obligations ratably (based on the respective amounts to be paid), without any discrimination on preferences except as otherwise provided in the Issuing Instruments pursuant to which such Subordinated Obligations have been issued.

(c) If and whenever all overdue installments of interest on all Outstanding Bonds and Outstanding Parity Obligations, together with the reasonable and proper charges, expenses and liabilities of the Trustee and any other fiduciary for Parity Obligations, and all other sums payable for the account of the Agency under the Indenture, including the principal and Redemption Price of all Outstanding Bonds and Outstanding Parity Obligations and unpaid interest on all Outstanding Bonds and Outstanding Parity Obligations which shall then be payable, shall be paid for by the account of the Agency, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Indenture, the Outstanding Bonds and the Outstanding Parity Obligation shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over all unexpended Subordinate Pledged Tax Revenues in the hands of the Trustee (except Subordinate Pledged Tax Revenues deposited or pledged, or required by the terms of the Indenture to be deposited or pledged, with the Trustee), and thereupon the Agency and the Trustee shall be restored, respectively, to their former positions and rights under the Indenture. No such payment by the Trustee nor such restoration of the Agency and the Trustee to their former positions and rights shall extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

(d) The Trustee may in its discretion establish special record dates for the determination of the Owners of Bonds for various purposes of the Indenture, including without limitation, payment of defaulted interest and giving direction to the Trustee.

Right to Accelerate Upon Default. Notwithstanding anything contrary in the Indenture or in the Bonds, upon the occurrence of an Event of Default, the Trustee may, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, and shall, at the direction of each Credit Provider whose is permitted to so direct the Trustee under a Supplemental Indenture or a Credit Support Agreement or the Owners of a majority in principal amount of Outstanding Bonds (other than Bonds owned by or on behalf of the Agency), with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, by written notice to the Agency, declare the principal of the Outstanding Bonds to be immediately due and payable, whereupon the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable.

Appointment of Receiver. If an Event of Default shall happen and shall not have been remedied, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of the Bonds under the Indenture, the Trustee shall be entitled to make application for the appointment of a receiver or custodian of the Subordinate Pledged Tax Revenues, pending such proceedings, with such power as the court making such appointment shall confer.

Enforcement Proceedings.

(a) If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, proceed, and upon the written request of the Owners of not less than a majority in principal amount of the Bonds at the time Outstanding, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, shall proceed, to protect and enforce its rights and the rights of the Owners of the Outstanding Bonds by a suit or suits in equity or at law, whether for damages or the specific performance of any covenant contained in the Indenture, to enforce the security interest in, pledge of and lien on the Subordinate Pledged Tax Revenues granted pursuant to the Indenture, or in aid of the execution of any power granted in the Indenture or any remedy granted under applicable provisions of the laws of the State of California, or for an accounting by the Agency as if the Agency were the trustee of an

express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

(b) All rights of action under the Indenture may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust.

(c) Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the Indenture, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Indenture and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

(d) Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Owners of a majority in principal amount of the Bonds then Outstanding and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Owners of the Bonds.

(e) If the Trustee or any Owner or Owners of Outstanding Bonds have instituted any proceeding to enforce any right or remedy under the Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Owner or Owners, then and in every such case the Agency, the Trustee and the Owners shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions under the Indenture, and thereafter all rights and remedies of the Trustee and the Owners shall continue as though no such proceeding had been instituted.

Restriction on Owner's Action.

(a) Except as otherwise provided in paragraph (b) below, and subject to rights of the relevant Credit Provider to direct remedies as set forth in the Indenture or in any Supplemental Indenture, no Owner of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Indenture or the execution of any trust under the Indenture or for any remedy under the Indenture unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in the Indenture, and the Owners of at least 25% in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in the Indenture or by the applicable laws of the State of California or to institute such action, suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the ratable benefit of all Owners of the Outstanding Bonds, subject only to the provisions of the Indenture.

(b) Nothing in the Indenture or in the Bonds contained shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay on the respective due dates thereof and at the places therein expressed, but solely from the Subordinate Pledged Tax Revenues and the other moneys pledged under the Indenture, the principal amount, or Redemption Price if applicable, of the Bonds, and the interest thereon, to the respective Owners thereof, or affect or impair the right, which is also absolute and unconditional, of any Owner to institute suit for the enforcement of any such payment.

Remedies Not Exclusive. No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or the Owners of the Bonds is intended to be exclusive of any other remedy, but each and every such

remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or existing at law or in equity or by statute whether effective on or after the effective date of the Indenture. The assertion or employment of any right or remedy, under the Indenture or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Effect of Waiver and Other Circumstances.

(a) No delay or omission of the Trustee or any Owner of a Bond to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein; and every power and remedy given by the Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Owners of the Bonds.

(b) The Owners of not less than sixty percent in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Owners of all of the Bonds, waive any Event of Default and its consequences. No such waiver shall extend to any subsequent or Event of Default or impair any right consequent thereon unless the provisions of this paragraph have been satisfied with respect to such subsequent Event of Default.

Notice of Default. The Trustee shall, within thirty (30) days after obtaining knowledge thereof, mail written notice of the occurrence of any Event of Default of which the Trustee has knowledge to each Credit Provider, each Reserve Financial Guaranty Provider and each Owner of Bonds then Outstanding at such Owner's address, if any, appearing in the Bond Register.

Miscellaneous

Credit Providers. (a) Except as limited by the provisions of the Indenture relating to amendments, a Supplemental Indenture authorizing a Series of Bonds may provide that any Credit Provider providing a Credit Support Instrument with respect to Bonds of such Series may exercise any right under the Indenture or the Supplemental Indenture authorizing the issuance of such Series of Bonds given to the Owners of the Bonds to which such Credit Support Instrument relates in lieu of such Owners.

(b) All provisions under the Indenture or a Supplemental Indenture authorizing the exercise of rights by a Credit Provider with respect to Bonds of a Series, including without limitation actions relating to consents, approvals, directions, waivers, appointments and requests, shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Credit Provider were not mentioned therein (i) during any period during which there is a default by such Credit Provider under the applicable Credit Support Instrument or (ii) after the applicable Credit Support Instrument shall at any time for any reason cease to be valid and binding on the Credit Provider, or shall be declared to be null and void by final judgment of a court of competent jurisdiction, or after the Credit Support Instrument has been rescinded, repudiated or terminated (other than in accordance with its terms), or after a receiver, conservator or liquidator has been appointed for the Credit Provider; provided, however, that the payment of amounts due or that may become due (including without limitation all indemnity payments) to the Credit Provider or any other person identified under such Credit Provider's Credit Support Agreement pursuant to the terms of the Indenture, any Supplemental Indenture and/or such Credit Support Agreement shall continue in full force and effect. The foregoing shall not affect any other rights of a Credit Provider.

(c) All provisions in the Indenture relating to the rights of a Credit Provider shall be of no force and effect if there is no Credit Support Instrument in effect and all amounts owing to the Credit Provider under the Credit Support Agreement have been paid.

Reserve Financial Guaranty Providers. All provisions under the Indenture or a Supplemental Indenture authorizing the exercise of rights by a Reserve Financial Guaranty Provider with respect to Bonds of a Series, including without limitation actions relating to consents, approvals, directions, waivers, appointments and requests, shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or

other actions and shall be read as if the Reserve Financial Guaranty Provider were not mentioned therein (a) during any period during which there is a default by such Reserve Financial Guaranty Provider under the applicable Reserve Financial Guaranty or (b) after the applicable Reserve Financial Guaranty shall at any time for any reason cease to be valid and binding on the Reserve Financial Guaranty Provider, or shall be declared to be null and void by final judgment of a court of competent jurisdiction, or after the Reserve Financial Guaranty has been rescinded, repudiated or terminated, or after a receiver, conservator or liquidator has been appointed for the Reserve Financial Guaranty Provider; provided, however, that the payment of amounts due (including without limitation all indemnity payments) to the Reserve Financial Guaranty Provider pursuant to the terms of the Indenture, any Supplemental Indenture, any Reserve Financial Guaranty shall continue in full force and effect. The foregoing shall not affect any other rights of a Reserve Financial Guaranty Provider.

All provisions in the Indenture relating to the rights of a Reserve Financial Guaranty Provider shall be of no force and effect if there is no Reserve Financial Guaranty Provider in effect issued by such Reserve Financial Guaranty Provider and all amounts owing to such Reserve Financial Guaranty Provider Credit Provider under the Reserve Financial Guaranty have been paid.

No Recourse on Bonds. Neither the members of the Agency nor the officers or employees of the Agency shall be individually liable on the Bonds or in respect of any undertakings by the Agency under the Indenture, any Supplemental Indenture or any Bond.

Unclaimed Moneys. Anything in the Indenture or any Supplemental Indenture to the contrary notwithstanding, any moneys held by the Trustee, an Escrow Agent or any Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates, tender for purchase or by call for redemption, if such moneys were held by the Trustee, an Escrow Agent or a Paying Agent at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee, an Escrow Agent or a Paying Agent after the date when such Bonds or the Purchase Price thereof became due and payable, shall, at the written request of an Authorized Agency Representative be repaid by such Trustee, Escrow Agent or Paying Agent to the Agency, as its absolute property and free and clear of any trust, lien, pledge or assignment securing said Bonds, and such Trustee, Escrow Agent or Paying Agent shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the Agency for the payment of such Bonds; provided, however, that before being required to make any such payment to the Agency, the Trustee, the Escrow Agent or the Paying Agent, as applicable, shall, at the expense of the Agency, mail, postage prepaid to the Owners of such Bonds, at the last address, if any, appearing upon the Bond Register a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the mailing of such notice, the balance of such moneys then unclaimed shall be returned to the Agency.

Governing Law. The Indenture and each Bond shall be interpreted, governed by and construed for all purposes in accordance with the laws of the State for contracts executed and to be performed in the State.

Bond Insurance Provisions

Any provision of the Indenture expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer without the prior written consent of the Bond Insurer.

The Series 2007B Bond Insurer's consent shall be required, in lieu of the consent of the Owners of the Bonds, when such consent is required for the following purposes: (i) execution and delivery of any Supplemental Indenture (except that no consent of the Series 2007B Bond Insurer shall be required with respect to the issuance of or the entering into additional Parity Obligations or Subordinated Obligations in accordance with the terms and conditions of the Indenture), or (ii) amendment of the Indenture, including, but not limited to, any change in the definition of Permitted Investments.

To the extent the consent of a Credit Provider is provided for, or a Credit Provider is permitted to direct the remedies pursued by the Trustee contained, in the Indenture, the consent or direction, as appropriate, of the Series 2007B Bond Insurer shall be required or permitted in connection with the remedies pursued by the Trustee upon the

occurrence of an Event of a Default under the Indenture, including, to the extent provided: (i) the right to accelerate the principal of the Bonds as described in the Indenture, and (ii) the right to annul any declaration of acceleration, and the Series 2007B Bond Insurer shall also be entitled to approve all waivers of events of default.

The Series 2007B Bond Insurer shall at all times be deemed the sole and exclusive Owner of the Outstanding Series 2007B Bonds for the purposes of all approvals, consents, waivers, institution of any action and the direction of all remedies; provided, however, that the Series 2007B Bond Insurer shall not be deemed to be the sole and exclusive Owner of the Outstanding Bonds with respect to any amendment or supplement to the Indenture which seeks to amend or supplement the Indenture to extend the maturity of or reduce the amount of interest on or principal of any Bond or otherwise alter or impair the obligation of the Agency to pay principal or interest at the time and place and at the rate and in the currency provided therein.

In the event of any reorganization or liquidation relating to the Agency, the Series 2007B Bond Insurer shall have the right to vote with respect to such reorganization or liquidation on behalf of all Owners of the Outstanding Series 2007B Bonds absent a default by the Series 2007B Bond Insurer under the Series 2007B Bond Insurance Policy insuring the Series 2007B Bonds. To the extent permitted by law, any reorganization or liquidation plan with respect to the Agency must be acceptable to the Series 2007B Bond Insurer.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal or interest due on the 2007 Series Bonds shall be paid by the Series 2007B Bond Insurer pursuant to the Series 2007B Bond Insurance Policy, the Series 2007B Bonds shall remain Outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the Agency, and assignment and pledge of the Subordinate Pledged Tax Revenues and other assets pledged under the Indenture and all covenants, agreements and other obligations of the Agency to the Owners of the 2007 Series Bonds shall continue to exist and shall run to the benefit of the Series 2007B Bond Insurer, and the Series 2007B Bond Insurer shall be subrogated to the rights of such Owners of the 2007 Series Bonds.

Notwithstanding any other provision of the Indenture, in determining whether the rights of the Owners of the Series 2007B Bonds will be adversely affected by any action taken pursuant to the terms and provisions of the Indenture, the Trustee shall consider the effect on the such Owners as if there were no Series 2007B Bond Insurance Policy.

To the extent that the Indenture confers upon or gives or grants to the Series 2007B Bond Insurer any right, remedy or claim under or by reason of the Indenture, the Series 2007B Bond Insurer is explicitly recognized as being a third party beneficiary under the Indenture and may enforce any such right remedy or claim conferred, given or granted under the Indenture.

The Agency covenants and agrees that it shall reimburse the Series 2007B Bond Insurer for any amounts paid under the Series 2007B Bond Insurance Policy and all costs of collection thereof and enforcement of the Indenture and any other documents executed in connection with the Indenture, together with interest thereon, from the date paid or incurred by the Series 2007B Bond Insurer until payment thereof in full by the Agency, payable at the Series 2007B Bond Insurer Payment Rate (as hereinafter defined), including without limitation (to the extent permitted by applicable law) interest on claims paid by the Series 2007B Bond Insurer in respect of interest on the 2007 Series Bonds. Such payment obligation shall be payable on demand and on a parity with and from the same sources and secured by the same security as, regularly scheduled principal and interest payments in respect of the 2007 Series Bonds. For the purposes of the foregoing, "Series 2007B Bond Insurer Payment Rate" means the lesser of (a) the maximum rate permissible under applicable usury or similar laws limiting interest rates and (b) the greater of (i) the then applicable highest rate of interest on the 2007 Series Bonds and (ii) the per annum rate of interest, publicly announced from time to time by Citibank, N.A. ("Citibank") at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by Citibank) plus 3 percent. The Series 2007B Bond Insurer Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event that Citibank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the Series 2007B Bond Insurer shall specify.

The Trustee (or Paying Agent) may be removed at any time, at the request of the Series 2007B Bond Insurer, for any breach of the Trust set forth in the Indenture.

The Agency shall obtain the consent of the Series 2007B Bond Insurer prior to issuing or incurring any Variable Rate Indebtedness constituting Parity Obligations other than the Series 2007B Bonds; provided, however, that the Agency may issue or incur such Variable Rate Indebtedness in accordance with the Indenture without the consent of the 2007 Series A Bond Insurer if:

(i) such Variable Rate Indebtedness constitutes Hedged Bonds, and

(1) upon entering into the applicable Qualified Swap Agreement, the counter party to such Qualified Swap Agreement shall be rated at least "AA-" by S&P or "Aa3" by Moody's or have an equivalent rating determined by a nationally-recognized ratings service acceptable to the Series 2007 A Bond Insurer;

(2) such Qualified Swap Agreement shall provide that if the counter party's or counter party's guarantor's rating is downgraded to "A" or below by S&P or "A2" or below by Moody's and the Agency's exposure to a potential early termination payment owed by the counter party to the Agency is \$5,000,000 or greater, the counter party's obligations to make such payment under such Qualified Swap Agreement shall be collateralized with Eligible Collateral;

(3) the failure of the Agency to pay any termination payments payable by the Agency under such Qualified Swap Agreement shall not be cross-defaulted with such Hedged Bonds;

(4) any termination payments payable by the Agency under such Qualified Swap Agreement shall be subordinate and junior in right of payment from the Subordinate Pledged Tax Revenues to the payment of Parity Obligations; and

(5) if applicable, the Credit Provider providing any Credit Support Instrument shall be rated at least "AA" by S&P or "Aa2" by Moody's or have an equivalent rating determined by a nationally-recognized ratings service acceptable to the Series 2007B Bond Insurer, and such Credit Support Instrument and any related Credit Support Agreement shall not contain any provision requiring an acceleration of such Hedged Bonds upon any default under such Credit Support Instrument or related Credit Support Agreement; or

(ii) such Variable Rate Indebtedness constitutes Capped Bonds, and

(1) upon entering into the applicable Qualified Cap, the counter party to the applicable Qualified Cap shall be rated at least "AA" by S&P or "Aa2" by Moody's or have an equivalent rating determined by a nationally-recognized ratings service acceptable to the 2007 Series A Bond Insurer, and

(2) such Qualified Cap shall provide that if the counter party's rating is downgraded to "A" or below by S&P or "A2" or below by Moody's and the Agency's exposure to a potential early termination payment owed by the counter party to the Agency is \$5,000,000 or greater, the counter party's obligations to make such payment under such Qualified Cap shall be collateralized with Eligible Collateral.

APPENDIX D

BOOK ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York 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). One fully registered Bond certificate will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world’s largest 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but 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 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. do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners.

The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to Cede & Co. if less than all of the Bonds 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.

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 the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Agency on a 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 each Participant and not of DTC nor its nominee, the Agency or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest and accreted value, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority, the Agency or the Trustee, or the Authority or the Agency may decide to discontinue use of the system of book-entry transfers through DTC. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered and will be subject to the registration, transfer and exchange provisions provided for in the Indenture.

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

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

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APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of July 1, 2007, is executed and delivered by the Richmond Community Redevelopment Agency (the “Agency”), Union Bank of California, N.A., as trustee (the “Trustee”) and MuniFinancial, as dissemination agent (the “Dissemination Agent”) in connection with the issuance by the Agency of its \$65,400,000 aggregate principal amount of Subordinate Tax Allocation Bonds (Merged Project Areas), Series 2007A (the “Series 2007A Bonds”) and its \$9,772,621.50 aggregate principal amount of Housing Set-Aside Subordinate Tax Allocation Bonds (Merged Project Areas) (Taxable), Series 2007B (the “Series 2007B Bonds” and, together with the Series 2007A Bonds, the “Bonds”). The Bonds are being issued pursuant to the Resolution of the Agency, adopted June 5, 2007, and pursuant to an Indenture, dated as of July 1, 2007 (the “Master Non-Housing Indenture”), by and between the Agency and the Trustee, as supplemented by a First Supplemental Indenture of Trust (the “First Supplemental Non-Housing Indenture,” and together with the Master Non-Housing Indenture, the “Non-Housing Indenture”) between the Agency and the Trustee. The Series 2007B Bonds are being issued pursuant to an Indenture, dated as of July 1, 2007 (the “Master Housing Indenture”), by and between the Agency and the Trustee, as supplemented by a First Supplemental Indenture of Trust (the “First Supplemental Housing Indenture,” and together with the Master Housing Indenture, the “Housing Indenture”) between the Agency and the Trustee (the Housing Indenture and the Non-Housing Indenture collectively referred to herein as the “Indentures”). The Agency, the Dissemination Agent and the Trustee covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Agency, the Dissemination Agent and the Trustee for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indentures, between the Agency and the Authority, described in the Official Statement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

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

“Disclosure Representative” shall mean with respect to the Agency, the Chief Executive Officer of the Agency or the Redevelopment Agency Director or his or her designee, or such other officer or employee as the Agency shall designate in writing to the Trustee and the Dissemination Agent from time to time.

“Dissemination Agent” means MuniFinancial, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency and the Trustee a written acceptance of such designation.

“Fiscal Year” shall mean with respect to the Agency, the period beginning on July 1 of each year and ending on the next succeeding June 30, or any twelve-month, or fifty-two week period hereafter

selected by the Agency, with notice of such selection or change in fiscal year to be provided as set forth herein.

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

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information regarding the National Repositories as of a particular date is available on the Internet at www.sec.gov/consumer/nrmsir.htm

“Repository” means each National Repository and each State Repository.

“Rule” means 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.

“State Repository” means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

“Underwriter” means the original underwriter of the Bonds.

Section 3. Provision of Annual Reports.

(a) The Agency shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the Agency’s Fiscal Year (presently June 30), commencing with the report for the 2006-07 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the basic financial statements of the Agency may be submitted from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if it is not available by that date. If the Fiscal Year changes for the Agency, the Agency shall give notice of such change in the same manner as for a Listed Event under Section 5(f) hereof.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Agency shall provide its Annual Report to the Dissemination Agency and Trustee. If by fifteen (15) Business Days prior to such date, the Dissemination Agent has not received a copy of the Annual Report from the Agency, the Dissemination Agent shall notify the Agency of such failure to receive the report. The Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository in substantially the form attached as Exhibit A.

(d) Unless the Agency has done so pursuant to Section 3(a) above, the Dissemination Agent shall:

(i) determine the name and address of each National Repository and each State Repository, if any, each year prior to the date for providing the Annual Report; and

(ii) if the Dissemination Agent is other than the Authority or the Agency, file a report with the Authority certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The Agency's Annual Report shall contain or incorporate by reference the following, updated to incorporate information for the most recent fiscal or calendar year, as applicable (the tables referred to below are those appearing in the Official Statement dated June __, 2007, relating to the Bonds):

(a) Basic financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, and as further modified according to applicable State law. If the Agency's basic financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the basic financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following additional items:

1. Annual Debt Service Requirements, but only in the event of any unscheduled redemption, defeasance or new issue;
2. Table 2 - Historical Taxable Values and Tax Increment Revenues – Merged Project Area;
3. Table 3 - Ten Major Property Tax Assessees – Merged Project Area;
4. Table 4 and Table 5 - Projection of Incremental Tax Revenue – Merged Project Area; and
5. Table 6, Table 7, Table 8 and Table 9 – Projected Debt Service Coverage.

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

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the security;
7. Modifications to rights of security holders;
8. Bond calls;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Bonds;
11. Rating changes.

(b) Promptly after obtaining actual knowledge of the occurrence of any of the Listed Events at the principal corporate trust office of the Trustee in San Francisco, California, the Trustee shall contact the Authority and the Agency at their notice addresses in the Indenture, inform them of the event, and request that the Agency or the Authority promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (f) and promptly direct the Trustee whether or not to report such event to the Bondholders. In the absence of such direction the Trustee shall not report such event unless otherwise required to be reported by the Trustee to the Bondholders under the Indenture. The Trustee may conclusively rely upon such direction (or lack thereof). For purposes of this Disclosure Agreement, “actual knowledge” of the occurrence of such Listed Events shall mean actual knowledge by the officer at the corporate trust office of the Trustee with regular responsibility for the administration of matters related to the Indenture. The Trustee shall have no responsibility to determine the materiality of any of the Listed Events.

(c) Whenever the Agency obtains knowledge of the occurrence of any Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the Agency or the Authority shall determine as soon as possible if such event would constitute material information for Holders of Bonds within the meaning of the federal securities laws.

(d) If the Agency has determined that knowledge of the occurrence of a Listed Event would be material, the Agency shall notify the Dissemination Agent promptly in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Agency determines that the Listed Event would not be material, the Agency shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Agency to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Indenture and notice of any other Listed Event is only required following the actual occurrence of the Listed Event; and

(g) The Dissemination Agent may rely conclusively on an opinion of counsel that the Agency's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Termination of Reporting Obligation. The obligations of the Agency, the Trustee and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(d).

Section 7. Dissemination Agent. From time to time, the Agency may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Union Bank of California, N.A. The Dissemination Agent may resign by providing thirty (30) days written notice to the Agency and the Trustee (if the Trustee is not the Dissemination Agent). The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Agency in a timely manner and in a form suitable for filing.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Agency, the Trustee and the Dissemination Agent may amend this Disclosure Agreement (and the Trustee and the Dissemination Agent shall agree to any amendment so requested by the Agency which does not impose any greater duties nor any greater risk of liability on the Trustee or Dissemination Agent), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(a), 4 or 5(a), it may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, in the opinion of nationally recognized bond counsel, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) in the opinion of the Trustee or nationally recognized bond counsel, does not materially impair the interests of the holders or beneficial owners of the Bonds.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Agency 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 Agency 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 Agency 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 Agency or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may and, at the request of the Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency 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 Agency to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. Article VI of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Agency agrees to indemnify and hold harmless the Dissemination Agent and the Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Agency agrees to indemnify and save the Dissemination Agent, and Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which any of them may incur arising out of or in the exercise of performance of their respective powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or Trustee's respective negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Agency for its services provided hereunder in accordance with an agreed upon schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall both be deemed to be acting in any fiduciary capacity for the Agency, the Bondholders, or any other party under this Disclosure Agreement. Neither the Trustee or the Dissemination Agent shall have any liability to the Bondholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from this Disclosure Agreement. The obligations of the Agency 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 business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper on any further act.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Agency, the Trustee, the Dissemination Agent, the Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. No person shall have any right to commence any action against the Trustee or the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. Neither the Trustee nor the Dissemination Agent shall be liable under any circumstances for monetary damages to any person for any breach of this Disclosure Agreement.

Section 13. California Law. This Disclosure Agreement shall be constructed and governed in accordance with the laws of the State of California.

Section 14. Notices. All written notices to be given hereunder shall be given in person or by 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, namely:

To the Agency: Richmond Community Redevelopment Agency
1401 Marina Way South
Richmond, California 94804
Attention: Executive Director
Fax: (510) 231-3047

(with copies to the City Attorney)

To the Trustee: Union Bank of California, N.A.
350 California Street, 11th Floor
San Francisco, California 94104
Attention: Corporate Trust Department
Fax: (510) 273-2492

To the Dissemination Agent: MuniFinancial
27368 Via Industria, Suite 110
Temecula, CA 92590
Attention: Manager
Fax: (951) 587-3510

The Trustee, the Dissemination Agent and the Agency may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Unless specifically otherwise required by the context of this Disclosure Agreement, any notices required to be given hereunder to the Trustee, the Dissemination Agent or the Agency may be given by any form of electronic transmission capable of producing a written record. Each such party shall file with the Trustee information appropriate to receiving such form of electronic transmission.

Section 15. 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.

RICHMOND COMMUNITY
REDEVELOPMENT AGENCY

By: _____
Executive Director

UNION BANK OF CALIFORNIA, N.A.

By: _____
Authorized Officer

MUNIFINANCIAL

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD AND STATE
REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Richmond Community Redevelopment Agency

Name of Bond Issue: Richmond Community Redevelopment Agency
Subordinate Tax Allocation Bonds (Merged Project Areas),
Series 2007A
and
Richmond Community Redevelopment Agency
Housing Set-Aside Subordinate Tax Allocation Bonds
(Merged Project Areas) (Taxable), Series 2007B

Date of Issuance: _____, 2007

NOTICE IS HEREBY GIVEN that the Richmond Community Redevelopment Agency (the "Agency") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement dated as of July 1, 2007 executed by the Agency for the benefit of the holders and beneficial owners of the above-referenced bonds. The Agency anticipates that the Annual Report will be filed by _____.

Dated:

RICHMOND COMMUNITY
REDEVELOPMENT AGENCY

By: _____
Its: _____

cc: Richmond Community Redevelopment Agency
1401 Marina Way South
Richmond, California 94804

Union Bank of California, N.A.
350 California Street, 11th Floor
San Francisco, California 94104

MuniFinancial
27368 Via Industria, Suite 110
Temecula, CA

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APPENDIX F

PROPOSED FORMS OF BOND COUNSEL FINAL OPINIONS

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APPENDIX F

[PROPOSED FORM OF FINAL OPINION OF BOND COUNSEL]

[Date of Closing]

Richmond Community Redevelopment Agency
Richmond, California

Richmond Community Redevelopment Agency
Subordinate Tax Allocation Bonds (Merged Project Areas)
2007 Series A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Richmond Community Redevelopment Agency (the "Agency") in connection with the issuance of \$65,400,000 aggregate principal amount of bonds designated Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A (the "Bonds") issued pursuant to the provisions of the Community Redevelopment Law of the State of California (being Part I of Division 24 of the Health and Safety Code of the State of California), as amended, and an Indenture of Trust, dated as of July 1, 2007, by and between the Agency and Union Bank of California, N.A., as trustee (the "Trustee") (the "Master Indenture"), and as supplemented by a First Supplemental Indenture of Trust, dated as of July 1, 2007 (the "First Supplemental Indenture", and together with the Master Indenture, the "Indenture"), by and between the Agency and the Trustee. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate of the Agency, dated the date hereof (the "Tax Certificate"), opinions of counsel to the Agency, the Trustee, and others, certificates of the Agency, the Trustee, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any

parties other than the Agency. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability 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 the limitations on legal remedies against redevelopment agencies in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding limited obligations of the Agency.
2. The Master Indenture and the First Supplemental Indenture have been duly executed and delivered by, and constitute the valid and binding obligation of, the Agency. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Subordinate Pledged Tax Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and upon the terms and conditions set forth in the Indenture.
3. The Bonds are not a lien or charge upon the funds or property of the Agency except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt of the City of Richmond or the State of California and said city and said state are not liable for the payment thereof.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

Per

[PROPOSED FORM OF FINAL OPINION BOND COUNSEL]

[Date of Closing]

Richmond Community Redevelopment Agency
Richmond, California

Richmond Community Redevelopment Agency
Subordinate Housing Set Aside Tax Allocation Bonds (Taxable)
(Merged Project Areas)
2007 Series B

 (Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Richmond Community Redevelopment Agency (the "Agency") in connection with the issuance of \$9,772,621.50 aggregate principal amount of bonds designated Richmond Community Redevelopment Agency Subordinate Housing Set Aside Tax Allocation Bonds (Taxable) (Merged Project Areas), 2007 Series B (the "Bonds") issued pursuant to the provisions of the Community Redevelopment Law of the State of California (being Part I of Division 24 of the Health and Safety Code of the State of California), as amended, and an indenture of Trust, dated as of July 1, 2007, by and between the Agency and Union Bank of California, N.A., as trustee (the "Trustee") (the "Master Indenture"), and as supplemented by a First Supplemental Indenture of Trust, dated as of July 1, 2007 (the "First Supplemental Indenture", and together with the Master Indenture, the "Indenture"), by and between the Agency and the Trustee. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, opinions of counsel to the Agency, the Trustee, and others, certificates of the Agency, the Trustee, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as

originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Agency. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture. In addition, we call attention to the fact that the rights and obligations under the Bonds and the Indenture and their enforceability 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 the limitations on legal remedies against redevelopment agencies in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding limited obligations of the Agency.
2. The Master Indenture and the First Supplemental Indenture have been duly executed and delivered by, and constitute the valid and binding obligation of, the Agency. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Subordinate Pledged Tax Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and upon the terms and conditions set forth in the Indenture.
3. The Bonds are not a lien or charge upon the funds or property of the Agency except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt of the City of Richmond or the State of California and said city and said state are not liable for the payment thereof.

4. Interest on the Bonds is not excluded from gross income for federal income tax purposes. Interest on the Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

Per

APPENDIX G

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICIES

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FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects, in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of a such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

SPECIMEN

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APPENDIX H

FISCAL CONSULTANT REPORT

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FA FRASER & ASSOCIATES

Redevelopment and Financial Consulting

225 Holmfirth Court
Roseville CA 95661

Phone: (916) 791-8958
FAX: (916) 791-9234

FISCAL CONSULTANT REPORT

Richmond Community Redevelopment Agency

Merged Project Area

May 2007

Section A - Introduction

The Richmond Community Redevelopment Agency (Agency) is considering the issuance of Tax Allocation Bonds (Bonds). The Bonds will be secured through two Indentures (Indentures). The Agency intends to pledge a portion of the tax increment revenues generated from the Merged Project Area (Project Area) to repayment of the Non-Housing Bonds. The Housing Bonds will be repaid from the housing set-aside revenues of the Project Area.

The purpose of this Fiscal Consultant Report (Report) is to provide in depth information about the tax increment revenues to be used to support repayment of the Loans. The Report includes the following sections that address various aspects of the revenue stream:

- A. **Introduction:** This section provides an overview of the Report and its purpose.
- B. **General Information:** Provides information on the Project Area, including a general description of the Redevelopment Plans and the financial and time limits of the nine constituent Project Areas that comprise the Merged Project Area. A brief description of the systems and procedures used by Contra Costa County for the allocation of tax increment is also included in this section.
- C. **Taxable Values and Historical Revenues:** Information in this section includes a description of the categories of taxable values, the historical trends in values and revenues and the Top Ten Assesseees in the Project Area.
- D. **Assessment Appeals:** The findings from a review of the records of the Contra Costa County Assessment Appeals Board are included in this section.
- E. **Estimate of Current and Future Revenues:** This part of the report includes the tax increment projections for the Project Area.
- F. **Adjustments and Liens on Revenue:** This section provides information on and the estimated impact of adjustments and liens on the revenue stream.
- G. **Other Issues:** This final section describes certain provisions of the Community Redevelopment Law (CRL) that could affect the tax increment revenues of the Project Area.

The value and revenue estimates contained in this Report are based upon information and data which we believe to be reasonable and accurate. The assessment practices and county allocation procedures discussed in this Report are based on information provided by representatives of Contra Costa County. Assessment practices and allocation procedures are set, in part, administratively and can be changed. Nothing came to our attention during this review to indicate changes are imminent. To a certain extent, the estimates of revenue are based on assumptions that are subject to a degree of uncertainty and variation and therefore we do not represent them as results that will actually be achieved. However, they have been conscientiously prepared on the basis of our experience in the field of financial analysis for redevelopment agencies.

Section B - General Information

The Merged Project Area

The Merged Project Area consists of nine formerly “independent” redevelopment project areas (Constituent Project Areas). The Constituent Project Areas were merged together for financing purposes on July 13, 1999 and include:

- No. 1-A Eastshore
- No. 1-C Potrero
- No. 3-A Galvin
- No. 6-A Harbor Gate
- No. 8-A Hensley
- No. 10-A Downtown
- No. 10-B Nevin Center
- No. 11-A Harbour
- No. 12-A North Richmond

As part of the merger process, territory was also added to Project Areas 1-A, 6-A, 8-A, 10-A, 10-B, and 11-A (1999 Amendment Areas). In July, 2005, additional territory was added to Project 10-B (2005 Amendment Area).

Also as part of the merger amendment, a combined tax increment limit of \$521,400,000 was established. The combined limit applies to tax increment revenues received after the effective date of the ordinance (December 22, 1986) that established the limit in each of the Constituent Projects. The combined tax increment limit does not apply to the 2000 or 2005 Amendment Area, nor to the territory that was added to Project 6-A on June 26, 1995. Those areas were added after the implementation of various changes to the Community Redevelopment Law (CRL) that were triggered by legislation commonly referred to as AB 1290. AB 1290 eliminated the need to establish a cumulative tax increment limit for new redevelopment project areas or areas that were added to existing project areas. Through the 2005-06 fiscal year, it is estimated that the Agency has received \$156.8 million in tax increment for the portions of the Merged Project Area subject to the tax increment limit. Based on the projections of tax increment shown in this Report, which are based on a 2 percent trend in real property values, the cumulative tax increment limit will be reached in 2025-26.

The Agency also established a combined limit on the principal amount of bonded indebtedness that can be outstanding at any one time. That limit is \$250 million and applies to the entire Merged Project Area except for the 2005 Amendment Area, which has a separate bonded debt limit of \$150 million. As of June 30, 2006 the Agency had approximately \$91.5 million in bonds outstanding under the \$250 million limit, and no bonds outstanding for the 2005 Amendment Area.

AB 1290 also required that redevelopment project areas include limitations on the time period to incur and repay debt with tax increment and on the period when a redevelopment plan can be effective. Initially, a project area's time limits were the shorter of: 1) the limits contained in the redevelopment plan; or 2) the maximum time limits included in AB 1290. Subsequent legislation (AB 1342), allowed a project area's time limits to be extended to the maximum allowed by AB 1290. The Agency used this legislation to extend certain time limits for the Constituent Project Areas. The extension of the time limits has had the impact of triggering statutory pass through payments, as discussed further in Section F of this report. The Agency further extended the date to incur debt in Project Area 11-A to January 1, 2014 as part of the amendment that merged the Constituent Project Areas.

Legislation approved in 2001 (SB 211) allowed a redevelopment agency to delete the debt incurrence date from its redevelopment plan for those project areas that were adopted prior to December 31, 1993. The Agency removed the debt incurrence limit for certain Constituent Project Areas in September 2003, as shown in the table on the following page. The required amount of AB 1290 pass through payments was increased for the 10A Downtown Project due to the SB 211 amendment. Payments were triggered in 2004-05, which is six years sooner than would be required if the SB 211 amendment were not processed.

The Agency has also amended the Redevelopment Plan as authorized by SB 1045 and is in the process of amending the Plan per SB 1096. SB 1045 and SB 1096 required redevelopment agencies to shift funds to the Educational Revenue Augmentation Fund (ERAF). As part of the legislation, redevelopment agencies can amend certain of their redevelopment plans to extend the plan effectiveness and tax increment receipt dates by up to three years. The time limits for Plan Effectiveness and Debt Repayment shown below include these time extensions.

Constituent Project Area	Primary Land Use	Acres	Original Adoption	Last Date to Incur Debt	Time Limit for Plan	Time Limit For TI Receipt
1A Eastshore	Residential	123	8/26/1957	Deleted	1/1/2012	1/1/2022
1C Potrero	Residential	150	4/4/1960	Deleted	1/1/2012	1/1/2022
3A Galvin	Industrial	95	2/28/1955	Deleted	1/1/2012	1/1/2022
6A Harbor Gate (Original)	Industrial	118	11/8/1954	Deleted	1/1/2012	1/1/2022
8A Hensley (Original)	Industrial	90.5	5/29/1960	Deleted	1/1/2012	1/1/2022
8A Hensley (1980 Area)	Industrial	23.5	3/31/1980	Deleted	3/31/2023	3/31/2033
10A Downtown	Comm.	107	5/23/1966	Deleted	1/1/2012	1/1/2022
10B Nevin	Residential	17	9/18/1972	Deleted	9/18/2015	9/18/2025
11A Harbour	Comm.	964	6/09/1975	Deleted	6/9/2018	6/9/2028
12A North Richmond	Comm.	19	9/18/1972	Deleted	9/18/2015	9/18/2025
6A Harbor Gate (1995 Area)	Industrial	616	6/26/1995	7/26/2015	7/26/2026	7/26/2041
1A Eastshore (1999 Area)	Comm.	14	7/13/1999	7/13/2019	7/13/2030	7/13/2045
6A Harbor Gate (1999 Area)	Industrial	16	7/13/1999	7/13/2019	7/13/2030	7/13/2045
8A Hensley (1999 Area)	Residential	887	7/13/1999	7/13/2019	7/13/2030	7/13/2045
10A Downtown (1999 Area)	Comm.	174	7/13/1999	7/13/2019	7/13/2030	7/13/2045
10B Nevin (1999 Area)	Comm.	10	7/13/1999	7/13/2020	7/13/2030	7/13/2045
11A Harbour (1999 Area)	Comm.	131	7/13/1999	7/13/2020	7/13/2030	7/13/2045
10B Nevin (2005 Area)	Resid. / Indus.	1,783	7/12/2005	7/12/2025	7/12/2035	7/12/2040

Shown below are land uses by taxable value as of 2006-07 for the Project Area.

LAND USE CATEGORY SUMMARY 2006-07			
	Parcels	Taxable Value	Percent of Total
Residential	8,893	1,956,917,564	60.39%
Commercial	577	234,205,456	7.23%
Industrial	446	694,265,958	21.42%
Vacant Land	789	62,668,389	1.93%
Other	642	60,268,238	1.86%
Total Secured	11,347	3,008,325,605	92.83%
Unsecured / State Assessed		232,339,133	7.17%
Grand Total		3,240,664,738	100.00%

Property Tax Allocation Procedures

The method by which a county allocates property taxes and tax increment revenues can have a significant impact on the receipt of such revenues. Incorrectly allocated revenues can result in a redevelopment project area receiving erroneous amounts of revenue. In addition, the method a county uses to allocate delinquent taxes, roll corrections and

property tax refunds will impact the amount of tax increment received. For these reasons, Contra Costa County's procedures for the allocation of property taxes and tax increment were evaluated.

Contra Costa County calculates tax increment to redevelopment project areas by applying the current year secured tax rate to secured and unsecured incremental taxable value. The County also allocates unitary revenue to redevelopment projects. The allocation of unitary revenue is based on revenues received in 1987-88, adjusted by the actual growth or decline in unitary revenues on a countywide basis.

Tax increment is allocated based on 100 percent of the County calculated levy. The method is often referred to as the Teeter Plan. Under the Teeter Plan, taxing entities and redevelopment projects are shielded from the impact of delinquent property taxes. The County also does not adjust tax increment payments for roll corrections, such as refunds of property taxes due to successfully appealed assessments.

Section F of this Report includes a discussion of the impact of the County's allocation practices on the Project Area's tax increment revenues.

Section D – Taxable Values and Historical Revenues

Taxable Values

Property is valued as of January 1 of each year. Property which is subject to taxation is valued at 100 percent of its full cash value. Locally assessed property is appraised by the county assessor's office. The State Board of Equalization (SBE) values state assessed property.

Real property consists of land and improvements and can either appear on the secured or the unsecured roll. The secured roll includes property on which the property tax levied becomes a lien on the property to secure payment of taxes. Unsecured property does not become a lien on such property, but may become a lien on other property of the taxpayer.

Locally assessed real property is subject to the provisions of Article XIII A of the California Constitution, commonly referred to as Proposition 13. Under Proposition 13, property is valued based either on its value in 1975-76 or if newly constructed or sold after this date, then on the full cash value of the property at that time. Property values may only increase annually by an inflation factor of up to 2 percent annually. The Proposition 13 value of property is sometimes referred to as the factored base year value. Pursuant to Section 51 (b) of the Revenue and Taxation Code, assessors must enroll the lesser of the market value or the factored base year value of property.

Personal property values can be classified as either secured or unsecured property. Personal property is not subject to the provisions of Proposition 13. Personal property is appraised annually at the full cash value of the property. Absent new acquisitions, the full cash value of personal property tends to decline over time as a result of depreciation.

Fixtures, while categorized as real property and subject to the restrictions of Proposition 13, are also subject to declining values through depreciation.

State-assessed property is also not subject to the provisions of Proposition 13. Such property is valued by the SBE based on the full cash value of the property. State-assessed property is categorized as secured property and is either unitary or non-unitary property. Since 1987-88, unitary property has been reported on a countywide basis, with unitary revenues allocated to taxing entities and redevelopment projects pursuant to a formula contained in AB 454 (Chapter 921, Statutes of 1986). State-assessed non-unitary values and railroad values are reported at the local tax rate area level.

Project Area Value Trends

Table 1 shows the historical taxable values for the Merged Project Area over the past five years. Taxable values have increased from \$1.3 billion in 2002-03 to \$3.2 billion in 2006-07. The value for 2006-07 includes, for the first time, the value for the 2005 Amendment Area that was added to Project 10-B. This has had the impact of overstating actual growth in the Project Area. For this reason, we have also included Table 1.1, which excludes the value for the 2005 Amendment Area for comparative purposes. Taxable values for the balance of the Project Area have increased from \$1.2 billion in 2002-03 to \$1.9 billion in 2006-07. The total percentage change was 62.22 percent over the five-year period. The average annual percentage change in values was 12.86 percent. The analysis below does not include growth that occurred in the 2005 Amendment Area, which is discussed separately.

Secured taxable values increased by approximately \$705 million between 2002-03 and 2006-07, as shown on Table 1.1. New development added approximately \$60 million. The major new development activity was the transfer of land and the construction of 132 housing units as part of the Olson Transit Village, which added \$42 million in value.

Changes of ownership have played a significant role in the growth of assessed values during this period. In order to confirm the impact that changes of ownership have had, we analyzed ownership changes for those Constituent Projects that experienced the most rapid growth (Project 1-C, 6A 1995, 8A, 10A and 11A). Changes of ownership added a total of approximately \$250 million in new value between 2002-03 and 2006-07. The top assessee in the Project Area, Lennar Emerald Marina Shores, acquired property in 2006-07, which added almost \$89 million in new value. The number two assessee, Lennar Emerald Marina Bay LLC, converted 470 apartments into ownership condominium units. The sale of these units increased values by approximately \$40 million as of 2006-07. The remaining value for the parcels that are shown on Table 2 (Ten Major Property Tax Assesseees) for Lennar Emerald Marina Bay LLC reflects those that had not been sold as of January 1, 2005.

Smaller changes of ownership have also played a major role in the overall increase in assessed values. Between 2004-05 and 2006-07, we were able to confirm that over \$75 million in new value was added from 305 separate changes of ownership. The average

value of the parcels that changed ownership went from \$262,000 in 2004-05 to \$509,000 in 2006-07.

The balance of growth on the secured roll can be attributed to the allowable 2 percent inflation factor, other new investment activity, and numerous changes of ownership that occurred in the other Constituent Projects.

Unsecured values increased by approximately \$69.7 million between 2003-04 and 2006-07, as shown on Table 1.1. Most of this increase is attributable to the addition of personal property value for Foss Maritime Company in the amount of \$34 million in Project 11A. Another \$22.2 million is attributable to Kaiser Foundation Hospitals. Kaiser is leasing approximately 60,000 square feet of space, which is not a part of their main hospital site. Tenant improvements and the installation of equipment caused the increase in value. It should be noted that most of the other taxable value for Kaiser is currently on the secured roll and is largely exempt from taxation. Based on discussions with the Contra Costa County Assessor's Office, Kaiser has not filed for an exemption for the leased property for the last two years, and the Assessor suspects that the use (an optical lab) is not exempt from property taxes.

Secured values in Project 10-B (2005 Area) increased by \$307.2 million between 2006-07 and the base year value in 2004-05. Smaller changes of ownership were the major reason for the overall increase in assessed values. Between 2004-05 and 2006-07, we were able to confirm that over \$226 million in new value was added from 866 separate changes of ownership. The average value of the parcels that changed ownership went from \$189,600 in 2004-05 to \$450,700 in 2006-07.

A parcel verification was not performed as part of our analysis of taxable values.

Historical Tax Increment Revenues

Table 1 provides information on the historical receipt of tax increment revenues in the Merged Project Area. The initial County levy is compared to the actual receipt of tax increment (exclusive of supplemental revenues) to determine collection trends. On average, the Agency has received approximately 99.65 percent of the levy over the past four years for the Merged Project Area.

Supplemental property tax receipts are also shown on Table 1. Supplemental taxes are a function of new construction or changes of ownership since the last property tax lien date. Supplemental property taxes have ranged from \$843,229 in 2002-03 to \$1,035,633 in 2005-06. When supplemental revenues are included, the Merged Project Area has received, on average, 105.51 percent of the levy.

Top Ten Assesseees

The Top Ten Assesseees in the Project Area are summarized on Table 2. Taxable value for the Top Ten Assesseees represents 14.62 percent of the overall value of the entire Merged Project Area and 23.02 percent of the incremental value of the Merged Project Area.

Section E – Assessment Appeals

Taxpayers may appeal their property tax assessments. The value of locally assessed property is appealed to the local county assessor, while the value of state assessed property is appealed to the SBE. Both real and personal property assessments can be appealed. Personal property appeals are filed based on disputes over the full cash value of the property.

Under California law, there are two types of appeals for the value of real property. A base year appeal involves the Proposition 13 value of property. If an assessee is successful with a base year appeal, the value of the property is permanently reduced. In the future, the value can only be increased by an inflation factor of up to 2 percent annually. Appeals can also be filed pursuant to Section 51 (b) of the Revenue and Taxation Code. Under this section of the code, also referred to as Proposition 8 appeals, the value of property can be reduced due to damage, destruction, removal of property or other factors that cause a decline in value. When the circumstance that caused the decline is reversed the value of the property can be increased up to the factored base year value of the property. Values can be reduced under Proposition 8 either based on a formal appeal or they can be set by the county assessor.

Due to the impact that assessment appeals can have on the taxable values and tax increment revenues of a project area, a review of recently resolved and open appeals was conducted. The review revealed two open appeals in the Merged Project Area, as shown on the table below.

Assessee	<u>Open Appeals</u>			
	Current Roll Value	Applicants Value Opinion	Estimated Resolved (1) Value	Value Reduction
Hearst Corporation	\$16,049,622	\$3,300,000	\$12,197,713	\$3,851,909
Dicon Fiberoptics	44,044,102	27,000,000	33,473,518	10,570,584
Total	60,093,724	30,300,000	45,671,230	14,422,494

(1) See text for assumptions.

There are three open appeals for two property owner, as shown above. The owners have requested reductions in value of \$29.8 million. For purposes of the projections shown in Section F, we have estimated the potential impact of the open appeals based on success

factor ratios since 2003 in the Project Area. Over this time period, 95 appeals have been resolved. Seventy nine of these were either denied by the County or withdrawn by the property owner. Sixteen property owners were successful with their appeals. On average, reductions in value equaled 24 percent for the successful appeals. Based on this, we have assumed a 24 percent decrease in value for the open appeals. This would result in a reduction in future taxable values of \$14.4 million. For purposes of the tax increment projections discussed in Section F and shown on Table 4, we have reduced taxable value for the impact of open appeals in the 2007-08 fiscal year.

Contra Costa County does not allocate refunds attributable to assessment appeals to redevelopment project areas. Therefore, we have not reduced tax increment revenues for the impact of refunds.

Section F - Estimate of Current and Future Tax Increment Revenue

Tax increment revenues are calculated by first subtracting the base year value of a project area from the current year taxable value in order to determine the incremental taxable value of the project area. Applicable tax rates are then applied to the incremental taxable value in order to determine tax increment revenues.

Unitary revenues are allocated to each Constituent Project Area based on a formula contained in AB 454. Generally, the Agency receives unitary revenues for its project areas on the basis of amounts that were received in the prior fiscal year. The prior year allocations are adjusted annually based on changes in unitary revenue on a countywide basis.

The Agency also receives supplemental property taxes for the Constituent Project Areas on an annual basis. Due to the difficulty of estimating supplemental revenues, we have not included such revenues in the projections. Supplemental property taxes typically increase the receipt of tax increment. However, transfers of ownership and other roll corrections can sometimes trigger refunds of property taxes and cause supplemental revenues to be negative.

Current Year Revenues

Projections of current year (2006-07) tax increment revenues are shown on Table 3. The values utilized are based on actual taxable values provided by Contra Costa County. It should be noted that Projects 3-A and 6-A are not eligible to receive tax increment revenue from either secured personal property or any type of unsecured value. As a result, the values reported by the County exclude \$32.9 million in secured personal property and unsecured value attributable to these two Constituent Project Areas.

Tax increment generated from the application of the tax rate to incremental taxable value for 2006-2007 is estimated at \$22,719,000 in the Merged Project Area. Tax rates are composed of the basic one percent tax rate and debt service tax rates (tax rates levied to repay voter approved indebtedness). Debt service tax rates for 2006-07 are based on the

actual tax rates reported by the County for 2006-07. The overall tax rate that we applied to total incremental taxable value equals \$1.1485 per \$100 of assessed value. The major portion of the debt service tax rate (\$0.1400) is levied for pension obligations of the City of Richmond.

Unitary revenue for the Merged Project Area is estimated to equal \$113,000 for the 2006-07 fiscal year. The estimates are based on the County's estimate of unitary revenues in each of the Constituent Project Areas for 2006-07.

Projected Revenues

Tables 4 and 4.1 show a projection of tax increment revenues. Real property shown on the tables consists of locally reported secured and unsecured land and improvement values. The other property category includes personal property and state assessed values.

The future level of real and other property values has been estimated based on actual values reported by Contra Costa County for 2006-07 (see "Current Year Revenues" above). For 2007-08 and future fiscal years, we have used a 2 percent factor for the entire Merged Project Area for purposes of the projections shown on Table 4. That reflects the factor which assessors have been directed to use by the SBE in preparing the 2007-08 tax roll. The 2 percent factor is the maximum inflation factor that county assessors can use to increase real property values. However, in certain fiscal years, the inflation factor has been less than 2 percent overall. The other property category of value has been held constant in the projections shown on Table 4. The projections of taxable values shown on Table 4.1 have been held constant.

In addition, we have increased real property values for the Anchor Cove townhouse development, which is currently under construction in the Harbour 11A Project. The development includes 128 townhouse units that are estimated to add taxable value to the 2007-08 through 2009-10 tax roll. New development value has only been added on Table 4.

Increases in real property values have been offset by the estimated impact of open assessment appeals. Appeals are estimated to reduce real property values by \$14.4 million. Reductions have been reflected for 2007-08 in the projections shown on Table 4.

Tax increment has been estimated based on the application of the 2006-07 tax rate to the incremental taxable value of the Project Area. Debt service tax rates typically decline each year due to the growth of taxable values within the jurisdiction that levies the tax or as the debt is retired. Debt service tax rates are, in part, based on the rate levied for pension obligations for the City of Richmond, which equals \$0.1400 per \$100 of assessed value. That debt service tax rate is levied pursuant to Article XI of the City's Charter and Ordinance No. 9-99 adopted by the City Council on March 30, 1999. The levy of the tax rate does not have a specific ending date. Based on information provided by City staff, the tax rate has been levied at \$0.1400 per \$100 of assessed value since 1982-83. We

have confirmed that the rate has remained constant since 1991-92. The City also issued Pension Bonds in 1999 and 2005 that are secured by the Pension tax rate. The City is required pursuant to the Trust Agreement and Indenture of Trust to levy the tax rate through the final maturity of the Pension Bonds in January 2035. Data provided to us also shows that pension obligations are projected to require the levy of the full debt service tax rate in the future, even after the Pension Bonds are retired.

The East Bay Regional Park District also levies a debt service tax rate that equals \$0.0085 in 2006-07. That tax rate will no longer be levied after 2020-21. We have assumed that the rate would decline by 10 percent per year for purposes of the projections shown on Table 4. We have not included the debt service tax rate for the East Bay Regional Park District on Table 4.1.

The Agency is not eligible to receive tax increment from debt service tax rates that were approved by the voters after January 1, 1989. The tax rates used to estimate tax increment shown on Table 4 do not include post January 1, 1989 tax rates.

Unitary revenues shown in the projection are based on the actual 2006-07 unitary revenues reported for the Merged Project Areas, as provided by Contra Costa County. Unitary revenues have been held constant in the projection.

Section G – Adjustments and Liens on Tax Increment

The tax increment revenues of the Merged Project Area are subject to certain adjustments and liens, as described in this section. The resulting amount reflects the Available Tax Revenues, as defined in the Non-Housing Loan Agreement.

Adjustments to Revenue

One adjustment to tax increment revenues is for property tax administrative fees collected by Contra Costa County. State law allows counties to charge taxing entities, including redevelopment agencies, for the cost of administering the property tax collection system. The fees have been estimated and shown on Table 4.

Housing Set-Aside

Redevelopment agencies are required to deposit not less than 20 percent of the tax increment generated in a project area into a special fund to be used for qualified low and moderate-income housing programs. The housing set-aside deposit has been deducted from gross tax increment revenues to show estimated revenues that will be available to repay the Non-Housing Loan.

Tax Sharing Payments

Pursuant to 1994 legislation (AB 1290), the Agency is required to make payments to the affected taxing entities from the Merged Project Area. The payments are calculated

somewhat differently for the parts of the Merged Project Area that were adopted prior to AB 1290 (Pre-AB 1290) and the areas that were added after AB 1290 (6A Harbour Gate 1995 Area, and the 2000 & 2005 Amendment Areas).

The payments for the Pre-AB 1290 Constituent Project Areas are required because the financial and time limitations for the various Redevelopment Plans have been amended since AB 1290 was enacted. Payments of the pass through payments are only due on increases in tax increment revenues above levels received in certain years. These years are referred to as the “AB 1290 AV Base Year” and are different for the various Constituent Project Areas.

The table below shows, for each Pre-AB 1290 Constituent Project Area, the dates when AB 1290 pass through payments began. The table also shows the AB 1290 AV Base Year, which represents the date after which the Agency owes pass through payments on any tax increment increases.

Constituent Project Area	AB 1290 AV Base	FY Pass Thru Begins
1A Eastshore	1990-91	1999-00
1C Potrero	1999-00	2000-01
3A Galvin	1991-92	1999-00
6A Harbor Gate (Original)	1990-91	1995-96
8A Hensley (Original)	1993-94	1999-00
8A Hensley (1980 Area)	1993-94	1999-00
10A Downtown	2003-04	2004-05
10B Nevin	2002-03	2003-04
12A North Richmond	2002-03	2003-04
11 A Harbour	2003-04	2004-05

For the 1995 Harbour Gate Area and the 1999 & 2005 Amendment Areas, pass through payments are due based on the total tax increment generated in those areas. The pass through payments for all Projects are based on a three tier formula, and payments are made after the Agency’s deposit to its housing set-aside. The table below shows the calculation methodology.

Tier	Payment Required
Tier 1	<p><u>Pre-AB 1290 Projects:</u> 20% of the gross tax increment attributable to increases above the AB 1290 AV Base assessed values during the remaining term the Agency receives tax increment.</p> <p><u>Post-AB 1290 Projects:</u> 20% of total tax increment during the entire term the Agency receives tax increment.</p>

Tier 2	<p><u>Pre-AB 1290 Projects:</u> Beginning in the 11th year after the AB 1290 pass through was triggered, an additional payment equal to 16.8% of the gross tax increment attributable to growth above levels in the 10th year after the AB 1290 pass through was triggered.</p> <p><u>Post-AB 1290 Projects:</u> Beginning in the 11th year, an additional payment equal to 16.8% of the tax increment attributable to growth above year 10 levels.</p>
Tier 3	<p><u>Pre-AB 1290 Projects:</u> No Tier 3 payments are due since the Project Areas will no longer be receiving tax increment in the year in which this tier is triggered.</p> <p><u>Post-AB 1290 Projects:</u> Beginning in the 31st year, an additional payment equal to 11.2% of the tax increment attributable to growth above year 30 levels.</p>

We have noted two inconsistencies in the County’s calculation of the AB 1290 pass through payments, including:

1. The County does not include any tax increment generated from debt service tax rates in the tax sharing payment amount.
2. Payments should have begun for Project 10-A and 11-A in 2004-05.

We estimate that the County method understated tax sharing payments by approximately \$378,000 for 2005-06. For purposes of the tax sharing payment amounts shown on Tables 4, we have corrected for each of these problems and shown the amounts that we estimate are owed.

Senior Harbour Debt Service

The Agency issued tax allocation bonds in 1991 and 1998 that have a senior lien on certain tax increment revenues generated in the Harbour 11A Project. Maximum Annual Debt Service on those bond issues has been deducted in order to determine Post-2004 Pledged Tax Revenues.

Senior Merged Area Debt Service

The pledge of tax increment revenues under the Non-Housing Loan Agreement are subordinate to the Senior Merged Area Debt Service. The Senior Merged Area Debt Service includes payments due under the Agency's 2003 Loan Agreement and the Pre-2004 Loan Agreement. However, coverage is calculated on the basis of Available Tax Revenues, which includes the Senior Merged Area Debt Service, so we have not reduced the tax increment revenues shown on Table 4 or Table 4.1 for the Senior Merged Area Debt Service.

Section H – Other Issues

The CRL requires that as a part of the Agency's annual audit, that the legislative body be informed of any major violations of the CRL. Major violations include failure to: 1) File an independent financial audit and fiscal statement; 2) Establish time limits for each project area; 3) Establish a low and moderate income housing fund and accrue interest to the fund; 4) Determine that planning and administrative costs charged to the Housing Fund are necessary for the production, preservation, or improvement of affordable housing; 5) Initiate development of housing on real property acquired from the low and moderate income housing fund; and 6) Adopt an implementation plan. No instances of non-compliance were noted in the audit.

Educational Revenue Augmentation Fund (ERAF)

Due to shortfalls in the state budget, legislation was approved that required redevelopment agencies statewide to shift \$75 million of tax increment revenues to ERAF in 2002-03, \$135 million in 2003-04 and \$250 million for 2004-05 and 2005-06. The shift to ERAF offset the need for a similar amount of state aid to education. Half of the shift was calculated on the basis of the gross tax increment of a project area and the other half on net revenues after tax sharing payments. There is no current requirement for an ERAF payment in 2006-07 or any future fiscal year. The Agency reports that prior ERAF contributions were made in the amounts shown in the table below:

Fiscal Year	
2002-03	\$360,210
2003-04	\$635,637
2004-05	\$1,204,003
2005-06	\$1,167,821

Table 1
 Richmond Redevelopment Agency
 Merged Project Area

Historical Taxable Values and Tax Increment Revenues (1)

Description	2002/03	2003/04	% Change	2004/05	% Change	2005-06	% Change	2006-07 (3)	% Change
Secured	1,192,561,854	1,385,790,906	16.20%	1,451,720,473	4.76%	1,614,074,406	11.18%	3,013,490,161	86.70%
Utility Roll	1,905,016	5,995,261	0.00%	3,279,581	0.00%	3,492,968	0.00%	4,373,439	0.00%
Unsecured	99,591,242	128,938,843	29.47%	163,232,370	26.60%	145,455,195	-10.89%	216,205,943	48.64%
TOTAL VALUE	1,294,058,112	1,520,725,010	17.52%	1,618,232,424	6.41%	1,763,022,569	8.95%	3,234,069,543	83.44%
Base Year Value	281,225,459	426,143,038		426,143,038		426,143,038		1,256,027,439	
Incremental Value	1,012,832,653	1,094,581,972		1,192,089,386		1,336,879,531		1,978,042,104	
Tax Increment Levy	11,613,183	12,541,764		13,658,942		15,317,926		22,719,173	
Unitary Revenue	114,595	119,645		116,546		123,702		113,069	
Less Pass Through (3)	(178,245)	(239,420)		(324,149)		(434,072)		0	
Less Admin Fee (3)	(126,128)	(113,439)		(129,843)		(131,967)		0	
TOTAL LEVY	\$11,423,405	\$12,308,550		\$13,321,496		\$14,875,589		\$22,832,242	
Actual Receipts, less Supplemental Revenue	11,426,101	12,301,423		13,240,987		14,777,511		N/A	
PERCENTAGE OF LEVY	100.02%	99.94%		99.40%		99.34%		N/A	
Supplemental Revenues	843,229	441,053		723,246		1,035,633		N/A	
TOTAL RECEIPTS	12,269,330	12,742,476		13,964,233		15,813,144		N/A	
PERCENTAGE OF LEVY	107.41%	103.53%		104.82%		106.30%		N/A	

Total Percentage Assessed Value Change (2)	36.24%
Average Percentage Assessed Value Change (2)	10.86%
Average Receipts as a Percentage of Levy Without Supplementals	99.65%
Average Receipts as a Percentage of Levy With Supplementals	105.51%

(1) Includes the entire Merged Project Area.

(2) Comparison between 2002-03 and 2005-06. The value for 2006-07 includes area added in 2005 (Area 10B) and overstates the growth. Table 1.2 shows trend excluding Area 10B.

(3) Actual amounts from County for 2006-07 not yet available.

Table 1.1
 Richmond Redevelopment Agency
 Merged Project Area

Historical Taxable Values and Tax Increment Revenues - Excluding Area 10B 2005 (1)

Description	2002/03	2003/04	% Change	2004/05	% Change	2005-06	% Change	2006-07 (3)	% Change
Secured	1,192,561,854	1,385,790,906	16.20%	1,451,720,473	4.76%	1,614,074,406	11.18%	1,897,239,531	17.54%
Utility Roll	1,905,016	5,995,261	0.00%	3,279,581	0.00%	3,492,968	0.00%	3,331,217	0.00%
Unsecured	99,591,242	128,938,843	29.47%	163,232,370	26.60%	145,455,195	-10.89%	198,682,615	36.59%
TOTAL VALUE	1,294,058,112	1,520,725,010	17.52%	1,618,232,424	6.41%	1,763,022,569	8.95%	2,099,253,363	19.07%
Base Year Value	281,225,459	426,143,038		426,143,038		426,143,038		428,675,534	
Incremental Value	1,012,832,653	1,094,581,972		1,192,089,386		1,336,879,531		1,670,577,829	
Tax Increment Levy	11,613,183	12,541,764		13,658,942		15,317,926		19,187,946	
Unitary Revenue	114,595	119,645		116,546		123,702		113,069	
Less Pass Through (2)	(178,245)	(239,420)		(324,149)		(434,072)		0	
Less Admin Fee (2)	(126,128)	(113,439)		(129,843)		(131,967)		0	
TOTAL LEVY	\$11,423,405	\$12,308,550		\$13,321,496		\$14,875,589		\$19,301,015	
Actual Receipts, less Supplemental Revenue	11,426,101	12,301,423		13,240,987		14,777,511		N/A	
PERCENTAGE OF LEVY	100.02%	99.94%		99.40%		99.34%		N/A	
Supplemental Revenues	843,229	441,053		723,246		1,035,633		N/A	
TOTAL RECEIPTS	12,269,330	12,742,476		13,964,233		15,813,144		N/A	
PERCENTAGE OF LEVY	107.41%	103.53%		104.82%		106.30%		N/A	

Total Percentage Assessed Value Change	62.22%
Average Percentage Assessed Value Change	12.86%
Average Receipts as a Percentage of Levy Without Supplementals	99.65%
Average Receipts as a Percentage of Levy With Supplementals	105.51%

(1) Excludes Project 10B 2005 for comparative purposes.
 (2) Actual amounts from County for 2006-07 not yet available.

Table 2
 Richmond Redevelopment Agency
 Merged Project Area

TEN MAJOR PROPERTY TAX ASSESSEES

Assessee	Type of Use	Secured	Unsecured	2006-07 Taxable Value (1)	% of Total Value (2)	% of Inc Value (2)
1) Lennar Emerald Marina Shores	Residential	\$156,726,225	\$175,000	\$156,901,225	4.85%	7.93%
2) Lennar Emerald Marina Bay LLC	Residential	50,742,204	265,000	51,007,204	1.58%	2.58%
3) Cherokee Simeon Venture I LLC	Commercial	44,987,470	0	44,987,470	1.39%	1.39%
4) Dicon Fiberoptics Inc.	Industrial	44,044,102	0	44,044,102	1.36%	2.23%
5) Foss Maritime Company	Unsecured	0	34,369,332	34,369,332	1.06%	1.74%
6) California Fats & Oils Inc.	Industrial	34,095,361	0	34,095,361	1.05%	1.72%
7) Kaiser Foundation Hospital	Hospital	8,595,430	24,573,551	33,168,981	1.03%	1.68%
8) BP West Coast Products	Industrial	25,047,078	1,765,468	26,812,546	0.83%	1.36%
9) Tosco Corporation	Industrial	26,346,985	365,273	26,712,258	0.83%	1.35%
10) GATX Terminals Corporation	Industrial	20,694,977	0	20,694,977	0.64%	1.05%
Total Valuation		\$411,279,832	\$61,513,624	\$472,793,456	14.62%	23.02%

(1) Based on ownership of locally-assessed secured and unsecured property.

(2) Based on 2006-07 Project Area taxable value of \$3,234,069,543 and incremental value of \$1,978,042,104.

Table 3
 Richmond Redevelopment Agency
 Merged Project Area

ESTIMATE OF TAX INCREMENT REVENUE FOR FISCAL YEAR 2006-07

	<u>Taxable Value (1)</u>
<u>Local Secured</u>	
Land	1,250,477,444
Improvements	1,926,894,223
Personal Property	28,279,363
Gross Local Secured	3,205,651,030
Exempt	192,160,869
Net Local Secured	3,013,490,161
State Assessed	4,373,439
<u>Unsecured</u>	
Land	17,728,100
Improvements	61,709,994
Personal Property	146,042,973
Total Unsecured	225,481,067
Exempt	9,275,124
Net Unsecured	216,205,943
Total Value	3,234,069,543
Base Year Taxable Value	1,256,027,439
Incremental Taxable Value	1,978,042,104
Tax Increment (2)	22,719,173
Unitary Tax Increment	113,069
Total Tax Increment Revenue	22,832,242
<u>Adjustments to Tax Increment Revenue:</u>	
Property Tax Administration Fees (3)	205,605
<u>Liens on Tax Increment</u>	
Housing Set-Aside (4)	4,566,142
AB 1290 Tax Sharing (5)	2,311,294
Senior Harbour Debt Service (6)	2,336,563
Available Tax Revenues	\$13,412,638

- (1) Based on taxable values per Contra Costa County Auditor-Controller.
- (2) Calculated based on the application of the total tax rate to incremental value.
- (3) Estimated based on percentage that 2005-06 actual amount represented to total tax increment.
- (4) Based on 20 percent of total tax increment revenue net of adjustments.
- (5) Tax sharing payments per the provisions of AB 1290.
- (6) Maximum annual debt service on Senior Harbour bonds.

Table 4
 Richmond Redevelopment Agency
 Merged Project Area

**PROJECTION OF INCREMENTAL TAX REVENUE
 COMBINED PROJECT AREA
 (000's Omitted)**

Fiscal Year	Real (1) Property	New (2) Development	Total Real Property	Other (3) Property	Total Value	Value Over Base Of \$1,256,027	Tax (4) Increment	Unitary (5) Revenue	Total Tax Increment Revenue	Property Tax (6) Admin Fee	Housing Set-Aside	AB 1290 (7) Tax Sharing Payments	Net Tax Revenues	Senior Harbour (8) Debt Service	Available Tax Revenues
2006 - 2007	N/A	N/A	\$3,064,649	\$169,421	\$3,234,070	\$1,978,042	\$22,718	\$113	\$22,831	\$206	\$4,566	\$2,311	\$15,748	\$2,337	\$13,411
2007 - 2008	3,111,231	16,000	3,127,231	169,421	3,296,651	2,040,624	23,419	113	23,532	212	4,706	2,468	16,146	2,337	13,809
2008 - 2009	3,189,775	22,400	3,212,175	169,421	3,381,596	2,125,568	24,378	113	24,491	220	4,898	2,667	16,705	2,337	14,369
2009 - 2010	3,276,419	25,600	3,302,019	169,421	3,471,439	2,215,412	25,393	113	25,506	230	5,101	2,877	17,298	2,337	14,961
2010 - 2011	3,368,059	0	3,368,059	169,421	3,537,480	2,281,452	26,136	113	26,249	236	5,250	3,039	17,724	2,337	15,387
2011 - 2012	3,435,420	0	3,435,420	169,421	3,604,841	2,348,813	26,894	113	27,007	243	5,401	3,225	18,137	2,337	15,801
2012 - 2013	3,504,129	0	3,504,129	169,421	3,673,549	2,417,522	27,669	113	27,782	250	5,556	3,416	18,560	2,337	16,223
2013 - 2014	3,574,211	0	3,574,211	169,421	3,743,632	2,487,604	28,460	113	28,573	257	5,715	3,610	18,991	2,337	16,655
2014 - 2015	3,645,695	0	3,645,695	169,421	3,815,116	2,559,089	29,267	113	29,380	265	5,876	3,813	19,427	2,337	17,090
2015 - 2016	3,718,609	0	3,718,609	169,421	3,888,030	2,632,002	30,092	113	30,204	272	6,041	4,065	19,826	2,337	17,490
2016 - 2017	3,792,981	0	3,792,981	169,421	3,962,402	2,706,375	30,933	113	31,046	280	6,209	4,323	20,234	2,337	17,898
2017 - 2018	3,868,841	0	3,868,841	169,421	4,038,262	2,782,234	31,792	113	31,905	287	6,381	4,638	20,599	2,337	18,262
2018 - 2019	3,946,218	0	3,946,218	169,421	4,115,639	2,859,611	32,668	113	32,781	295	6,556	4,959	20,971	2,337	18,634
2019 - 2020	4,025,142	0	4,025,142	169,421	4,194,563	2,938,535	33,563	113	33,676	303	6,735	5,286	21,351	2,337	19,014
2020 - 2021	4,105,645	0	4,105,645	169,421	4,275,066	3,019,038	34,476	113	34,589	311	6,918	5,620	21,739	2,337	19,402
2021 - 2022	3,559,661	0	3,559,661	142,097	3,701,758	2,484,194	28,320	65	28,385	256	5,677	5,012	17,441	2,337	15,104
2022 - 2023	3,630,854	0	3,630,854	142,097	3,772,951	2,555,387	29,131	65	29,197	263	5,839	5,311	17,784	2,337	15,447
2023 - 2024	3,703,471	0	3,703,471	142,097	3,845,568	2,628,004	29,959	65	30,025	270	6,005	5,615	18,134	0	18,134
2024 - 2025 (9)	3,741,749	0	3,741,749	142,097	3,883,846	2,668,011	30,415	61	30,477	274	6,095	5,856	18,251	0	18,251
2025 - 2026	2,376,227	0	2,376,227	46,700	2,422,928	1,258,412	14,346	6	14,352	129	2,870	3,771	7,582	0	7,582
2026 - 2027	2,423,752	0	2,423,752	46,700	2,470,452	1,305,936	14,888	6	14,894	134	2,979	3,970	7,811	0	7,811
2027 - 2028	2,472,227	0	2,472,227	46,700	2,518,927	1,354,411	15,440	6	15,446	139	3,089	4,179	8,039	0	8,039
2028 - 2029	2,521,672	0	2,521,672	46,700	2,568,372	1,403,856	16,004	6	16,010	144	3,202	4,393	8,271	0	8,271
2029 - 2030	2,572,105	0	2,572,105	46,700	2,618,805	1,454,289	16,579	6	16,585	149	3,317	4,610	8,508	0	8,508
2030 - 2031	2,623,547	0	2,623,547	46,700	2,670,247	1,505,731	17,165	6	17,171	155	3,434	4,832	8,750	0	8,750
2031 - 2032	2,676,018	0	2,676,018	46,700	2,722,718	1,558,202	17,764	6	17,770	160	3,554	5,073	8,982	0	8,982
2032 - 2033	2,729,538	0	2,729,538	46,700	2,776,238	1,611,723	18,374	6	18,380	166	3,676	5,290	9,248	0	9,248
2033 - 2034	2,784,129	0	2,784,129	46,700	2,830,829	1,666,313	18,996	6	19,002	171	3,800	5,570	9,460	0	9,460
2034 - 2035	2,839,812	0	2,839,812	46,700	2,886,512	1,721,996	19,631	6	19,637	177	3,927	5,826	9,706	0	9,706
2035 - 2036	2,896,608	0	2,896,608	46,700	2,943,308	1,778,792	20,278	6	20,284	183	4,057	6,087	9,957	0	9,957
2036 - 2037	2,954,540	0	2,954,540	46,700	3,001,240	1,836,724	20,939	6	20,945	189	4,189	6,354	10,213	0	10,213

- (1) Prior Year Real Property increased by 2 percent per year. The value for 2007-08 has been reduced for open appeals.
- (2) Based on 128 unit Anchor Cove townhouse development.
- (3) Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property.
- (4) Based on the application of Project Area tax rates to the total incremental taxable value.
- (5) Based on amount reported by Contra Costs County for 2006-07.
- (6) Property tax administration fees are based on 1 percent of tax increment, which is the percentage that such fees represented in 2005-06.
- (7) Tax sharing payments per AB 1290.
- (8) Maximum annual debt service on Senior Harbour bonds.
- (9) Reflects year in which tax increment limit is projected to be reached for a portion of the Project Area.

Table 4.1
 Richmond Redevelopment Agency
 Merged Project Area

**PROJECTION OF INCREMENTAL TAX REVENUE
 COMBINED PROJECT AREA**
 ('000's Omitted)

Fiscal Year	Real (1) Property	New (2) Development	Total Real Property	Other (3) Property	Total Value	Value Over Base Of \$1,256,027	Tax (4) Increment	Unitary (5) Revenue	Total Tax Increment Revenue	Property Tax (6) Admin Fee	Housing Set-Aside	AB 1290 (7) Tax Sharing Payments	Net Tax Revenues	Senior Harbour (8) Debt Service	Available Tax Revenues
2006 - 2007	N/A	N/A	\$3,064,649	\$169,421	\$3,234,070	\$1,978,042	\$22,550	\$113	\$22,663	\$204	\$4,533	\$2,294	\$15,632	\$2,337	\$13,295
2007 - 2008	3,064,649	0	3,064,649	169,421	3,234,070	1,978,042	22,550	113	22,663	204	4,533	2,294	15,632	2,337	13,295
2008 - 2009	3,064,649	0	3,064,649	169,421	3,234,070	1,978,042	22,550	113	22,663	204	4,533	2,294	15,632	2,337	13,295
2009 - 2010	3,064,649	0	3,064,649	169,421	3,234,070	1,978,042	22,550	113	22,663	204	4,533	2,294	15,632	2,337	13,295
2010 - 2011	3,064,649	0	3,064,649	169,421	3,234,070	1,978,042	22,550	113	22,663	204	4,533	2,294	15,632	2,337	13,295
2011 - 2012	3,064,649	0	3,064,649	169,421	3,234,070	1,978,042	22,550	113	22,663	204	4,533	2,294	15,632	2,337	13,295
2012 - 2013	3,064,649	0	3,064,649	169,421	3,234,070	1,978,042	22,550	113	22,663	204	4,533	2,294	15,632	2,337	13,295
2013 - 2014	3,064,649	0	3,064,649	169,421	3,234,070	1,978,042	22,550	113	22,663	204	4,533	2,294	15,632	2,337	13,295
2014 - 2015	3,064,649	0	3,064,649	169,421	3,234,070	1,978,042	22,550	113	22,663	204	4,533	2,294	15,632	2,337	13,295
2015 - 2016	3,064,649	0	3,064,649	169,421	3,234,070	1,978,042	22,550	113	22,663	204	4,533	2,294	15,632	2,337	13,295
2016 - 2017	3,064,649	0	3,064,649	169,421	3,234,070	1,978,042	22,550	113	22,663	204	4,533	2,294	15,632	2,337	13,295
2017 - 2018	3,064,649	0	3,064,649	169,421	3,234,070	1,978,042	22,550	113	22,663	204	4,533	2,294	15,632	2,337	13,295
2018 - 2019	3,064,649	0	3,064,649	169,421	3,234,070	1,978,042	22,550	113	22,663	204	4,533	2,294	15,632	2,337	13,295
2019 - 2020	3,064,649	0	3,064,649	169,421	3,234,070	1,978,042	22,550	113	22,663	204	4,533	2,294	15,632	2,337	13,295
2020 - 2021	3,064,649	0	3,064,649	169,421	3,234,070	1,978,042	22,550	113	22,663	204	4,533	2,294	15,632	2,337	13,295
2021 - 2022	2,594,111	0	2,594,111	142,097	2,736,209	1,518,644	17,313	65	17,378	156	3,476	1,916	11,830	2,337	9,493
2022 - 2023	2,594,111	0	2,594,111	142,097	2,736,209	1,518,644	17,313	65	17,378	156	3,476	1,916	11,830	0	11,830
2023 - 2024	2,594,111	0	2,594,111	142,097	2,736,209	1,518,644	17,313	65	17,378	156	3,476	1,916	11,830	0	11,830
2024 - 2025	2,569,052	0	2,569,052	142,097	2,711,149	1,495,314	17,047	61	17,108	154	3,422	1,883	11,649	0	11,649
2025 - 2026	2,569,052	0	2,569,052	142,097	2,711,149	1,495,314	17,047	61	17,108	154	3,422	1,883	11,649	0	11,649
2026 - 2027	2,569,052	0	2,569,052	142,097	2,711,149	1,495,314	17,047	61	17,108	154	3,422	1,883	11,649	0	11,649
2027 - 2028	2,569,052	0	2,569,052	142,097	2,711,149	1,495,314	17,047	61	17,108	154	3,422	1,883	11,649	0	11,649
2028 - 2029	1,635,357	0	1,635,357	47,018	1,682,375	517,592	5,901	7	5,907	53	1,181	1,171	3,502	0	3,502
2029 - 2030	1,635,357	0	1,635,357	47,018	1,682,375	517,592	5,901	7	5,907	53	1,181	1,171	3,502	0	3,502
2030 - 2031	1,631,116	0	1,631,116	46,700	1,677,816	513,300	5,852	6	5,858	53	1,172	1,170	3,463	0	3,463
2031 - 2032	1,631,116	0	1,631,116	46,700	1,677,816	513,300	5,852	6	5,858	53	1,172	1,170	3,463	0	3,463
2032 - 2033	1,631,116	0	1,631,116	46,700	1,677,816	513,300	5,852	6	5,858	53	1,172	1,170	3,463	0	3,463
2033 - 2034	1,631,116	0	1,631,116	46,700	1,677,816	513,300	5,852	6	5,858	53	1,172	1,170	3,463	0	3,463
2034 - 2035	1,631,116	0	1,631,116	46,700	1,677,816	513,300	5,852	6	5,858	53	1,172	1,170	3,463	0	3,463
2035 - 2036	1,631,116	0	1,631,116	46,700	1,677,816	513,300	5,852	6	5,858	53	1,172	1,170	3,463	0	3,463
2036 - 2037	1,631,116	0	1,631,116	46,700	1,677,816	513,300	5,852	6	5,858	53	1,172	1,170	3,463	0	3,463

- (1) Prior Year Real Property held constant.
- (2) No new development included in the projections.
- (3) Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property.
- (4) Based on the application of Project Area tax rates to the total incremental taxable value. Excludes tax rate levied by East Bay Regional Park District.
- (5) Based on amount reported by Contra Costs County for 2006-07.
- (6) Property tax administration fees are based on 1 percent of tax increment, which is the percentage that such fees represented in 2005-06.
- (7) Tax sharing payments per AB 1290.
- (8) Maximum annual debt service on Senior Harbour bonds.

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APPENDIX I

**BASIC FINANCIAL STATEMENTS OF THE AGENCY
FOR THE FISCAL YEAR ENDING JUNE 30, 2006**

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**CITY OF RICHMOND
REDEVELOPMENT AGENCY**

**COMPONENT UNIT FINANCIAL STATEMENTS
FOR YEAR ENDED
JUNE 30, 2006**

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RICHMOND REDEVELOPMENT AGENCY
Component Unit Financial Statements
For year ended June 30, 2006

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RICHMOND REDEVELOPMENT AGENCY
Component Unit Financial Statements
For year ended June 30, 2006

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INDEPENDENT AUDITORS' REPORT

Members of the City of Richmond
Redevelopment Agency
Richmond, California

We have audited the accompanying component unit financial statements of the governmental activities and each major fund of the City of Richmond Redevelopment Agency, a component unit of the City of Richmond, for the year ended June 30, 2006, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These component unit financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the component unit financial statements referred to above present only the Agency and are not intended to present the financial position of the City of Richmond and the results of its operations in conformity with generally accepted accounting principles of the United States of America.

In our opinion, the component unit financial statements referred to above present fairly in all material respects the financial position of the governmental activities, each major fund of the City of Richmond Redevelopment Agency as of June 30, 2006 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles of the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2006 on our consideration of the Agency's internal control structure and on its compliance with laws and regulations.

Management's Discussion and Analysis and the Budget and Actual Statement for the General Fund are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the component unit financial statements of the City of Richmond Redevelopment Agency. Such information has been subjected to the auditing procedures applied in our audit of the component unit financial statements, and in our opinion is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.

Maze and Associates

December 15, 2006

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Richmond Community Redevelopment Agency's financial performance provides an overview of the Agency's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

USING THIS ANNUAL REPORT

This Annual Financial Report consists of the Financial Section, which includes Management's Discussion and Analysis (this part) as well as:

- The Basic Financial Statements, which include the Government-Wide and the Fund Financial Statements
- Notes to these financial statements
- Required Supplemental Information

The financial statements presented herein include all of the activities of the Richmond Community Redevelopment Agency of the City of Richmond (Agency) using the integrated approach as prescribed by GASB Statement No. 34.

FINANCIAL HIGHLIGHTS

Blight eliminating, property enhancing and economic development projects financed and/or sponsored by the Agency during the year included:

- Project activities that will increase tax increment creation included the Terminal One, Northshore and Westshore residential projects, as well as the East Macdonald I-80 Shopping Center, Transit Village, 12th and Macdonald mixed-use development.
- Commenced construction on a \$6.0 million Intermodal Station Building at the Transit Village to be completed in the first quarter of 2007.
- Completed the development documents and entitlements for the three commercial pads, approximately 15,000 square feet, on the west side of the Transit Village. Construction to commence in February 2007.
- Commenced design of the 800 space parking structure at the Transit Village to enable Phase II of the project to begin, including parcels now used as surface parking on the eastern portion of the BART station.
- Worked with the project developer to attract several new tenants to the Ford Assembly Building; approximately 80% of this 565,000 square foot building is now under lease.
- Completed the remediation of the Terminal One site, surpassing clean-up standards set by Department of Toxic Substances Control (DTSC).

- Facilitated the completion of the Terminal One project entitlements, clearing the way for site acquisition by the project developer and the development of approximately 320 condominium units on a former Brownfield site.
- Designed, bid and constructed the eastern segment of the Macdonald Avenue streetscape improvements from 39th Street to San Pablo Avenue at a cost of \$3.4 million
- Completed 90% design drawings for Phase II of the Macdonald Avenue streetscape improvements, a 19 block segment from Garrard Boulevard to 19th Street.
- Drafted an RFP for circulation in early 2007 for the design of the remaining segments of the Macdonald Avenue streetscape improvements from 19th Street, through the Civic Center area and connecting at 41st Street.
- Completed the acquisition of all parcels for the mixed-used project by A.F. Evans, located at 12th and Macdonald Avenue in downtown Richmond, to include 237 for sale residential condominiums and 24,000 square feet of retail space.
- Completed the design of Phase I improvements of Harbour Way South from Hall Avenue to the shoreline and committed \$800,000 in construction funds from the Agency for this effort. Project under construction and is scheduled for completion in April 2007.
- Executed a contract and transferred the property at 19th and Macdonald to a property owner relocated from the 12th and Macdonald Avenue mixed-use project site.
- Entered into 25 contracts to assist commercial property owners with exterior improvements to their businesses. Loans total \$500,000
- Entered into the phase 1-A agreement for the design, entitlement, demolition and abatement work for the Civic Center Project. Work underway for the 1-A component with the 1-B work, approximately \$78 million, scheduled to commence following City Council authorization in April 2007.
- Finalized property acquisitions and relocations as part of the 160,000 square foot Target project. Building demolition is underway with construction to commence in Spring 2007
- Initiated the design and community participation effort as part of the Nevin Park revitalization program.
- Finalizing site remediation of a 1.7 acre parcel in Marina Bay under the direction of DTSC. Remediation effort will allow site development as part of a Master Development Agreement. Clean up costs are expected to be approximately \$950,000.
- Continuing to support road reconstruction program throughout the redevelopment project areas. \$1 million spent in 2006.

The Basic Financial Statements – Reporting the Agency as a Whole

The Basic Financial Statements comprise the Government-Wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the Agency's financial activities and financial position.

The Government-Wide Financial Statements provide a longer-term view of the Agency's activities as a whole, and comprise the *Statement of Net Assets* and the *Statement of Activities and Changes in Net Assets*. The *Statement of Net Assets* provides information about the financial position of the Agency as a whole, including all capital assets and long-term liabilities on the full accrual basis of accounting. Over time, increases or decreases in the Agency's net assets may serve as an indicator of the Agency's *overall* financial health. Other factors to consider are changes in the Agency's property tax base and the ability to meet debt service payments. The *Statement of Activities and Changes in Net Assets* provides information about all of the Agency's revenues and all of its expenses, also on the full accrual basis, with the emphasis on measuring net revenues and expenses of each of the Agency's programs. The Statement of Activities explains in detail the changes in Net Assets for the year.

In the *Statement of Net Assets* and the *Statement of Activities and Changes in Net Assets*, the Agency's activities are separated as follows:

Governmental Activities – all of the Agency's basic services are considered to be governmental activities, including development services and interest on long-term debt.

Government-Wide Financial Statements - are prepared on the accrual basis, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Reporting the Agency's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the Agency's funds. Some funds are required to be established by State law and by bond covenants. However, the Agency Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

- *Governmental funds* – all of the Agency's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the Agency's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. Capital assets and other long-lived assets, along with long-term liabilities are not presented in the Governmental Fund Financial Statements. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities and Changes in Net Assets) and Governmental Fund Financial Statements are explained in a reconciliation schedule following each Governmental Fund Financial Statement.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* concerning the Agency's budgetary principals and comparison schedules for the General Fund.

THE AGENCY AS A WHOLE

The Agency's combined Net Assets at June 30, 2006 were:

**Table 1
Net Assets
Governmental Activities**

	2006	2005	Increase (Decrease)
Current and Other Assets	\$ 49,793,104	\$ 47,183,676	\$ 2,609,428
Loans Receivable	18,670,999	15,697,668	2,973,331
Capital Assets, net of depreciation	37,378,216	18,845,025	18,533,191
Total Assets	105,842,319	81,726,369	24,115,950
Current Liabilities	4,451,942	3,410,323	1,041,619
Advances from the City	-	6,672,700	(6,672,700)
Due to the City	7,687	-	7,687
Long-term Debt:			
Due within one year	3,866,676	2,280,000	1,586,676
Due in more than one year	98,839,245	91,970,668	6,868,577
Total Liabilities	107,165,550	104,333,691	2,831,859
Net Assets (Deficit):			
Restricted for:			
Debt Service	2,478,820	2,259,184	219,636
Low and Moderate Income Housing	11,674,830	11,990,240	(315,410)
Unrestricted	(15,476,881)	(36,856,746)	21,379,865
Total Net Assets (Deficit)	\$ (1,323,231)	\$ (22,607,322)	\$ 21,284,091

- The Agency's net assets increased \$21,284,091 from negative \$22,607,322 to negative \$1,323,231 as a result of this year's operations. This is due to an increase of \$24,115,950 in assets partially offset by an increase to liabilities of \$2,831,859.
- The \$24,115,950 increase to assets consisted of increases to current and other assets, loans receivable and capital assets of \$2,609,428, \$2,973,331 and \$18,533,191, respectively. The increase to current and other assets was due primarily to managing the Agency's interest rate risk. The increase to loans receivable was due substantially to loans receivable of \$2,687,321 for the Ford Point Building Loan to

fund improvements to the Ford Assembly Building, CALHome Loans of \$113,775 to provide the housing assistance to Richmond residents and a Richmond Housing Authority Loan of \$174,067 to assist the Housing Authority with its lease payments for the 2003A-S Multifamily Housing Revenue Bonds. The increase to capital assets was due to an increase of \$10,147,772 to construction in progress of \$4,031,441 for Metrowalk (Transit village), \$3,903,795 for the Ford Building, \$2,124,630 for Terminal One, and \$87,846 of capital improvements to a variety of other projects. The increase to capital assets was also due to Land and Land Improvements of \$8,781,552 comprised of the following land purchases: \$6,120,000 for the Miraflores site, \$1,380,815 for a former KFC site, \$651,295 for 400 Macdonald Avenue, \$345,573 for 300 Macdonald Avenue, and \$283,869 for 1421 Nevin Avenue. Capital Asset additions are offset by Sales of Land and Land Improvements of \$209,477.

- The \$2,831,859 increase to liabilities was due primarily to an \$8,455,253 increase to long-term debt offset by a \$6,672,700 decrease in advances from the City of Richmond. The reduction in advances from the City of Richmond was the result of using \$6,672,700 of the Urban Development Action Grant for allowable activities under the Marina Bay Master Agreement. Some of these activities include infrastructure and parks such as Marina Way South and Lucretia Edwards Park, and railroad crossings at various sites within Marina Bay and Marina Bay Trails.

Governmental Activities

Table 2 presents the revenues and expenses for the Agency as a whole.

Table 2
Revenue and Expenses
Governmental Activities

	2006	2005	Increase/ (Decrease)
Revenues:			
<i>Program Revenues:</i>			
Capital Grants and Contributions	\$ 2,336,589	\$ 1,155,281	\$ 1,181,308
Charges for Services	3,145,300	-	3,145,300
Settlement Reimbursement	4,226,289	-	4,226,289
<i>General Revenues:</i>			
Property Taxes	15,925,961	14,065,091	1,860,870
Developer Revenue Sharing	3,254,620	-	3,254,620
Investment Earnings	1,889,963	1,212,584	677,379
Miscellaneous and Transfers	7,121,318	2,772,979	4,348,339
Gain on Sale of Land	-	10,256,877	(10,256,877)
Total General Revenues	<u>28,191,862</u>	<u>28,307,531</u>	<u>(115,669)</u>
Total Revenues	<u>37,900,040</u>	<u>29,462,812</u>	<u>8,437,228</u>
Expenses:			
Housing and Redevelopment	11,209,180	8,129,710	3,079,470
Interest on Long-Term Debt	5,406,769	6,001,987	(595,218)
Total Expenses	<u>16,615,949</u>	<u>14,131,697</u>	<u>2,484,252</u>
Increase (Decrease) in Net Assets	<u>\$ 21,284,091</u>	<u>\$ 15,331,115</u>	<u>\$ 5,952,976</u>

Program and general revenues increased by \$8,437,228.

- Property taxes increased \$1,860,870 from an increase in property values resulting from the Agency's blight eliminating and other property enhancing activities and from property taxes from the sale of condominium conversions and single family residences to homebuyers.
- Developer Revenue Sharing increased by \$3,254,620 due to conversion of apartment complexes in the Marina Bay area to ownership condominiums activating the 1.5% Agency Participation Agreement with the developer on all initial and subsequent sales.
- Charges for Services increased by \$3,145,000; these are In Lieu fees paid by developers.
- Settlement reimbursements are the result of Terminal One Litigation settlement proceeds of \$4,226,289.
- Miscellaneous Revenue increased by \$4,348,339 due to a transfer from the City's General Fund of \$6,672,700 to the Agency's Harbour Debt Service Fund to pay for the Urban Development Action Grant .

Expenses increased by \$2,484,252.

- Housing and Redevelopment expenditures increased \$3,079,470 due to Internal Service Charges from the City, planning and consulting charges for Terminal One, and litigation related expenses for Terminal One and the Ford Assembly Building.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

During fiscal year 2006, the Agency's investment in capital assets net of accumulated depreciation increased to \$37,378,216 (See Table No. 3 below); the prior year's investment was \$18,845,025. The \$18,533,191 increase consisted of increases to construction in progress, land and land improvements of \$10,147,772 and \$8,781,552, respectively offset by sales of land and land improvement costing \$209,477 and depreciation for the year of \$186,656.

Table 3
Capital Assets at June 30, 2006

	Capital Assets	Capital Assets
	As of June 30, 2006	As of June 30, 2005
Furniture, Machinery and Equipment	\$ 275,560	\$ 275,560
Buildings and Building Improvements	5,275,981	5,275,981
Land	12,717,435	4,145,360
Construction in Progress	22,270,201	12,122,429
Less: Accumulated Depreciation	(3,160,961)	(2,974,305)
Total	\$ 37,378,216	\$ 18,845,025

Debt

Table 4
Outstanding Debt, at June 30, 2006

	<u>2006</u>	<u>2005</u>
Government Activities		
Tax Allocation Revenue Bonds:		
1991 Issue	\$ 210,000	\$ 260,000
1998 Issue	24,316,090	24,298,513
Loans Payable		
2000 Richmond Joint Powers Fin. Auth.	24,830,000	28,440,000
2003 Richmond Joint Powers Fin. Auth.	27,151,000	23,880,000
2004 Richmond Joint Powers Fin. Auth.	14,965,000	15,300,000
Notes Payable		
Wells Fargo Bank Loan	500,000	500,000
CA Housing Finance Agency Loan	2,617,155	1,572,155
HUD section 108 Loans	6,500,000	
CERF Loans	1,616,676	
Total	<u><u>\$ 102,705,921</u></u>	<u><u>\$ 94,250,668</u></u>

For a complete discussion of outstanding debt, refer to the notes to the financial statement. Loans Payable excludes reserves and capitalized interest held by the Richmond Joint Powers Financing Authority.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The key assumptions in the Agency's revenue forecast for fiscal year 2006-2007 were:

1. Property tax increment revenues will increase by 2% due to an estimated rise in assessed valuation, and
2. Property tax increment revenues will increase by 2% due to new projects.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department at the City of Richmond, 1401 Marina Way South, Richmond, CA, 94804. Inquiries may also be sent via e-mail to FINANCE@ci.richmond.ca.us

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CITY OF RICHMOND REDEVELOPMENT AGENCY

**STATEMENT OF NET ASSETS AND
STATEMENT OF ACTIVITIES**

The Statement of Net Assets and the Statement of Activities summarize the entire Agency's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the Agency's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the Agency's transactions is taken into account, regardless of whether or when cash changes hands.

The Statement of Net Assets reports the difference between the Agency's total assets and the Agency's total liabilities, including all the Agency's infrastructure and other fixed assets and all its long-term debt. The Statement of Net Assets presents similar information to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the Agency's net assets, by subtracting total liabilities from total assets. The Statement of Net Assets summarizes the financial position of the Agency's financial position in a single column.

The Statement of Activities reports increases and decreases in the Agency's net assets. It is also prepared on the full accrual basis, which means it includes all the Agency's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets and current liabilities.

The format of the Statement of Activities presents the Agency's expenses that are listed by program first. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each program. The Agency's general revenues are then listed in the Governmental Activities column and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

RICHMOND REDEVELOPMENT AGENCY
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	\$19,046,314
Restricted cash and investments (Note 2)	28,973,086
Receivables:	
Accounts, net	337,565
Interest	63,748
Grants	
Loans (Note 3)	18,670,999
Prepaid and other assets	1,200,000
Due from the City (Note 4)	34,348
Advances to the City (Note 4)	138,043
Capital assets (Note 6):	
Nondepreciable	34,987,636
Depreciable, net	2,390,580
Total Assets	105,842,319
LIABILITIES	
Accounts payable and accrued liabilities	4,072,415
Refundable deposits	379,527
Due to the City (Note 4)	7,687
Long-term debt (Note 7):	
Due within one year	3,866,676
Due in more than one year	98,839,245
Total Liabilities	107,165,550
NET ASSETS (DEFICIT) (Note 8)	
Restricted for:	
Debt service	2,478,820
Low and moderate income housing	11,674,830
Total Restricted Net Assets	14,153,650
Unrestricted (Deficit)	(15,476,881)
Total Net Assets (Deficit)	(\$1,323,231)

See accompanying notes to financial statements

RICHMOND REDEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Program expense:	
Housing and redevelopment	\$11,209,180
Interest on long term debt	<u>5,406,769</u>
Total program expense	<u>16,615,949</u>
Program revenues:	
Charges for services	3,145,300
Capital grants	2,336,589
Settlement reimbursement	<u>4,226,289</u>
Total program revenues	<u>9,708,178</u>
Net program expense	<u>6,907,771</u>
General revenues and transfers:	
Tax increments	15,925,961
Developer revenue sharing	3,254,620
Investment earnings	1,889,963
Miscellaneous	519,350
Transfers from the City, net (Note 4)	<u>6,601,968</u>
Total general revenues	<u>28,191,862</u>
Change in Net Assets	21,284,091
Net Assets (Deficit)-Beginning	<u>(22,607,322)</u>
Net Assets (Deficit)-Ending	<u><u>(\$1,323,231)</u></u>

See accompanying notes to financial statements

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FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year.

RICHMOND REDEVELOPMENT AGENCY
BALANCE SHEET
JUNE 30, 2006

	General Fund	Downtown Debt Service	Harbour Debt Service	Eastshore Park Debt Service	Potrero Debt Service	Galvin Debt Service
ASSETS						
Cash and investments (Note 2)	\$2,345,344	\$300,996	\$4,244,448	\$262,240	\$500,071	\$519,083
Restricted cash and investments (Note 2)	64,995		2,251,601			
Receivables:						
Accounts, net	311,791					
Interest	9,984	4,052	29,504	1,997	3,590	3,033
Loans (Note 3)	2,928,729					
Due from the City (Note 4)	34,348					
Prepaid and other assets						
Advances to other funds (Note 4)						
Advances to the City (Note 4)						
Total Assets	<u>\$5,695,191</u>	<u>\$305,048</u>	<u>\$6,525,553</u>	<u>\$264,237</u>	<u>\$503,661</u>	<u>\$522,116</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$134,420					
Refundable deposits	75,671					
Due to the City (Note 4)	7,687					
Advances from other funds (Note 4)	115,000					
Deferred revenue (Note 5)	2,928,729					
Total Liabilities	<u>3,261,507</u>					
FUND BALANCES						
Fund balance						
Reserved for:						
Encumbrances	84,350					
Low and moderate income housing						
Debt service			\$2,251,601			
Advances to other funds						
Loans receivable						
Prepays and other assets						
Unreserved, Undesignated reported in:						
General Fund	2,349,334					
Capital Projects Funds						
Debt Service Funds		\$305,048	4,273,952	\$264,237	\$503,661	\$522,116
Total Fund Balances	<u>2,433,684</u>	<u>305,048</u>	<u>6,525,553</u>	<u>264,237</u>	<u>503,661</u>	<u>522,116</u>
Total Liabilities and Fund Balances	<u>\$5,695,191</u>	<u>\$305,048</u>	<u>\$6,525,553</u>	<u>\$264,237</u>	<u>\$503,661</u>	<u>\$522,116</u>

Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.

LONG TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

Interest payable
Long-term debt

NET ASSETS (DEFICITS) OF GOVERNMENTAL ACTIVITIES

See accompanying notes to financial statements

Low and Moderate 2000 TARB Debt Service	2000 TARB Capital Project	Low and Moderate Income Housing Capital Project	Downtown Capital Project	Harbour Capital Project	2004 TARB Capital Project	Redevelopment CIP Capital Project	Other Governmental Funds	Total Governmental Funds
\$215,196	\$116,396 13,103,103	\$3,774,299 702,188	\$374,152 362,102	\$4,829,047 5,418,652	\$11,040 5,746,560	\$320,931 1,323,885	\$1,233,071	\$19,046,314 28,973,086
\$1,780	(254)	13,019 7,873,832	25,774 1,258 473,648	(6,234) 8,127,680	(6,251)	(1,962) 2,377,143	10,232	337,565 63,748 21,781,032 34,348 1,200,000 115,000 138,043
<u>\$216,976</u>	<u>\$13,219,245</u>	<u>\$12,363,338</u>	<u>\$2,491,934</u>	<u>\$18,429,145</u>	<u>\$5,751,349</u>	<u>\$4,054,355</u>	<u>\$1,346,988</u>	<u>\$71,689,136</u>
		\$469,064	\$151,397 58,462	\$456,995 224,085		\$918,717 21,309		\$2,130,593 379,527 7,687 115,000 21,548,821
		7,654,388	460,881	8,127,680		2,377,143		21,548,821
		8,123,452	670,740	8,808,760		3,317,169		24,181,628
\$216,976		4,020,442					\$10,243	84,350 4,020,442 2,478,820
		219,444	55,000 12,767 1,200,000	60,000		34,358	103,685	253,043 232,211 1,200,000
	\$13,219,245		553,427	9,560,385	\$5,751,349	702,828	1,233,060	2,349,334 31,020,294 5,869,014
<u>216,976</u>	<u>13,219,245</u>	<u>4,239,886</u>	<u>1,821,194</u>	<u>9,620,385</u>	<u>5,751,349</u>	<u>737,186</u>	<u>1,346,988</u>	<u>47,507,508</u>
<u>\$216,976</u>	<u>\$13,219,245</u>	<u>\$12,363,338</u>	<u>\$2,491,934</u>	<u>\$18,429,145</u>	<u>\$5,751,349</u>	<u>\$4,054,355</u>	<u>\$1,346,988</u>	
								37,378,216
								18,438,788
								(1,941,822) (102,705,921)
								<u>(\$1,323,231)</u>

RICHMOND REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Downtown Debt Service	Harbour Debt Service	Eastshore Park Debt Service	Petrero Debt Service	Galvin Debt Service
REVENUES						
Property Tax		\$1,165,397	\$7,305,219	\$439,673	\$861,203	\$625,296
Use of money and property Intergovernmental	\$796,779	18,245	238,635	8,660	14,927	12,958
Licenses, permits and fees	3,145,300					
Developer revenue sharing						
Settlement reimbursement						
Other	133,858					
Total Revenues	4,075,937	1,183,642	7,543,854	448,333	876,130	638,254
EXPENDITURES						
Current:						
Housing and redevelopment	4,968,923	100,320	664,117	43,615	83,096	61,853
Capital outlay						
Debt Service:						
Principal			535,000			
Interest and fiscal charges	1,516,464		705,678			
Total Expenditures	6,485,387	100,320	1,904,795	43,615	83,096	61,853
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,409,450)	1,083,322	5,639,059	404,718	793,034	576,401
OTHER FINANCING SOURCES (USES)						
Issuance of debt						
Proceeds from sale of property			6,672,700			
Transfers in from the City (Note 4)	1,000,268		262,645			
Transfers in (Note 4)	3,824,563	75,300				
Transfers (out) (Note 4)	(1,601,000)	(1,627,679)	(4,542,797)	(479,397)	(868,563)	(495,552)
Total Other Financing Sources (Uses)	3,223,831	(1,552,379)	2,392,548	(479,397)	(868,563)	(495,552)
NET CHANGE IN FUND BALANCES	814,381	(469,057)	8,031,607	(74,679)	(75,529)	80,849
BEGINNING FUND BALANCES (DEFICITS)	1,619,303	774,105	(1,506,054)	338,916	579,190	441,267
ENDING FUND BALANCES	\$2,433,684	\$305,048	\$6,525,553	\$264,237	\$503,661	\$522,116

See accompanying notes to financial statements

Low and Moderate 2000 TARB Debt Service	JPFA 2000 TARB Capital Project	Low and Moderate Income Housing Capital Project	Downtown Capital Project	Harbour Capital Project	2004 TARB Capital Projects	Redevelopment CIP Capital Project	Other Governmental Funds	Total Governmental Funds
\$147,378	\$348,781	\$3,317,381 115,206 48,041	\$12,793	\$136,263 1,500,000	\$288,236	(\$35,838) 788,548	\$2,211,792 95,164	\$15,925,961 2,198,187 2,336,589 3,145,300 3,254,620 4,226,289 519,350
<u>147,378</u>	<u>348,781</u>	<u>3,556,893</u>	<u>342,020</u>	<u>9,117,172</u>	<u>288,236</u>	<u>752,710</u>	<u>2,306,956</u>	<u>31,606,296</u>
8,370	23,521	9,673,624 2,000,012	293,504 2,090,570	590,033 6,395,659	20,266	429,148 5,496,880	224,368	17,184,758 15,983,121
1,410,000 1,496,726						54	335,000 856,229	2,280,000 4,575,151
<u>2,915,096</u>	<u>23,521</u>	<u>11,673,636</u>	<u>2,384,074</u>	<u>6,985,692</u>	<u>20,266</u>	<u>5,926,082</u>	<u>1,415,597</u>	<u>40,023,030</u>
<u>(2,767,718)</u>	<u>325,260</u>	<u>(8,136,743)</u>	<u>(2,042,054)</u>	<u>2,131,480</u>	<u>267,970</u>	<u>(5,173,372)</u>	<u>891,359</u>	<u>(8,416,734)</u>
		4,500,000 200,571		4,616,676				9,116,676 200,571 7,672,968
2,977,638	(4,007,672)	5,465,284 (2,460,724)	3,000,000	421,709 (182,645)	(2,515,000)	4,086,679	1,252,065 (2,584,854)	21,365,883 (21,365,883)
<u>2,977,638</u>	<u>(4,007,672)</u>	<u>7,705,131</u>	<u>3,000,000</u>	<u>4,855,740</u>	<u>(2,515,000)</u>	<u>4,086,679</u>	<u>(1,332,789)</u>	<u>16,990,215</u>
209,920	(3,682,412)	(431,612)	957,946	6,987,220	(2,247,030)	(1,086,693)	(441,430)	8,573,481
7,056	16,901,657	4,671,498	863,248	2,633,165	7,998,379	1,823,879	1,788,418	38,934,027
<u>\$216,976</u>	<u>\$13,219,245</u>	<u>\$4,239,886</u>	<u>\$1,821,194</u>	<u>\$9,620,385</u>	<u>\$5,751,349</u>	<u>\$737,186</u>	<u>\$1,346,988</u>	<u>\$47,507,508</u>

RICHMOND REDEVELOPMENT AGENCY
 Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$8,573,481

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS

Governmental Funds include capital outlays in departmental expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. The capital outlay expenditures are therefore added back to fund balance

18,929,324

Depreciation expense is deducted from the fund balance

(186,656)

Retirements of capital assets are deducted from the fund balance

(209,477)

LONG TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Bond proceeds are deducted from fund balance

(9,116,676)

Repayment of debt principal is added back to fund balance

2,280,000

Transfer to the City is deducted from fund balance

(1,071,000)

Interest accrued to principal is deducted from fund balance

(45,000)

Capital appreciation bonds accretion is deducted from fund balance

(502,577)

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Deferred revenue

2,916,713

Interest payable

(284,041)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$21,284,091

See accompanying notes to financial statements

RICHMOND REDEVELOPMENT AGENCY
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2006

	Agency Funds
ASSETS	
Cash and investments (Note 2)	\$340,539
Restricted cash and investments (Note 2)	342,664
Interest receivable	(1,015)
Total Assets	\$682,188
 LIABILITIES	
Due to assessment district bondholders	\$682,188
Total Liabilities	\$682,188

See accompanying notes to financial statements

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Richmond Redevelopment Agency
Notes to Component Unit Financial Statements
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The Richmond Redevelopment Agency (Agency) was formed in October 1949 as a separate legal entity under the provisions of the Community Redevelopment Law, primarily to assist in the clearance and rehabilitation of areas determined to be in a blighted condition in the City. The Redevelopment Agency is authorized to finance redevelopment through various sources, including assistance from the City, State, Federal governments, incremental property taxes, interest income, issuance of Redevelopment Agency notes and bonds, and sale and rental of real property acquired with these funds.

Although the Redevelopment Agency is a separate legal entity, it is an integral part of the City. The City exercises significant financial and management control over the Redevelopment Agency and members of the City Council serve as the governing board of the Redevelopment Agency.

Project Area Plans (Plans) have been developed to provide an improved physical, social, and economic environment in various Project Areas. The Agency has the following project areas:

Project Area	Dates
Eastshore Park Project Area No. 1-A	Most recent Amendment - July 27, 2004
Pilot Project Area No. 1-B	Most recent Amendment - July 27, 2004
Potrero Project Area No. 1-C	Most recent Amendment - July 27, 2004
Galvin Project Area No. 3-A	Most recent Amendment - July 27, 2004
Terrace Project Area No. 4-A	Most recent Amendment - December 19, 1994
Harbor Gate Project Area No. 6-A	Most recent Amendment - July 27, 2004
Hensley Project Area No. 8-A	Most recent Amendment - July 27, 2004
Downtown Project Area No. 10-A	Most recent Amendment - July 27, 2004
Nevin Project Area No. 10-B	Most recent Amendment - July 27, 2004
Harbour Project Area No. 11-A	Most recent Amendment - July 27, 2004
North Richmond Project Area No. 12-A	Most recent Amendment - July 27, 2004

B. Basis of Accounting and Measurement Focus

The basic financial statements of the Agency have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues and expenditures. Agency resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Agency-Wide Financial Statements – Agency-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental Activities for the Agency. The Agency has no Business Type Activities.

Richmond Redevelopment Agency
Notes to Component Unit Financial Statements
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Agency-wide financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the Agency’s assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the Statement of Net Assets. The Statement of Activities presents all the Agency’s revenues, expenses and other changes in Net Assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Governmental Fund Financial Statements - Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and in the aggregate for all non-major funds. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the City-Wide financial statements.

All governmental funds are accounted for on the “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally sixty days after the fiscal year-end) are recognized when due. The primary revenue sources which have been treated as susceptible to accrual by the City are property taxes, sales taxes, transient occupancy taxes, franchise taxes and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred also generally sixty days after the fiscal year end.

Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences between the two approaches.

C. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Agency’s policy is to apply restricted net assets first.

D. Cash and Investments

The Agency participates in the City’s cash and investment pool which is managed by the City Treasurer. All investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

All investments are stated at fair value. Market value is used as fair value for all securities.

The City participates in the State of California’s Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset-backed Securities. LAIF’s investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-backed Securities are subject to market risk as to change in interest rates.

Richmond Redevelopment Agency
Notes to Component Unit Financial Statements
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Compensated Absences

Compensated absences comprise unused vacation and certain other compensated time off, which are accrued and charged to expense as earned. Governmental funds include only amounts expected to be paid out of current financial resources as liabilities at the end of the fiscal year, while their long-term liabilities are recorded in the Statement of Net Assets.

F. Property Tax Levy, Collection and Maximum Rates

Under California law, the Agency may not assess or receive property taxes, but it may receive any increases in property taxes over amounts received in the year before the property in each Agency Project Area became subject to redevelopment (called the Base Year). These increases are called property tax increments; one fifth of these increments must be used to increase the supply of low and moderate income housing.

Property taxes and increments are assessed and collected by the County of Contra Costa (County). Under the Teeter plan, the County remits the full assessment regardless of the amounts received. The County assesses, bills, and collects property taxes as follows:

Lien Date	January 1
Levy Date	July 1
Due Date	November 1 and February 1
Collection Date	December 10 and April 10

G. Long-Term Obligations

Agency-Wide Financial Statements - Long-term debt is reported as liabilities of the appropriate governmental activity.

Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

Fund Financial Statements - Governmental fund financial statements do not present long-term debt. Governmental funds report bond premiums, discounts and issuance costs in the year the debt is issued. Bond proceeds are reported as other financing sources net of premium or discount. Issuance costs are reported as debt service expenditures.

H. Deferred Revenues

The Agency reports deferred revenues as offsets to receivables from project developers or notes receivable from homeowners because such amounts are measurable but are not yet available.

Richmond Redevelopment Agency
Notes to Component Unit Financial Statements
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Net Assets and Fund Equity

In the Agency-Wide Financial Statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets” as defined above.

In the Fund Financial Statements, reservations and designations of fund balances of the governmental funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or identify the portion of the fund equity to not available for future expenditures.

2. CASH AND INVESTMENTS

The Agency’s dependence on property tax increments, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The City and Agency pool cash from all sources and all funds except Cash with Fiscal Agents so that it can be safely invested at maximum yields, while individual funds can make expenditures at any time.

Investments are carried at market value and investment income is generally allocated among funds on the basis of average cash and investment balances in these funds. Interest income on certain investments is allocated based on the source of the investment and legal requirements which apply.

A. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of debt instruments or Agency agreements

Cash and investments	\$19,046,314
Restricted cash and investments	<u>28,973,086</u>
Total Agency's cash and investments	48,019,400
Cash and investments in Fiduciary Funds (Separate Statement)	
Cash and investments	340,539
Restricted cash and investments	<u>342,664</u>
Total cash and investments	<u>\$48,702,603</u>

Richmond Redevelopment Agency
Notes to Component Unit Financial Statements
For the year ended June 30, 2006

2. CASH AND INVESTMENTS (Continued)

B. Authorized Investments

Under the provisions of the Agency's Investment Policy, and in accordance with California Government Code, the following investments are authorized:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Bills, Bonds and Notes	5 years		None	None
Obligations issued by United States Government or its Agencies	5 years		None	None
Treasury bonds and notes issued by the State of California or any local agency with California	5 years	A	None	
Bankers Acceptances	180 days		40%	30%
Commercial Paper	270 days	A1/P1/F1	15% A	10%
Negotiable Certificates of Deposit	5 years	A	30%	None
Medium Term Corporate Notes	5 years	A	30%	None
Money Market Mutual Funds	N/A	Top rating category	15%	None
California Local Agency Investment Fund	N/A		None	40 Mil
Collateralized Time Deposits	5 years		30%	10%
Repurchase Agreements	5 years		None B	None

A: Agency may invest additional 15% or a total of 30% of Agency surplus money, only if dollar-weighted average maturity of the entire amount does not exceed 31 days.

B: Agency may not utilize Reverse Repurchase Agreement Under the provisions of the Agency's Investment Policy, and in accordance with California Government Code, the following investments are authorized:

C. Investments Authorized by Debt Issues and Lease Agreements

Under the terms of the Agency's debt issues and lease agreements, it is subject to various restrictions in the type, maturity and credit ratings of investments of the unspent proceeds of these issues. These restrictions are generally no more restrictive than those listed above regarding investment of the Agency's funds. At June 30, 2006, the Agency was in compliance with the terms of all these restrictions.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Richmond Redevelopment Agency
Notes to Component Unit Financial Statements
For the year ended June 30, 2006

2. CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity or earliest call date:

	Remaining Maturity (in Months)			Total
	12 months or Less	25 to 60 Months	More than 60 months	
City of Richmond investment pool (overdraft)	(\$4,846,240)			(\$4,846,240)
California Local Agency Investment Fund	5,515,904			5,515,904
Wells Fargo Money Market Mutual Funds	1,580,164			1,580,164
Held by bond trustee:				
Money market mutual funds (U.S. Securities)	22,293,372			22,293,372
Investment agreement			\$1,039,778	1,039,778
Investment repurchase agreement		\$1,146,500		1,146,500
Total Investments	<u>\$24,543,200</u>	<u>\$1,146,500</u>	<u>\$1,039,778</u>	<u>26,729,478</u>
Agency's cash in bank				21,973,125
Total Cash and Investments				<u>\$48,702,603</u>

The Agency is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Agency reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2006, these investments matured in an average of 152 days.

Money market funds and mutual funds are available for withdrawal on demand and at June 30, 2006, matured in an average of 29 days

E. Fair value of Investments

GASB Statement 31 requires governments to present investments at fair value. The total changes in the fair value of investments in the current fiscal year is not of material significance. The Agency does not adjust the carrying value of its investment to reflect the fair value at each fiscal year-end.

Richmond Redevelopment Agency
Notes to Component Unit Financial Statements
For the year ended June 30, 2006

2. CASH AND INVESTMENTS (Continued)

F. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2006 for each investment type:

<u>Investment Type</u>	<u>AAA</u>	<u>Total</u>
Money market mutual funds (U.S. Securities)	<u>\$23,873,536</u>	\$23,873,536
<i>Not rated:</i>		
California Local Agency Investment Fund		5,515,904
Investment agreement		1,039,778
Investment repurchase agreement		1,146,500
City of Richmond investment pool (overdraft)		<u>(4,846,240)</u>
Total Investments		26,729,478
Cash in Bank		<u>21,973,125</u>
Total cash and investments		<u>\$48,702,603</u>

G. Concentration of Credit Risk

Significant investments in the securities of any individual issuers, other than U. S. Treasury securities, mutual Funds and external investment pool in major funds at June 30, 2006:

<u>Major Funds</u>	<u>Issuer</u>	<u>Type of Investment</u>	<u>Amount</u>
Harbour Debt Service Fund	Bayerische Landesbank Girozentrale	Investment Repurchase Agreement	\$1,146,500
Harbour Debt Service Fund	Morgan Guarantee Trust	Investment Agreement	1,039,778

3. LOANS RECEIVABLE

At June 30, 2006, notes and loans receivable consisted of the following:

	<u>Amount</u>
EDA Loans	\$473,648
Olson Urban Housing, LLC	4,951,143
Harbour Capital Projects Loan	5,440,359
Atchison Village Annex Apartments	487,501
Heritage Park Development	444,565
Silent Second Mortgage Loans	2,267,161
Chesley Avenue Mutual Housing Development	4,741,492
Ford Point Building Loan	2,687,321
CALHome Program	113,775
Richmond Housing Authority	<u>174,067</u>
Total Notes and Loans Receivable	21,781,032
Less Reserve For Conditional Grants	<u>(3,110,033)</u>
Net Notes and Loans Receivable	<u>\$18,670,999</u>

Richmond Redevelopment Agency
Notes to Component Unit Financial Statements
For the year ended June 30, 2006

3. LOANS RECEIVABLE (Continued)

EDA loans

The City's Revolving Loan Fund (RLF) is a community based program with the goal of fostering local economic growth through the creation and retention of employment opportunities for Richmond residents and complementing community and individual development initiatives.

Olson Urban Housing, LLC.

This loan was made to provide assistance in the construction of low and moderate income housing. It provides for the eventual forgiveness of the balance upon the issuance of the Certificate of Completion for the Phase One Residential/ Retail Improvements.

Harbour Capital Projects Loan

The \$5,440,359 is based on two promissory notes resulting from the sale of the Ford building of \$3,400,000 and the sale of the North Shore properties \$2,040,359.

Atchison Village Annex Apartments

In 1998, the Redevelopment Agency loaned Atchison Village Associates, LP \$464,000 collateralized by a deed of trust to finance the acquisition and rehabilitation of 100 units of family housing. Interest on the unpaid principal balance is 3% per annum. Loan payments are principal and interest payable in equal monthly payments of \$2,651.

In 2006, the Redevelopment Agency loaned Atchison Village Associates, LP \$44,000 collateralized by a deed of trust to finance the rehabilitation of low and moderate income housing. The loan bears no interest and the entire principal interest is due in 25 years.

Heritage Park Development

In 1999, the Redevelopment Agency loaned Hilltop Group, LP a total of \$500,000, collateralized by deeds of trust and bearing interest at an effective rate of 1½% starting September 2004. The loans were used to finance the development of the Heritage Park Development in the City. Monthly installments of interest and principal in the total amount of \$3,115 are payable through September 1, 2019.

Silent Second Mortgage Loans

Loans were provided to qualifying individuals for the difference between the amount received by the individuals who qualified for low and moderate income housing loans and the amount needed to purchase the homes. The loans are to be forgiven in the future if the property owners do not sell or refinance the property.

Chesley Avenue Mutual Housing Development

On December 1, 2003, the Redevelopment Agency loaned Chesley Avenue Limited Partnership the amount of \$4,741,492, to construct very low and low income housing units. The loan's principal is due in 2058; interest is payable starting May 1, 2006 at the rate of 2% per annum. or in the amount of 95% of any residual receipts remaining from the prior year, whichever is less.

Richmond Redevelopment Agency
Notes to Component Unit Financial Statements
For the year ended June 30, 2006

3. LOANS RECEIVABLE (Continued)

Ford Assembly Building Loan

Under a loan agreement dated November 22, 2004 between the Redevelopment Agency and Ford Point LLC, the Redevelopment Agency agreed to loan \$3,000,000 to fund improvements to the Ford Assembly Building, collateralized by a Deed of Trust. The Redevelopment Agency funded the loan in fiscal 2006 with proceeds from the Section 108 HUD loan discussed in Note 7. The loan's principal is due in August 2025, and interest is payable starting August 2006 at a variable rate based on the 90-day LIBOR rate plus 70 basis points; adjusted quarterly. The interest rate converts to a fixed rate in accordance with the terms of the agreement after the Section 108 loan is sold by HUD. At June 30, 2006, the developer had drawn down a total loan amount of \$2,687,321.

CALHome Program

The CalHome loan program provides housing assistance to Richmond residents to assist with first-time homeowner down payments or rehabilitation projects for owner-occupied homes. The loans are secured by deeds of trust on the properties. Principal and interest on the loans are deferred for 30 years, unless otherwise specified in the promissory note. At June 30, 2006, the Agency had issued loans of \$113,775.

Housing Authority

In fiscal 2006, the Agency loaned \$174,067 to the Richmond Housing Authority, collateralized by a deed of trust on the Westridge at Hilltop Apartments, to assist the Authority with its lease payments for the 2003 A-S Multifamily Housing Revenue Bonds. The term of the loan is one year and the loan bears interest of 3%.

Conditional Grants

The loan to Olson Urban Housing, LLC provides for the eventual forgiveness of the loan balance if the borrower complies with all the terms of the loan over its full term. The Agency accounts for this loan as a conditional grant in the Agency-wide financial statements, and provides a reserve against the eventual forgiveness.

4. INTERFUND RECEIVABLES AND PAYABLES

Advances Between Agency Funds

At June 30, 2006, the Agency had outstanding the following advances to and from other Agency funds:

<u>Fund Making Advance</u>	<u>Fund Receiving Advance</u>	<u>Amount of Advance</u>
Downtown Capital Projects Fund	General Fund	\$55,000
Harbour Capital Projects Fund	General Fund	<u>60,000</u>
	Total Advances	<u><u>\$115,000</u></u>

Richmond Redevelopment Agency
Notes to Component Unit Financial Statements
For the year ended June 30, 2006

4. INTERFUND RECEIVABLES AND PAYABLES (Continued)

Transfers Between Agency Funds

At June 30, 2006, the Agency had the following transfers in and out:

<u>Fund Making Transfers</u>	<u>Funds Receiving Transfers</u>	<u>Amount Transferred</u>
General Fund	Low/Mod Income Housing Capital Projects	\$1,601,000
Downtown Debt Service	General Fund	35,280
	Low/Mod 2000 TARB Debt Service	297,173
	Downtown Capital Projects	1,250,000
	Non-Major Governmental Funds	45,226
Harbour Debt Service	General Fund	2,345,602
	Redevelopment CIP Capital Projects	1,500,000
	Harbour Capital Projects	350,000
	Non-Major Governmental Funds	347,195
Eastshore Park Debt Service	General Fund	21,988
	Low/Mod 2000 TARB Debt Service	202,049
	Downtown Capital Projects	200,000
	Non-Major Governmental Funds	55,360
Potrero Debt Service	General Fund	42,496
	Low/Mod 2000 TARB Debt Service	462,816
	Downtown Capital Projects	300,000
	Non-Major Governmental Funds	63,251
Galvin Debt Service	General Fund	36,175
	Low/Mod 2000 TARB Debt Service	373,954
	Non-Major Governmental Funds	85,423
JPFA 2000 TARB Capital Projects	Redevelopment CIP Capital Projects	2,586,679
	Harbour Capital Projects	71,709
	Low/Mod Income Housing Capital Projects	1,349,284
Low/Mod Income Housing Capital Projects	General Fund	1,233,616
	Low/Mod 2000 TARB Debt Service	750,000
	Non-Major Governmental Funds	477,108
Harbour Capital Projects	Harbour Debt Service	182,645
2004 TARB Capital Projects	Low/Mod Income Housing Capital Projects	2,515,000
Non-Major Governmental Funds	General Fund	109,406
	Low/Mod 2000 TARB Debt Service	891,646
	Harbour Debt Service	80,000
	Downtown Capital Projects	1,250,000
	Downtown Debt Service	75,300
	Non-Major Governmental Funds	178,502
Total		<u><u>\$21,365,883</u></u>

Richmond Redevelopment Agency
Notes to Component Unit Financial Statements
For the year ended June 30, 2006

4. INTERFUND RECEIVABLES AND PAYABLES (Continued)

Advances Between the City and Agency

At June 30, 2006, the Redevelopment CIP Capital Project Fund had advanced \$34,358 to the City's JPFA Debt Service Fund, and the Hensley Capital Project Fund had advanced \$103,685 to the City's General Fund.

Transfers with the City

During the year ended June 30, 2006 the City's General Fund transferred \$6,672,700 to the Redevelopment Agency's Harbour Debt Service Fund to pay the Urban Development Action Grant loan, and the City's Joint Powers Financing Authority transferred \$1,000,268 to the Agency's General Fund to fund debt service payments on the 2003 Tax Allocation Revenue Bonds. In addition, the Agency transferred \$1,071,000 to the City representing an adjustment to the long-term debt balances for the 2003 and 2004 JPFA Tax Allocation Revenue Bonds

Due From and To the City

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after end of the fiscal year. At June 30, 2006 interfund transactions between Redevelopment Agency's General Fund and the City's Community Development Block Grant Special Revenue Fund were \$34,348 due to the Agency from the City and \$7,687 due from the Agency to the City.

5. DEFERRED REVENUE

Deferred revenue in the General Fund and Capital Projects Funds at June 30, 2006 were related to the notes and loans receivable in Note 3 and consisted of the following:

EDA Loans	\$ 460,881
Olson Urban Housing, LLC	4,951,143
Harbour Capital Projects Loan	5,440,359
Atchison Village Annex Apartments	487,501
Heritage Park Development	225,121
Silent Second Mortgage Loans	2,267,161
Chesley Street Development	4,741,492
Ford Point Building	2,687,321
CALHome Program	113,775
Housing Authority	174,067
Total	<u><u>\$21,548,821</u></u>

Richmond Redevelopment Agency
Notes to Component Unit Financial Statements
For the year ended June 30, 2006

6. CAPITAL ASSETS

The following is a summary of the Agency's capital assets:

	Balance at June 30, 2005	Additions	Retirements	Balance at June 30, 2006
Capital assets not being depreciated:				
Land and Land improvements	\$4,145,360	\$8,781,552	(\$209,477)	\$12,717,435
Construction in progress (CIP)	12,122,429	10,147,772		22,270,201
Total capital assets not being depreciated	16,267,789	18,929,324	(209,477)	34,987,636
Capital assets being depreciated:				
Buildings and improvements	5,275,981			5,275,981
Machinery and equipment	275,560			275,560
Total capital assets being depreciated	5,551,541			5,551,541
Less accumulated depreciation for:				
Buildings and improvements	(2,787,742)	(149,341)		(2,937,083)
Machinery and equipment	(186,563)	(37,315)		(223,878)
Total accumulated depreciation	(2,974,305)	(186,656)		(3,160,961)
Capital asset being depreciated, net	2,577,236	(186,656)		2,390,580
Governmental activity capital assets, net	\$18,845,025	\$18,742,668	(\$209,477)	\$37,378,216

Depreciation expense for capital assets for the year ended June 30, 2006 charged to the Housing and Redevelopment Activity was \$186,656.

7. LONG-TERM OBLIGATIONS

Summary of changes in long-term debt for the year ended June 30, 2006:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due Within One Year	Due in More than One Year
Bonds payable	\$24,558,513	\$502,577	(\$535,000)	\$24,526,090	\$555,000	\$23,971,090
Loans payable	67,620,000	1,071,000	(1,745,000)	66,946,000	1,695,000	65,251,000
Notes payable	2,072,155	9,161,676		11,233,831	1,616,676	9,617,155
Total	\$94,250,668	\$10,735,253	(\$2,280,000)	\$102,705,921	\$3,866,676	\$98,839,245

Richmond Redevelopment Agency
Notes to Component Unit Financial Statements
For the year ended June 30, 2006

7. LONG-TERM OBLIGATIONS (Continued)

Bonds Payable

Bonds payable by the Agency at June 30, 2006 consisted of the following:

	<u>Net</u>
Harbor Tax Allocation Refunding Bonds - 1991	\$210,000
Harbor Tax Allocation Refunding Bonds - 1998 Series A	<u>24,316,090</u>
Total	<u><u>\$24,526,090</u></u>

1991 Harbour Redevelopment Project Tax Allocation Refunding Bonds – Original Issue \$11,465,000

The Bonds were issued by the Redevelopment Agency to refund 1985 Tax Allocation and Refunding Bonds used for the Urban Renewal Plan for Project 11-A, the Harbour Redevelopment Plan. The Bonds consist of serial bonds in the amount of \$6,365,000 that mature annually through 2004, in amounts ranging from \$50,000 to \$740,000. Interest rates vary from 3.75% to a maximum of 6% and payments are due semiannually on January 1 and July 1. The Term Bonds bear interest at 7% and mature on July 1, 2009 with sinking fund payment requirements starting in 2004 and are secured by a pledge of incremental tax revenues.

The annual debt service requirements on the Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2007	\$55,000	\$12,775	\$67,775
2008	60,000	8,750	68,750
2009	60,000	4,550	64,550
2010	35,000	1,225	36,225
Total	<u>\$210,000</u>	<u>\$27,300</u>	<u>\$237,300</u>

Richmond Redevelopment Agency
Notes to Component Unit Financial Statements
For the year ended June 30, 2006

7. LONG-TERM OBLIGATIONS (Continued)

1998 Harbour Redevelopment Project Tax Allocation Refunding Bonds Series A – Original Issue \$21,862,779

The bonds were issued by the Agency to refinance a portion of the 1991 Harbour Redevelopment Project Tax Allocation Refunding Bonds, refinance certain loans from the City to the Agency, which amount will be used by the City to finance certain publicly owned capital projects, finance certain redevelopment activities within the Harbour Redevelopment Project Area, fund a reserve account and pay certain costs of issuance of the 1998 bonds. The bonds mature annually through 2023, in amounts ranging from \$50,000 to \$1,130,000. Interest rates vary from 3.5% to a maximum of 5.2% and are payable semiannually on January 1 and July 1. The bonds are secured by a pledge of tax revenues. At June 30, 2006, the Bonds consisted of the following:

	Value	Amortization	Unamortized Premium (Discount)	Net
Current interest bonds	\$13,880,000			\$ 13,880,000
Capital appreciation bonds	16,935,000	\$502,577	(\$7,001,487)	10,436,090
Total	\$30,815,000	\$502,577	(\$7,001,487)	\$ 24,316,090

The annual debt service requirements on the bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2007	\$500,000	\$669,153	\$1,169,153
2008	525,000	647,753	1,172,753
2009	550,000	624,903	1,174,903
2010	1,575,000	600,571	2,175,571
2011	1,595,000	574,826	2,169,826
2012-2016	9,170,000	2,402,925	11,572,925
2017-2021	10,210,000	1,350,406	11,560,406
2022-2024	6,690,000	235,601	6,925,601
Total	\$30,815,000	\$7,106,138	\$37,921,138

Loans Payable

The Richmond Joint Powers Financing Authority (Authority) has issued the Bonds listed below to assist in financing the Agency's operations. The Authority has retained reserve amounts required under the respective Bond indentures and loaned the net proceeds of these Bond issues to the Agency. The Authority is responsible for paying principal and interest on the Bonds; the Agency is responsible for making payments to the Authority in the amounts shown below.

Richmond Redevelopment Agency
Notes to Component Unit Financial Statements
For the year ended June 30, 2006

7. LONG-TERM OBLIGATIONS (Continued)

The outstanding balances of loans payable to the Authority at June 30, 2006 came from the Bond issues listed below:

JPFA Tax Allocation Revenue Bonds - 2000 Series A & B	\$24,830,000
JPFA Tax Allocation Revenue Bonds - 2003 Series A & B	27,151,000
JPFA Tax Allocation Revenue Bonds - 2004 Series A & B	<u>14,965,000</u>
Total	<u><u>\$66,946,000</u></u>

Loan from the Richmond Joint Powers Financing Authority (Authority) dated November 1, 2000.

In 2000, the Authority issued the 2000 Housing Set-Aside Tax Allocation Bonds Series A and Series B in the original amount of \$31,515,000. The net proceeds of the bond issue were loaned to the Agency to provide funding for certain capital improvements of the Agency. Under the terms of the loan agreement between the Agency and the Authority dated November 1, 2000, repayment of the loan is being made from certain tax increment revenues derived from certain redevelopment areas.

The annual debt service on this loan as of June 30, 2006 is as follows:

For the Years Ending June 30,	Principal	Interest	Total
2007	\$1,480,000	\$1,428,146	\$2,908,146
2008	1,545,000	1,355,733	2,900,733
2009	1,625,000	1,272,164	2,897,164
2010	1,710,000	1,185,101	2,895,101
2011	1,800,000	1,098,650	2,898,650
2012-2016	10,475,000	3,951,543	14,426,543
2017-2021	5,785,000	874,715	6,659,715
2022-2026	245,000	73,381	318,381
2027-2030	165,000	20,170	185,170
Total	<u><u>\$24,830,000</u></u>	<u><u>\$11,259,603</u></u>	<u><u>\$36,089,603</u></u>

Loan from the Authority dated August 1, 2003.

In 2003, the Authority issued 2003 Tax Allocation Revenue Bonds Series A and Series B in the original amount of \$28,580,000. The net proceeds of the bond issue were loaned to the Agency to provide funding for certain capital improvements and to repay the City of Richmond \$18,000,000 in partial payment of prior obligations. Under the terms of the loan agreement between the Agency and the Authority dated August 1, 2003, repayment of the loan is being made from certain tax increment revenues pledged by the Agency for the purpose of loan repayment.

Richmond Redevelopment Agency
Notes to Component Unit Financial Statements
For the year ended June 30, 2006

7. LONG-TERM OBLIGATIONS (Continued)

The annual debt service on this loan as of June 30, 2006 is as follows:

For the Years Ending June 30,	Principal	Interest	Total
2007		\$1,515,771	\$1,515,771
2008		1,515,771	1,515,771
2009	\$780,000	1,502,012	2,282,012
2010	810,000	1,472,834	2,282,834
2011	840,000	1,440,250	2,280,250
2012-2016	4,790,000	6,576,651	11,366,651
2017-2021	7,050,000	5,137,873	12,187,873
2022-2026	12,881,000	2,378,591	15,259,591
Total	<u>\$27,151,000</u>	<u>\$21,539,753</u>	<u>\$48,690,753</u>

Loan from the Authority dated October 1, 2004.

In 2004, the Authority issued the 2004 Tax Allocation Revenue Bonds Series A and Series B in the original amounts of \$15,000,000 and \$2,000,000, respectively. The net proceeds of the bond issue were loaned to the Agency to provide funding for certain capital improvements, low/moderate income housing and to repay the City of Richmond \$6,367,031 in prior obligations. Under the terms of the loan agreement between the Agency and the Authority dated August 1, 2003, repayment of the loan is being made from certain tax increment revenues pledged by the Agency for the purpose of loan repayment.

The annual debt service requirements for these loans as of June 30, 2006 are as follows:

For the Year Ending June 30,	Principal	Interest	Total
2007	\$215,000	\$837,261	\$1,052,261
2008	215,000	831,229	1,046,229
2009	225,000	824,434	1,049,434
2010	230,000	816,766	1,046,766
2011	235,000	808,290	1,043,290
2012-2016	1,355,000	3,880,153	5,235,153
2017-2021	4,745,000	3,313,002	8,058,002
2022-2026	4,090,000	2,011,442	6,101,442
2027	3,655,000	145,105	3,800,105
Total	<u>\$14,965,000</u>	<u>\$13,467,682</u>	<u>\$28,432,682</u>

Notes Payable

Notes payable at June 30, 2006 consisted of the following:

Wells Fargo Loan	\$500,000
CHFA Help Loans	2,617,155
HUD Section 108 Loans	6,500,000
CERF Loan	1,616,676
Total	<u>\$11,233,831</u>

Richmond Redevelopment Agency
Notes to Component Unit Financial Statements
For the year ended June 30, 2006

7. LONG-TERM OBLIGATIONS (Continued)

Wells Fargo Loan – Original Amount \$500,000

The Agency entered into a loan agreement with Wells Fargo Bank for an original amount of \$500,000 to be used to provide direct predevelopment loans, subordinated loans, and line of credit to non-profit and profit developers primarily located in targeted community development areas in the City's jurisdiction. Interest rate on the loan is fixed at 1.5% for the first 10 years and adjustable to a fixed rate 3.5% below the ten year U.S. Treasury Note rate. The principal balance is due and payable 10 years from the date of the initial disbursement.

The annual debt service requirements on the Wells Fargo note are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2007		\$7,500	\$7,500
2008		7,500	7,500
2009		7,500	7,500
2010		7,500	7,500
2011		7,500	7,500
2012-2016		37,500	37,500
2017	\$500,000	7,500	507,500
Total	\$500,000	\$82,500	\$582,500

CHFA Help Loans – Original Amounts \$1,500,000 and \$1,000,000

The Redevelopment Agency (RDA) entered into two loan agreements with California Housing Finance Agency in September 2000 and November 2004 to assist the Agency with operating a local housing program, which provides loans to non-profit developers for the purpose of financing the acquisition, preconstruction, and construction of single-family ownership and multifamily rental properties. The loans are due 10 years from the date of each loan. The loans bear a simple 3% per annum interest rate, and all payments of principal and interest are deferred for a ten-year period. During fiscal year 2006 the Agency drew down proceeds of \$1,000,000 and interest accrued to principal totaled \$45,000.

HUD Section 108 – Original Amount \$3,000,000

In fiscal 2004, the City entered to a Disposition and Development Agreement to receive a Section 108 loan from the Department of Housing and Urban Development to finance costs related to the Ford Assembly Building project. Interest is payable quarterly and the interest rate is fixed at 2.58% or, in specific conditions, adjusted to the latest LIBOR Rate. The principal payments are due annually from 2009 through 2025.

Richmond Redevelopment Agency
Notes to Component Unit Financial Statements
For the year ended June 30, 2006

7. LONG-TERM OBLIGATIONS (Continued)

HUD Section 108 – Original Amount \$3,500,000

In fiscal 2006, the City received a Section 108 loan from the Department of Housing and Urban Development to finance costs related to the North Richmond-Iron Triangle project. Interest is payable quarterly and the interest rate is fixed at 2.58% or, in specific conditions, adjusted to the latest LIBOR Rate. The principal payments are due annually from 2009 through 2025.

CERF Loan – Original Amount \$4,500,000

In fiscal 2006, the City received a loan from the Continental Environmental Redevelopment Fund to finance the costs of an environmental remediation program. Interest is payable quarterly. The loan is due in full in March 2007, with the option to extend the agreement for two additional years. As of June 30, 2006, the balance outstanding was \$1,616,676.

Debt Without Agency or City Commitment

A special assessment district has been established in a part of the Agency to provide improvements to properties located in that district. Properties in the district are assessed for the cost of improvements; these assessments are payable solely by property owners over the term of the debt issued to finance these improvements. The Agency is not legally or morally obligated to pay these debts or be the purchaser of last resort of any foreclosed properties in these special assessment districts, nor is it obligated to advance Agency funds to repay these debts in the event of default.

At June 30, 2006, one District, Marina Westshore Community Facilities District No. 1998-1, had issued Community Facilities District No. 1998-1 Special Tax Bonds which had a remaining balance outstanding at that date of \$4,070,000.

Richmond Redevelopment Agency
Notes to Component Unit Financial Statements
For the year ended June 30, 2006

7. LONG-TERM OBLIGATIONS (Continued)

Conduit Debt

2003 Variable Rate Demand Multifamily Housing Revenue Refunding Bonds

On August 27, 2003, the Agency assisted Bridge Housing Acquisitions, Inc., in the issuance of Variable Rate Demand Multifamily Housing Revenue Refunding Bonds. The proceeds were used to repay existing obligations and rehabilitate The Summit at Hilltop, a 240-unit multifamily rental housing project. This debt issue is secured solely by the property financed by the debt. The Agency is not legally or morally obligated to pay this debt or be the purchaser of last resort of any foreclosed properties secured by this debt, nor is it obligated to advance Agency funds to repay this debt in the event of default. At June 30, 2006, the balance of this debt was \$14,375,000.

8. DEFICIT NET ASSETS

At June 30, 2006, restrictions of net assets were as follows:

Restricted net assets:	
Debt service	\$2,478,820
Low and moderate income housing	11,674,830
Unrestricted	<u>(15,476,881)</u>
Total net assets	<u><u>(\$1,323,231)</u></u>

The unrestricted net assets had a deficit balance because long-term debt is in excess of capital assets owned by the Agency. The Agency issues debt for construction and/or acquisition of assets. Upon completion of construction or acquisition, the capital assets are turned over to the City or to private parties within the redevelopment project area. The debt will be repaid with future property tax increment revenue.

9. COMMITMENTS AND CONTINGENCIES

Litigation

During fiscal year 2006, the Agency settled a claim against prior property owners of the Terminal One parcel for pollution. The Agency received a settlement reimbursement of \$4.2 million which will be used to offset the Agency's costs of clean up at the site.

In addition to the above, the Agency is involved in various claims and litigation resulting from its normal operations. The ultimate outcome of these matters is not presently determinable. In the Agency management's opinion, the outcome of these matters will not have a significant adverse effect on the Agency's financial position.

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REQUIRED SUPPLEMENTARY INFORMATION

RICHMOND REDEVELOPMENT AGENCY
 GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property		\$587,000	\$796,779	\$209,779
Other			3,279,158	3,279,158
Total Revenues		<u>587,000</u>	<u>4,075,937</u>	<u>3,488,937</u>
EXPENDITURES				
Current:				
Housing and redevelopment	\$6,289,611	6,516,739	4,968,923	1,547,816
Debt Service				
Interest and fiscal charges			1,516,464	(1,516,464)
Total Expenditures	<u>6,289,611</u>	<u>6,516,739</u>	<u>6,485,387</u>	<u>31,352</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(6,289,611)</u>	<u>(5,929,739)</u>	<u>(2,409,450)</u>	<u>3,520,289</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from the City			1,000,268	1,000,268
Transfers in			3,824,563	3,824,563
Transfers (out)		(387,000)	(1,601,000)	(1,214,000)
Total other financing sources (uses)		<u>(387,000)</u>	<u>3,223,831</u>	<u>3,610,831</u>
NET CHANGE IN FUND BALANCE				
	<u>(\$6,289,611)</u>	<u>(\$6,316,739)</u>	814,381	<u>\$7,131,120</u>
BEGINNING FUND BALANCE				
			<u>1,619,303</u>	
ENDING FUND BALANCE				
			<u>\$2,433,684</u>	

Richmond Redevelopment Agency
Required Supplementary Information
For the year ended June 30, 2006

NOTES TO BUDGETARY COMPARISON SCHEDULE

Budgets and Budgetary Accounting

The Agency adopts a budget annually to be effective July 1 for the ensuing fiscal year. Budgeted expenditures are adopted through the passage of a resolution. This resolution constitutes the maximum authorized expenditures for the fiscal year and cannot legally be exceeded except by subsequent amendments of the budget by the Agency Board.

An operating budget is adopted each fiscal year for the General Special Revenue Fund. Public hearings are conducted on the proposed budgets to review all appropriations and sources of financing. Capital projects are budgeted by the Agency Board over the term of the individual projects. Since capital projects are not budgeted on an annual basis, they are not included in the budgetary data. Debt Service expenditures are made in accordance with debt payment schedules included in the official statements for the outstanding bonds.

Expenditures are controlled at the fund level for all budgeted departments within the Agency. This is the level at which expenditures may not legally exceed appropriations. Budgeted amounts for the Statement of Revenues, Expenditures and Other Financing Sources (Uses) – Budget and Actual include budget amendments approved by Agency Board.

The budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP)

Any amendments or transfers of appropriations between object group levels within the same department must be authorized by the City Manager. Any amendments to the total level of appropriations for a fund or transfers between funds must be approved by the Agency Board. Supplemental appropriations financed by unanticipated revenues during the year must be approved by the Agency Board.

RICHMOND REDEVELOPMENT AGENCY
 NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEETS
 JUNE 30, 2006

DEBT SERVICE FUNDS

	Pilot	Harbour Gate	Hensley	Nevin Center	North Richmond
ASSETS					
Cash and investments	\$5,984	\$301,395	\$620,678	\$157,998	\$98,186
Receivables:					
Interest	420	2,422	5,946	388	305
Advances to other funds					
Total Assets	<u>\$6,404</u>	<u>\$303,817</u>	<u>\$626,624</u>	<u>\$158,386</u>	<u>\$98,491</u>
FUND EQUITY					
Fund balances					
Reserved for:					
Debt service					
Advances to other funds					
Unreserved, undesignated	<u>\$6,404</u>	<u>\$303,817</u>	<u>\$626,624</u>	<u>\$158,386</u>	<u>\$98,491</u>
Total Fund Balances	<u>\$6,404</u>	<u>\$303,817</u>	<u>\$626,624</u>	<u>\$158,386</u>	<u>\$98,491</u>

DEBT SERVICE FUNDS				CAPITAL PROJECTS FUND	Total Nonmajor Governmental Funds
Wells Fargo	RDA 2004A TARB Debt Services	Housing 2004A TARB Debt Services	Housing 2004B TARB Debt Services	Hensley	
\$2,823	\$4,043	\$2,016	\$610	\$39,338	\$1,233,071
37	435	215	64		10,232
				103,685	103,685
<u>\$2,860</u>	<u>\$4,478</u>	<u>\$2,231</u>	<u>\$674</u>	<u>\$143,023</u>	<u>\$1,346,988</u>
\$2,860	\$4,478	\$2,231	\$674	\$103,685	\$10,243
				39,338	103,685
					1,233,060
<u>\$2,860</u>	<u>\$4,478</u>	<u>\$2,231</u>	<u>\$674</u>	<u>\$143,023</u>	<u>\$1,346,988</u>

RICHMOND REDEVELOPMENT AGENCY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

DEBT SERVICE FUNDS					
	Pilot	Harbour Gate	Hensley	Nevin Center	North Richmond
REVENUES					
Property	\$90,054	\$500,902	\$1,431,042	\$112,684	\$77,110
Use of money and property	1,964	10,475	26,141	1,794	1,389
Total Revenues	92,018	511,377	1,457,183	114,478	78,499
EXPENDITURES					
Current					
Housing and redevelopment	8,389	46,164	151,542	10,829	7,444
Debt Service:					
Principal					
Interest and fiscal charges					
Total Expenditures	8,389	46,164	151,542	10,829	7,444
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	83,629	465,213	1,305,641	103,649	71,055
OTHER FINANCING SOURCES (USES)					
Transfers in			113,249		
Transfers (out)	(80,000)	(548,406)	(1,888,161)	(35,516)	(32,771)
Total Other Financing Sources (Uses)	(80,000)	(548,406)	(1,774,912)	(35,516)	(32,771)
NET CHANGE IN FUND BALANCES	3,629	(83,193)	(469,271)	68,133	38,284
BEGINNING FUND BALANCES	2,775	387,010	1,095,895	90,253	60,207
ENDING FUND BALANCES	<u>\$6,404</u>	<u>\$303,817</u>	<u>\$626,624</u>	<u>\$158,386</u>	<u>\$98,491</u>

DEBT SERVICE FUNDS				CAPITAL PROJECTS FUND	Total Nonmajor Governmental Funds
Wells Fargo	RDA 2004A TARB Debt Services	Housing 2004A TARB Debt Services	Housing 2004B TARB Debt Services	Hensley	
					\$2,211,792
\$405	\$30,914	\$15,450	\$5,932	\$700	95,164
405	30,914	15,450	5,932	700	2,306,956
					224,368
	173,333	86,667	75,000		335,000
7,500	514,811	257,655	76,263		856,229
7,500	688,144	344,322	151,263		1,415,597
(7,095)	(657,230)	(328,872)	(145,331)	700	891,359
	661,708	331,103	146,005		1,252,065
					(2,584,854)
	661,708	331,103	146,005		(1,332,789)
(7,095)	4,478	2,231	674	700	(441,430)
9,955				142,323	1,788,418
\$2,860	\$4,478	\$2,231	\$674	\$143,023	\$1,346,988

RICHMOND REDEVELOPMENT AGENCY
 AGENCY FUND
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006
<u>Marina Westshore CFD 1998-1</u>				
Cash and investments		\$663,231	\$322,692	\$340,539
Restricted cash and investments	\$332,070	10,594		342,664
Accounts receivable	329,051		329,051	
Interest receivable	1,007		2,022	(1,015)
Total Assets	<u>\$662,128</u>	<u>\$673,825</u>	<u>\$653,765</u>	<u>\$682,188</u>
Due to assessment district bondholders	<u>\$662,128</u>	<u>\$673,825</u>	<u>\$653,765</u>	<u>\$682,188</u>

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**REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Members of the Governing Board
Richmond Redevelopment Agency
Richmond, California

We have audited the financial statements of the Richmond Redevelopment Agency as of and for the year ended June 30, 2006, and have issued our report thereon dated December 15, 2006. We have conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit included tests of compliance with provisions of the *Guidelines for Compliance Audits of California Redevelopment Agencies*. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance, except as noted below in the Schedule of Current Year Findings, that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the above parties.

Maze and Associates

December 15, 2006

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SCHEDULE OF CURRENT YEAR FINDINGS

Finding 06-1:

The Agency had not filed the Independent Auditor's report on financial statements and report on legal compliance for the year ended June 30, 2005 with the State Controller's Report as of December 31, 2005, as required under Health and Safety Code Section 33080.1. The report was filed on May 12, 2006.

Redevelopment Agency Response:

The Agency and the City are working together with Maze & Associates to prepare timely Independent Auditor reports and the report on legal compliance. The Agency will be filing these reports by December 31, 2006 for FY06.

Finding 06-2:

Health and Safety Code Section 33418 requires that the Agency have property owners or managers of housing involving Agency funding to submit an annual report to the Agency. We selected the Agency's three projects funded by the Low and Moderate Income Housing Capital Projects Fund to test for this compliance requirement. Only one of the reports included the information required by Health and Safety Code Section 33418. The Agency should require property owners or managers to submit the required reports annually and review the reports for compliance.

Redevelopment Agency Response:

The Agency has started its monitoring processes and will continue to enhance these processes. The Agency will also consider going out to bid to do more active monitoring of homeownership units.

SCHEDULE OF PRIOR YEAR FINDINGS

Finding 05-1:

The Agency had not filed the Independent Auditor's report on financial statements and report on legal compliance for the year ended June 30, 2004 with the State Controller's Report as of December 31, 2004, as required under Health and Safety Code Section 33080.1.

Current Status:

The Agency sent the State Controller's Report on December 28, 2005 and the Independent Auditor report was sent on May 12, 2006. The Agency and the City are working together with Maze & Associates to prepare timely Independent Auditor reports and the report on legal compliance so these documents can accompany the State Controllers Report to meet the deadline of December 31.

Finding 05-2:

The Agency did not prepare a written determination showing that planning and administrative expenditures were necessary for the production, improvement or preservation of low and moderate income housing for the year ended June 30, 2004, as required by Health and Safety Code Section 33334.3(d).

Current Status:

The staff report accompanying the Agency's 2004-05 budget approved by the Agency Board on June 22, 2004 indicates that the determination that spending Low/Mod funds on administrative and planning costs was necessary for the production, improvement and preservation of low and moderate income housing. The RCRA will state the determination in writing in future budget reports.

Finding 05-3:

The Agency must require property owners or managers of such housing to submit an annual report to the Agency, as required under Health and Safety Code Section 33418. The Agency was unable to locate any annual reports from property owners or managers.

Current Status:

The Agency has started its monitoring processes and has submitted a monitoring binder to Maze & Associates for FY06. The Agency will also consider going out to bid to do more active monitoring of homeownership units. Also, see Finding 06-2

APPENDIX J
AUCTION PROCEDURES

AUCTION PROCEDURES

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AUCTION PROCEDURES

Both the Definitions in Article I and the Auction Procedures in Article II are subject to modification or amendment pursuant to Schedule I. In the event of any conflict between Article I or Article II and Schedule I, Schedule I shall prevail. Any reference herein to "Series" such as "a Series of Bonds" or "Bonds of a Series" shall refer to the 2007 Series A Bonds.

ARTICLE I

Definitions

In addition to the words and terms otherwise defined in the Indenture, the following words and terms as used in this Exhibit B (hereinafter "this Exhibit") and elsewhere in the Indenture have the following meanings with respect to 2007 Series A Bonds in an ARB Interest Rate Period unless the context or use indicates another or different meaning or intent or the definition has been changed, modified or expanded in Schedule I:

"Agent Member" means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

"All Hold Rate" has the meaning set forth in Schedule I.

"ARB Conversion Date" means with respect to 2007 Series A Bonds, the date on which the Bonds of such Series convert from an interest rate period other than an ARB Interest Rate Period and begin to bear interest at the Auction Period Rate.

"ARB Interest Payment Date" with respect to Bonds of a Series bearing interest at Auction Period Rates, means, notwithstanding anything else in the Indenture to the contrary, the first ARB Interest Payment Date for such Series of Bonds as set forth in Schedule I and thereafter (unless changed by Schedule I) (a) when used with respect to any Auction Period other than a daily Auction Period or a Flexible Auction Period, the Business Day immediately following such Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period, (c) when used with respect to a Flexible Auction Period of (i) seven or more but fewer than 183 days, the Business Day immediately following such Flexible Auction Period, or (ii) 183 or more days, each semiannual date on which interest on the Bonds would be payable if such Bonds bore interest at a fixed rate of interest and on the Business Day immediately following such Flexible Auction Period, and (d) the date when the final payment of principal of the Bonds of such Series becomes due and payable (whether at stated maturity, upon redemption or acceleration, or otherwise).

"ARB Interest Rate Period" means, for 2007 Series A Bonds, any period of time commencing on the day following the Initial Period and ending on the earlier of the Conversion Date or the day preceding the final maturity date of such Bonds.

"ARB Maximum Rate" has the meaning set forth in Schedule I.

"Auction" means each periodic implementation of the Auction Procedures.

"Auction Agent" means the Person appointed as Auction Agent in accordance with the Auction Agreement. The Auction Agent shall initially be the party named in Schedule I.

"Auction Agreement" means an agreement between the Auction Agent and the Trustee pursuant to which the Auction Agent agrees to follow the procedures specified in this Exhibit with

AUCTION PROCEDURES

respect to the Bonds while such Bonds bear interest at the Auction Period Rate, as such agreement may from time to time be amended or supplemented.

“Auction Date” means with respect to any 2007 Series A Bonds:

(a) *Daily Auction Period.* If the Bonds are in a daily Auction Period, each Business Day unless such day is the Business Day prior to the conversion from a daily Auction Period to another Auction Period,

(b) *Flexible Auction Period.* If the Bonds are in a Flexible Auction Period, the last Business Day of the Flexible Auction Period, and

(c) *Other Auction Periods.* If the Bonds are in any other Auction Period, the Business Day next preceding each ARB Interest Payment Date for such Bonds (whether or not an Auction shall be conducted on such date);

provided, however, that the last Auction Date with respect to the Bonds in an Auction Period other than a daily Auction Period or Flexible Auction Period shall be the earlier of (i) the Business Day next preceding the ARB Interest Payment Date next preceding the Conversion Date for the Bonds and (ii) the Business Day next preceding the ARB Interest Payment Date next preceding the final maturity date for the Bonds; and

provided, further, that if the Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the second Business Day next preceding the Conversion Date for the Bonds and (y) the Business Day next preceding the final maturity date for the Bonds. The last Business Day of a Flexible Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be an Auction for the last daily Auction Period. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be one Auction for the first Auction Period following the conversion.

The first Auction Date for each Series of Bonds is set forth in Schedule I.

“Auction Desk” means the business unit of a Broker-Dealer that fulfills the responsibilities of the Broker-Dealer under a Broker-Dealer Agreement, including soliciting Bids for the Bonds, and units of the Broker-Dealer which are not separated from such business unit by information controls appropriate to control, limit and monitor the inappropriate dissemination and use of information about Bids.

“Auction Period” means with respect to each Series of Bonds:

(a) *Flexible Auction Period.* A Flexible Auction Period;

(b) *Daily Auction Period.* With respect to a Series of Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day unless such Business Day is the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, in which case the daily Auction Period shall extend to, but not include, the next ARB Interest Payment Date;

(c) *Seven day Auction Period.* With respect to a Series of Bonds in a seven-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table

AUCTION PROCEDURES

below, a period of generally seven days beginning on the day of the week specified in column B of the table below (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table below) and ending on the day of the week specified in column C of the table below in the next succeeding week (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day):

(A)	(B)	(C)
When Auctions Occur on this day	Auction Period Generally Begins this day	Auction Periods Generally End this day
Friday	Monday	Sunday
Monday	Tuesday	Monday
Tuesday	Wednesday	Tuesday
Wednesday	Thursday	Wednesday
Thursday	Friday	Thursday

(d) *28-day Auction Period.* With respect to a Series of Bonds in a 28-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 28 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the same day of the week specified in column C of the table above four weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(e) *35-day Auction Period.* With respect to a Series of Bonds in a 35-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 35 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the day of the week specified in column C of the table above five weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(f) *Three-month Auction Period.* With respect to a Series of Bonds in a three-month Auction Period, a period of generally three months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the calendar day immediately preceding the first Business Day of the month that is the third calendar month following the beginning date of such Auction Period; and

(g) *Six-month Auction Period.* With respect to a Series of Bonds in a six-month Auction Period, a period of generally six months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding date set forth in Schedule I;

Provided, however, that if there is a conversion of a Series of Bonds with Auctions generally conducted on the day of the week specified in column A of the table above, (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the next succeeding day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day),

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(ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the ARB Interest Payment Date for the prior Auction Period) and shall end of the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion.

Notwithstanding the foregoing, if an Auction is for an Auction Period of more than seven days and the Auction Rate on such Auction Date is the ARB Maximum Rate as the result of a lack of Sufficient Clearing Bids, the Auction Period shall automatically convert to a seven-day Auction Period. On the following Auction Date, the Auction shall be conducted for an Auction Period of the same length as the Auction Period prior to such automatic conversion. If such Auction is successful, the Auction Period shall revert to the length prior to the automatic conversion, and, if such Auction is not successful, the Auction Period shall be another seven-day period.

“Auction Period Rate” means the Auction Rate or any other rate of interest to be borne by the Bonds during each Auction Period determined in accordance with Section 2.04 of this Exhibit; provided, however, in no event may the Auction Period Rate exceed the ARB Maximum Rate.

“Auction Procedures” means the procedures for conducting Auctions for Bonds during an ARB Interest Rate Period set forth in this Exhibit.

“Auction Rate” means for each Series of Bonds for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of the Bonds are the subject of Submitted Hold Orders, the All Hold Rate for such Series of Bonds and (ii) if Sufficient Clearing Bids do not exist, the ARB Maximum Rate for such Series of Bonds.

“Available Bonds” means, for each Series of Bonds on each Auction Date, the number of Units of Bonds that are not the subject of Submitted Hold Orders.

“Bid” has the meaning specified in subsection (a) of Section 2.01 of this Exhibit.

“Bidder” means each Existing Owner and Potential Owner who places an Order.

“Broker-Dealer” means any entity that is permitted by law to perform the function required of a Broker-Dealer described in this Exhibit, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Agency and that is a party to a Broker-Dealer Agreement with the Auction Agent and the Trustee that is in effect on the date of reference. The “Broker-Dealer of record” with respect to any Bond is the Broker-Dealer which placed the Order for such Bond or whom the Existing Owner of such Bond has designated as its Broker-Dealer with respect to such Bond, in each case as reflected in the records of the Auction Agent.

“Broker-Dealer Deadline” means, with respect to an Order, the internal deadline established by the Broker-Dealer through which the Order was placed after which it will not accept Orders or any change in any Order previously placed with such Broker-Dealer; provided, however, that nothing shall prevent the Broker-Dealer from correcting Clerical Errors by the Broker-Dealer with respect to Orders from Bidders after the Broker-Dealer Deadline pursuant to the provisions herein. Any Broker-Dealer

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may change the time or times of its Broker-Dealer Deadline as it relates to such Broker-Dealer by giving notice not less than two Business Days prior to the date such change is to take effect to Bidders who place Orders through such Broker-Dealer.

“Business Day” in addition to any other definition of “Business Day” included in the Indenture, while Bonds bear interest at the Auction Period Rate, the term Business Day shall not include Saturdays, Sundays, days on which the New York Stock Exchange or its successor is not open for business, days on which the Federal Reserve Bank of New York is not open for business, days on which banking institutions or trust companies located in the state in which the operations of the Auction Agent are conducted are authorized or required to be closed by law, regulation or executive order of the state in which the Auction Agent conducts operations with respect to the Bonds.

“Clerical Error” means a clerical error in the processing of an Order, and includes, but is not limited to, the following: (i) a transmission error, including but not limited to, an Order sent to the wrong address or number, failure to transmit certain pages or illegible transmission, (ii) failure to transmit an Order received from one or more Existing Owners or Potential Owners (including Orders from the Broker-Dealer which were not originated by the Auction Desk) prior to the Broker-Dealer Deadline or generated by the Broker-Dealer’s Auction Desk for its own account prior to the Submission Deadline or (iii) a typographical error. Determining whether an error is a “Clerical Error” is within the reasonable judgment of the Broker-Dealer, provided that the Broker-Dealer has a record of the correct Order that shows it was so received or so generated prior to the Broker-Dealer Deadline or the Submission Deadline, as applicable.

“Electronic Means” means, facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

“Error Correction Deadline” means one hour after the Auction Agent completes the dissemination of the results of the Auction to Broker-Dealers without regard to the time of receipt of such results by any Broker-Dealer; provided, however, in no event shall the Error Correction Deadline extend past 4:00 p.m., New York City time, unless the Auction Agent experiences technological failure or force majeure in disseminating the Auction results which causes a delay in dissemination past 3:00 p.m., New York City time.

“Existing Owner” means a Person who is the beneficial owner of 2007 Series A Bonds; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as an Existing Owner.

“Flexible Auction Period” means with respect to a Series of Bonds,

(a) any period of 182 days or less which is divisible by seven and which begins on an ARB Interest Payment Date and ends (i) in the case of a Series of Bonds with Auctions generally conducted on Fridays, on a Sunday unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (ii) in the case of a Series of Bonds with Auctions generally conducted on Mondays, on a Monday unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iii) in the case of a Series of Bonds with Auctions generally conducted on Tuesdays, on a Tuesday unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iv) in the case of a Series of Bonds with Auctions generally conducted on Wednesdays, on a Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a

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Business Day, and (v) in the case of a Series of Bonds with Auctions generally conducted on Thursdays, on a Thursday unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day or

(b) any period which is longer than 182 days which begins on an ARB Interest Payment Date and ends not later than the final scheduled maturity date of such Series of Bonds.

“Hold Order” means an Order to hold the Bonds as provided in Section 2.01(a) of this Exhibit or such an Order deemed to have been submitted as provided in Section 2.01(c) of this Exhibit.

“Index” has the meaning set forth in Schedule I.

“Initial Period” has the meaning set forth in Schedule I.

“Order” means a Hold Order, Bid or Sell Order.

“Potential Owner” means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Bonds in addition to the Bonds currently owned by such Person, if any; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as a Potential Owner.

“Record Date” means, notwithstanding anything else in the Indenture, while the 2007 Series A Bonds bear interest at the Auction Period Rate, the Business Day immediately preceding an ARB Interest Payment Date.

“Schedule I” means Schedule I to this Exhibit B.

“Securities Depository” means, notwithstanding anything else in the Indenture to the contrary, The Depository Trust Company and its successors and assigns or any other securities depository selected by the Trustee.

“Sell Order” has the meaning specified in subsection (a) of Section 2.01 of this Exhibit.

“Submission Deadline” means, unless changed by Schedule I, 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Period, or such other time on such date as shall be specified from time to time by the Auction Agent if directed in writing by the Trustee or the Agency pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent. Notwithstanding the foregoing, the Auction Agent will follow the Securities Industry and Financial Markets Association’s Early Market Close Recommendations for shortened trading days for the bond markets (the “SIFMA Recommendation”) unless the Auction Agent is instructed otherwise in writing by the Trustee or the Agency. In the event of a SIFMA Recommendation with respect to an Auction Date, the Submission Deadline will be 11:30 a.m., instead of 1:00 p.m., New York City time.

“Submitted Bid” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

“Submitted Hold Order” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

“Submitted Order” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

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“Submitted Sell Order” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

“Sufficient Clearing Bids” means for each Series of Bonds, an Auction for which the number of Units of such Bonds that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the ARB Maximum Rate is not less than the number of Units of such Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the ARB Maximum Rate.

“Units” has the meaning set forth in Section 2.02(a)(iii) of this Exhibit.

“Winning Bid Rate” means for each Series of Bonds, the lowest rate specified in any Submitted Bid of such Series which if calculated by the Auction Agent as the Auction Rate would cause the number of Units of such Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the number of Units of Available Bonds of such Series.

ARTICLE II

Auction Procedures

Section 2.01. *Orders by Existing Owners and Potential Owners.* (a) Prior to the Broker-Dealer Deadline for each Series of Bonds on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, one or more Orders as to:

(A) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period without regard to the Auction Rate for such Auction Period,

(B) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum specified in such Order (and if the Auction Rate is less than such specified rate, the effect of the Order shall be as set forth in paragraph (b)(i)(A) of this Section), and/or

(C) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner offers to sell on the first Business Day of the next succeeding Auction Period (or on the same day in the case of a daily Auction Period) without regard to the Auction Rate for the next succeeding Auction Period; and

(ii) each Potential Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, an Order as to the principal amount of Bonds, which each such Potential Owner offers to purchase if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes of the Auction Procedures an Order containing the information referred to in clause (i)(A) above is referred to as a “Hold Order,” an Order containing the information referred to in

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clause (i)(B) or (ii) above is referred to as a “Bid,” and an Order containing the information referred to in clause (i)(C) above is referred to as a “Sell Order.”

No Auction Desk of a Broker-Dealer shall accept as an Order a submission (whether received from an Existing Owner or a Potential Owner or generated by the Broker-Dealer for its own account) which does not conform to the requirements of the Auction Procedures, including, but not limited to, submissions which are not in Authorized Denominations, specify a rate which contains more than three figures to the right of the decimal point or specify an amount greater than the amount of Outstanding Bonds. No Auction Desk of a Broker-Dealer shall accept a Bid or Sell Order which is conditioned on being filled in whole or a Bid which does not specify a specific interest rate.

(b) (i) A Bid by an Existing Owner shall constitute an offer to sell on the first Business Day of the next succeeding Auction Period (or the same day in the case of a daily Auction Period):

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be less than the rate specified in such Bid; or

(B) such principal amount or a lesser principal amount of Bonds to be determined as described in subsection (a)(v) of Section 2.05 hereof if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate; or

(C) a lesser principal amount of Bonds to be determined as described in subsection (b)(iv) of Section 2.05 hereof if such specified rate shall be higher than the ARB Maximum Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Owner shall constitute an offer to sell:

(A) the principal amount of Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (b)(iv) of Section 2.05 hereof if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Owner shall constitute an offer to purchase:

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (a)(vi) of Section 2.05 hereof if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) If an Order or Orders covering all of the Bonds of a particular Series held by an Existing Owner is not submitted to the Broker-Dealer of record for such Existing Owner prior to the Broker-Dealer Deadline, such Broker-Dealer shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds held by such Existing Owner and not subject to Orders submitted to such Broker-Dealer; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted to such Broker-Dealer prior to the Broker-Dealer Deadline covering the aggregate principal amount of Bonds of a particular Series to be converted held

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by such Existing Owner, such Broker-Dealer shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds to be converted held by such Existing Owner not subject to Orders submitted to such Broker-Dealer.

(ii) for purposes of any Auction, any Order by any Existing Owner or Potential Owner shall be revocable until the Broker-Dealer Deadline, and after the Broker-Dealer Deadline, all such Orders shall be irrevocable, except as provided in Sections 2.02(e)(ii) and 2.02(f); and

(iii) for purposes of any Auction other than during a daily Auction Period, any Bonds sold or purchased pursuant to subsection (b)(i), (ii) or (iii) above shall be sold or purchased at a price equal to 100% of the principal amount thereof; provided that, for purposes of any Auction during a daily Auction Period, such sale or purchase price shall be 100% of the principal amount thereof plus accrued interest to the date of sale or purchase.

Section 2.02. Submission of Orders by Broker-Dealers to Auction Agent.

(a) Each Broker-Dealer shall submit to the Auction Agent in writing, or by such Electronic Means as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date for Bonds of a Series, all Orders with respect to Bonds of such Series accepted by such Broker-Dealer in accordance with Section 2.01 above and specifying with respect to each Order or aggregation of Orders pursuant to Section 2.02(b) below:

(i) the name of the Broker-Dealer;

(ii) the number of Bidders placing Orders, if requested by the Auction Agent;

(iii) the aggregate number of Units of Bonds of such Series, if any, that are the subject of such Order, where each Unit is equal to the principal amount of the minimum Authorized Denomination of the Bonds;

(iv) to the extent that such Bidder is an Existing Owner:

(A) the number of Units of Bonds of such Series, if any, subject to any Hold Order placed by such Existing Owner;

(B) the number of Units of Bonds of such Series, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the number of Units of Bonds of such Series, if any, subject to any Sell Order placed by such Existing Owner; and

(v) to the extent such Bidder is a Potential Owner, the rate specified in such Bid.

(b) If more than one Bid is submitted to a Broker-Dealer on behalf of any single Potential Owner, the Broker-Dealer shall aggregate each Bid on behalf of such Potential Owner submitted with the same rate and consider such Bids as a single Bid and shall consider each Bid submitted with a different rate a separate Bid with the rate and the number of Units of Bonds specified therein.

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A Broker-Dealer may aggregate the Orders of different Potential Owners with those of other Potential Owners on whose behalf the Broker-Dealer is submitting Orders and may aggregate the Orders of different Existing Owners with other Existing Owners on whose behalf the Broker-Dealer is submitting Orders; provided, however, Bids may only be aggregated if the interest rates on the Bids are the same.

(c) None of the the Agency, the Trustee or the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

(d) Nothing contained herein shall preclude a Broker-Dealer from placing an Order for some or all of the Bonds for its own account.

(e) Until the Submission Deadline, a Broker-Dealer may withdraw or modify any Order previously submitted to the Auction Agent (i) for any reason if the Order was generated by the Auction Desk of the Broker-Dealer for the account of the Broker-Dealer or (ii) to correct a Clerical Error in the case of any other Order, including Orders from the Broker-Dealer which were not originated by the Auction Desk.

(f) After the Submission Deadline and prior to the Error Correction Deadline, a Broker-Dealer may:

(i) submit to the Auction Agent an Order received from an Existing Owner, Potential Owner or a Broker-Dealer which is not an Order originated by the Auction Desk, in each case prior to the Broker-Dealer Deadline, or an Order generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline (provided that in each case the Broker-Dealer has a record of such Order and the time when such Order was received or generated) and not submitted to the Auction Agent prior to the Submission Deadline as a result of (A) an event of force majeure or a technological failure which made delivery prior to the Submission Deadline impossible or, under the conditions then prevailing, impracticable or (B) a Clerical Error on the part of the Broker-Dealer; or

(ii) modify or withdraw an Order received from an Existing Owner or Potential Owner or generated by the Broker-Dealer (whether generated by the Broker-Dealer's Auction Desk or elsewhere within the Broker-Dealer) for its own account and submitted to the Auction Agent prior to the Submission Deadline or pursuant to clause (i) above, if the Broker-Dealer determines that such Order contained a Clerical Error on the part of the Broker-Dealer.

In the event a Broker-Dealer makes a submission, modification or withdrawal pursuant to this Section 2.02(f) and the Auction Agent has already run the Auction, the Auction Agent shall rerun the Auction, taking into account such submission, modification or withdrawal. Each submission, modification or withdrawal of an Order submitted pursuant to this Section 2.02(f) by a Broker-Dealer after the Submission Deadline and prior to the Error Correction Deadline shall constitute a representation by the Broker-Dealer that (A) in the case of a newly submitted Order or portion thereof or revised Order, the failure to submit such Order prior to the Submission Deadline resulted from an event described in clause (i) above and such Order was received from an Existing Owner or Potential Owner or is an Order received from the Broker-Dealer that was not originated by the Auction Desk, in each case, prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (B) in the case of a modified or withdrawn Order, such Order was received from an Existing Owner, a Potential Owner or the Broker-Dealer which was not originated by the Auction Desk prior to the Broker-Dealer

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Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline and such Order as submitted to the Auction Agent contained a Clerical Error on the part of the Broker-Dealer and that such Order has been modified or withdrawn solely to effect a correction of such Clerical Error, and in the case of either (A) or (B), as applicable, the Broker-Dealer has a record of such Order and the time when such Order was received or generated. The Auction Agent shall be entitled to rely conclusively (and shall have no liability for relying) on such representation for any and all purposes of the Auction Procedures.

(g) If after the Auction Agent announces the results of an Auction, a Broker-Dealer becomes aware that an error was made by the Auction Agent, the Broker-Dealer shall communicate such awareness to the Auction Agent prior to 5:00 p.m. New York City time on the Auction Date (or 2:00 pm. New York City time in the case of Bonds in a daily Auction Period). If the Auction Agent determines there has been such an error (as a result of either a communication from a Broker-Dealer or its own discovery) prior to 3:00 p.m. New York City time on the first day of the Auction Period with respect to which such Auction was conducted, the Auction Agent shall correct the error and notify each Broker-Dealer that submitted Bids or held a position in Bonds in such Auction of the corrected results.

(h) Nothing contained herein shall preclude the Auction Agent from:

(i) advising a Broker-Dealer prior to the Submission Deadline that it has not received Sufficient Clearing Bids for the Bonds; provided, however, that if the Auction Agent so advises any Broker-Dealer, it shall so advise all Broker-Dealers; or

(ii) verifying the Orders of a Broker-Dealer prior to or after the Submission Deadline; provided, however, that if the Auction Agent verifies the Orders of any Broker-Dealer, it shall verify the Orders of all Broker-Dealers requesting such verification.

Section 2.03. *Treatment of Orders by the Auction Agent.* Anything herein to the contrary notwithstanding:

(a) If the Auction Agent receives an Order which does not conform to the requirements of the Auction Procedures, the Auction Agent may contact the Broker-Dealer submitting such Order until one hour after the Submission Deadline and inform such Broker-Dealer that it may resubmit such Order so that it conforms to the requirements of the Auction Procedures. Upon being so informed, such Broker-Dealer may correct and resubmit to the Auction Agent any such Order that, solely as a result of a Clerical Error on the part of such Broker-Dealer, did not conform to the requirements of the Auction Procedures when previously submitted to the Auction Agent. Any such resubmission by a Broker-Dealer shall constitute a representation by such Broker-Dealer that the failure of such Order to have so conformed was solely as a result of a Clerical Error on the part of such Broker-Dealer. If the Auction Agent has not received a corrected conforming Order within one hour and fifteen minutes of the Submission Deadline, the Auction Agent shall, if and to the extent applicable, adjust or apply such Order, as the case may be, in conformity with the provisions of subsections (b), (c) or (d) of this Section 2.03 and, if the Auction Agent is unable to so adjust or apply such Order, the Auction Agent shall reject such Order.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

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(c) If one or more Orders covering in the aggregate more than the number of Units of Outstanding Bonds of a particular Series are submitted by a Broker-Dealer to the Auction Agent, such Orders shall be considered valid in the following order of priority:

(i) all Hold Orders shall be considered Hold Orders, but only up to and including in the aggregate the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record;

(ii) (A) any Bid of a Broker-Dealer shall be considered valid as a Bid of an Existing Owner up to and including the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of the Bonds of such Series subject to Hold Orders referred to in clause (i) above;

(B) subject to clause (A) above, all Bids of a Broker-Dealer with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above;

(C) subject to clause (A) above, if more than one Bid with different rates is submitted by a Broker-Dealer, such Bids shall be considered Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above; and

(D) the number of Units, if any, of such Bonds of such Series subject to Bids not considered to be Bids for which such Broker-Dealer is the Broker-Dealer of record under this clause (ii) shall be treated as the subject of a Bid by a Potential Owner;

(iii) all Sell Orders shall be considered Sell Orders, but only up to and including the number of Units of Bonds of such Series equal to the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the sum of the number of Units of the Bonds of such Series considered to be subject to Hold Orders pursuant to clause (i) above and the number of Units of Bonds of such Series considered to be subject to Bids for which such Broker-Dealer is the Broker-Dealer of record pursuant to clause (ii) above.

(d) If any Order is for other than an integral number of Units, then the Auction Agent shall round the amount down to the nearest number of whole Units, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such number of Units.

(e) For purposes of any Auction other than during a daily Auction Period, if an Auction Agent has been notified by the Trustee that any portion of an Order by a Broker-Dealer relates to a Bond which has been called for redemption on or prior to the ARB Interest Payment Date next succeeding such Auction, the Order shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted.

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(f) For purposes of any Auction other than during a daily Auction Period, no portion of a Bond which the Auction Agent has been notified by the Trustee has been called for redemption on or prior to the ARB Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction.

(g) If an Order or Orders covering all of the Bonds of a particular Series is not submitted by a Broker-Dealer of record prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds for which such Broker-Dealer is the Broker-Dealer of record and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted by such Broker-Dealer prior to the Submission Deadline covering the number of Units of Bonds of a particular Series to be converted for which such Broker-Dealer is the Broker-Dealer of record, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds to be converted for which such Broker-Dealer is the Broker-Dealer of record not subject to Orders submitted by such Broker-Dealer.

Section 2.04. *Determination of Auction Period Rate.* (a) If requested by the Trustee or a Broker-Dealer, not later than 10:30 a.m., New York City time (or such other time as may be agreed to by the Auction Agent and all Broker-Dealers), on each Auction Date for each Series of Bonds, the Auction Agent shall advise such Broker-Dealer (and thereafter confirm to the Trustee, if requested) of the All Hold Rate, the Index and, if the ARB Maximum Rate is not a fixed interest rate, the ARB Maximum Rate. Such advice, and confirmation, shall be made by telephone or other Electronic Means acceptable to the Auction Agent.

(b) Promptly after the Submission Deadline for each Series of Bonds on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, and collectively as a "Submitted Order") and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) In the event the Auction Agent shall fail to calculate or, for any reason, fails to provide the Auction Rate on the Auction Date, for any Auction Period (i) if the preceding Auction Period was a period of 35 days or less, (A) a new Auction Period shall be established for the same length of time as the preceding Auction Period, if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the percentage of the Index set forth in Schedule I under "Determination of Auction Period Rate" if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension, and (ii) if the preceding Auction Period was a period of greater than 35 days, (A) a new Auction Period shall be established for a period that ends on the seventh day following the day that was the last day of the preceding Auction Period, (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the

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new Auction Period shall be the percentage of the Index set forth in Schedule I under “Determination of Auction Period Rate” if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension. In the event a new Auction Period is established as set forth in clause (ii) (A) above, an Auction shall be held on the last Business Day of the new Auction Period to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the new Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no new Auction Period or Auction Periods subsequent to the last Auction Period for which a Winning Bid Rate had been determined. In the event an Auction Period is extended as set forth in clause (i) (B) or (ii) (B) above, an Auction shall be held on the last Business Day of the Auction Period as so extended to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the extended Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no extension of the prior Auction Period.

Notwithstanding the foregoing, neither new nor extended Auction Periods shall total more than 35 days in the aggregate. If at the end of the 35 days the Auction Agent fails to calculate or provide the Auction Rate, or there is not at the time a duly appointed and acting Auction Agent or Broker-Dealer, the Auction Period Rate shall be the ARB Maximum Rate.

(d) In the event of a failed conversion from an Auction Period to any other period or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Period Rate for the next Auction Period shall be the ARB Maximum Rate and the Auction Period shall be a seven-day Auction Period. In the event that the 2007 Series A Bonds bear interest at the ARB Maximum Rate for the lesser of 3 consecutive Auction periods or 90 days, the Agency will use best efforts to cause a conversion to another Auction Period or an Interest Rate Period acceptable to the 2007 Series A Bond Insurer.

(e) If the Bonds are no longer maintained in book-entry-only form by the Securities Depository, then the Auctions shall cease and the Auction Period Rate shall be the ARB Maximum Rate.

Section 2.05. *Allocation of Bonds.*

(a) In the event of Sufficient Clearing Bids for a Series of Bonds, subject to the further provisions of subsections (c) and (d) below, Submitted Orders for each Series of Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid

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Rate shall be rejected, thus requiring each such Existing Owner to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and including the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii) or (iv) above by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate number of Units of Outstanding Bonds subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii), (iv) or (v) above by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate number of Units of Outstanding Bonds subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids for a Series of Bonds, Submitted Orders for each Series of Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the ARB Maximum Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

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(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the ARB Maximum Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the ARB Maximum Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Bonds subject to Submitted Bids described in clause (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the number of Units of Outstanding Bonds subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the ARB Maximum Rate shall be rejected.

(c) If, as a result of the undertakings described in Section 2.05(a) or (b) above, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of the Bonds that is not an integral multiple of an Authorized Denomination on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of the Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of the Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Bonds on such Auction Date.

(d) If, as a result of the undertakings described in Section 2.05(a) above, any Potential Owner would be required to purchase less than an Authorized Denomination in principal amount of the Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate the Bonds for purchase among Potential Owners so that the principal amount of the Bonds purchased on such Auction Date by any Potential Owner shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Potential Owners not purchasing the Bonds on such Auction Date.

Section 2.06. Notice of Auction Period Rate. (a) On each Auction Date, the Auction Agent shall notify each Broker-Dealer that participated in the Auction held on such Auction Date by Electronic Means acceptable to the Auction Agent and the applicable Broker-Dealer of the following, with respect to each Series of Bonds for which an Auction was held on such Auction Date:

(i) the Auction Period Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

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(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected and the number of Units of Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected and the number of Units of Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate number of Units of the Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate number of Units of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the number of Units of Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date, with respect to each Series of Bonds for which an Auction was held on such Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall: (i) if requested by an Existing Owner or a Potential Owner, advise such Existing Owner or Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Period Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of such Owner was accepted or rejected and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the number of Units of Bonds to be purchased pursuant to such Bid (including, with respect to the Bonds in a daily Auction Period, accrued interest if the purchase date is not an ARB Interest Payment Date for such Bond) against receipt of such Bonds; and (iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the number of Units of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

(c) The Auction Agent shall give notice of the Auction Rate to the Agency and Trustee by mutually acceptable Electronic Means and the Trustee shall promptly give notice of such Auction Rate to the Securities Depository.

Section 2.07. Index.

(a) If for any reason on any Auction Date the Index shall not be determined as provided in Schedule I, the Index shall be the Index for the Auction Period ending on such Auction Date.

(b) The determination of the Index as provided in Schedule I and herein shall be conclusive and binding upon the Agency, the Trustee, the Broker-Dealers, the Auction Agent and the Owners of the Bonds.

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Section 2.08. *Miscellaneous Provisions Regarding Auctions.*

(a) In this Exhibit, each reference to the purchase, sale or holding of Bonds shall refer to beneficial interests in Bonds, unless the context clearly requires otherwise.

(b) During an ARB Interest Rate Period with respect to each Series of Bonds, the provisions of the Indenture and the definitions contained therein and described in this Exhibit, including without limitation the definitions of All Hold Rate, Index, ARB Interest Payment Date, ARB Maximum Rate, Auction Period Rate and Auction Rate, may be amended as follows pursuant to the Indenture by obtaining the consent of the owners of all affected Outstanding Bonds bearing interest at the Auction Period Rate, provided that, if any such amendment shall affect the rights or obligations of the Owners or the 2007 Series A Bond Insurer, such change shall require the prior written consent of the 2007 Series A Bond Insurer. If on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such proposed amendment to the registered owners of the affected Outstanding Bonds as required by the Indenture, (i) the Auction Period Rate which is determined on such date is the Winning Bid Rate or the All Hold Rate and (ii) there is delivered to the Agency, the 2007 Series A Bond Insurer and the Trustee an opinion of Bond Counsel to the effect that such amendment shall not adversely affect the validity of the Bonds or any exemption from federal income taxation to which the interest on the Bonds would otherwise be entitled, the proposed amendment shall be deemed to have been consented to by the registered owners of all affected Outstanding Bonds bearing interest at an Auction Period Rate.

(c) If the Securities Depository notifies the Trustee that it is unwilling or unable to continue as registered owner of the Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to the Securities Depository is not appointed by the Trustee within 90 days after the Trustee receives notice or becomes aware of such condition, as the case may be, the Auctions shall cease and the Agency shall execute and the Trustee shall authenticate and deliver certificates representing the Bonds. Such Bonds shall be registered in such names and Authorized Denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the Agency and the Trustee.

During an ARB Interest Rate Period, so long as the ownership of the Bonds is maintained in book-entry form by the Securities Depository, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions, such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Owner of the Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

Section 2.09. *Changes in Auction Period or Auction Date.*

(a) Changes in Auction Period.

(i) During any ARB Interest Rate Period, the Agency, may, from time to time on the ARB Interest Payment Date immediately following the end of any Auction Period, change the length of the Auction Period with respect to all of the Bonds of a Series among daily, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period in order

AUCTION PROCEDURES

to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds. The Agency shall initiate the change in the length of the Auction Period by giving written notice to the 2007 Series A Bond Insurer, the Trustee, the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period shall be for a period of one day, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period and shall be for all of the Bonds of such Series.

(iii) The change in length of the Auction Period shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such new Auction Period. For purposes of the Auction for such new Auction Period only, except to the extent any Existing Owner submits an Order with respect to such Bonds of any Series, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Bonds of such Series if the change is to a longer Auction Period and a Hold Order if the change is to a shorter Auction Period. If there are not Sufficient Clearing Bids for the first Auction Period, the Auction Rate for the new Auction Period shall be the ARB Maximum Rate, and the Auction Period shall be a seven-day Auction Period.

(b) Changes in Auction Date. During any ARB Interest Rate Period, the Auction Agent, at the direction of the Agency, may specify an earlier or later Auction Date (but in no event more than five Business Days earlier or later) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne by the Bonds. The Auction Agent shall provide notice of the Agency's direction to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Agency and the Broker-Dealers with a copy to the Securities Depository. In the event the Auction Agent is instructed to specify an earlier Auction Date, the days of the week on which an Auction Period begins and ends, the day of the week on which a Flexible Auction Period ends and the ARB Interest Payment Date relating to a Flexible Auction Period shall be adjusted accordingly.

(c) Changes Resulting from Unscheduled Holidays. If, in the opinion of the Auction Agent and the Broker-Dealers, there is insufficient notice of an unscheduled holiday to allow the efficient implementation of the Auction Procedures set forth herein, the Auction Agent and the Broker-Dealers may, as they deem appropriate, set a different Auction Date and adjust any ARB Interest Payment Dates and Auction Periods affected by such unscheduled holiday. In the event there is not agreement among the Broker-Dealers, the Auction Agent shall set the different Auction Date and make such adjustments as directed by a majority of the Broker-Dealers, and, if there is not a majority, as the Auction Agent in its sole discretion shall determine is appropriate.

SCHEDULE I TO EXHIBIT J

Definitions

“Agency” means the Richmond Community Redevelopment Agency.

“All Hold Rate” means, as of any Auction Date, ___% of the Index in effect on such Auction Date for any Bond the interest on which is not includable in gross income of the beneficial owner of such Bond for federal income tax purposes and ___% of the Index in effect on such Auction Date for any Bond the interest on which is includable in gross income of the beneficial owner of such Bond for federal income tax purposes.

“ARB Interest Payment Date” includes the first ARB Interest Payment Date which shall be _____, for the 2007 Series A Bonds.

“ARB Maximum Rate” means twelve percent (12%) per annum.

“Auction Agent” shall initially be [Union Bank of California, N.A.]

“Auction Date” shall include as part of the definition the first Auction Date which shall be _____ for the 2007 Series A Bonds.

“Auction Period” shall include in the *Six-month Auction Period* either February 28 or October 31.

“Broker-Dealer” selection by the Agency must be consented to by the Agency and the 2007 Series A Bond Insurer (noting that the initial Broker-Dealer is acceptable).

“Index” means on any Auction Date with respect to Bonds in any Auction Period of 35 days or less _____. The Index with respect to Bonds in any Auction Period of more than 35 days shall be the rate on United States Treasury Securities having a maturity which most closely approximates the length of the Auction Period as last published in The Wall Street Journal or such other source as may be mutually agreed upon by Agency and the Broker-Dealers. If either rate is unavailable, the Index shall be an index or rate agreed to by all Broker-Dealers and consented to by the Agency. For the purpose of this definition an Auction Period of 35 days or less means a 35-day Auction Period or shorter Auction Period, i.e. a 35-day Auction Period which is extended because of a holiday would still be considered an Auction Period of 35 days or less.

“Initial Period” means the period from the Closing Date to but not including _____, 2007 with respect to the 2007 Series A Bonds.

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Determination of Auction Period Rate. The percentage of the Index in Section 2.04(c) is ___% for any Bond the interest on which is not includable in gross income of the beneficial owner of such Bond for federal income tax purposes and ___% for any Bond the interest on which is includable in gross income of the beneficial owner of such Bond for federal income tax purposes.

APPENDIX K

TABLE OF ACCRETED VALUES

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