

In the opinion of Orrick, Herrington & Sutcliffe, LLP, Bond Counsel to the Redevelopment Agency of the City of Pittsburg, 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 2008 Series A 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. In the further opinion of Bond Counsel, interest on the 2008 Series A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that it is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2008 Series A Bonds. See "TAX MATTERS" herein.



\$61,660,856.25
REDEVELOPMENT AGENCY OF THE CITY OF PITTSBURG
LOS MEDANOS COMMUNITY DEVELOPMENT PROJECT
SUBORDINATE TAX ALLOCATION REFUNDING BONDS
2008 SERIES A

Dated: Date of Delivery

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

The captioned bonds (the "2008 Series A Bonds") described herein are being issued by the Redevelopment Agency of the City of Pittsburg (the "Agency") to (i) refund the outstanding principal amount of the Agency's Los Medanos Community Development Project Subordinate Tax Allocation Bonds, 2006 Series A (the "2006 Series A Bonds") and a portion of the Agency's Los Medanos Community Development Project Tax Allocation Refunding Bonds, Series 2003A (the "Series 2003A Bonds") and, together with the 2006 Series A Bonds, the "Prior Bonds") (ii) fund a reserve fund, and (iii) to pay costs of issuance incurred in connection with the issuance, sale and delivery of the 2008 Series A Bonds, as more fully described herein.

The 2008 Series A Bonds are being issued in fully registered form, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the 2008 Series A Bonds. Individual purchases of the 2008 Series A Bonds may be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof, as provided herein. The 2008 Series A Bonds are being issued as Current Interest Bonds and Capital Appreciation Bonds, as more fully described herein. Purchasers of interests in the 2008 Series A Bonds will not receive certificates representing their interest in the 2008 Series A Bonds purchased. Interest on and principal of the 2008 Series A Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), to Cede & Co., as nominee of DTC. Purchasers of the 2008 Series A Bonds will not receive physical delivery of bond certificates. The 2008 Series A Bonds will not be transferable or exchangeable, except for transfer to another nominee of DTC or otherwise as described herein.

The 2008 Series A Bonds are subject to optional redemption and to mandatory sinking account redemption prior to maturity, as more fully described herein.

The 2008 Series A Bonds are limited obligations of the Agency and are equally secured by an irrevocable pledge of certain tax revenues and certain other funds as provided in an Amended and Restated Indenture of Trust (the "Master Indenture") dated as of December 1, 2004 (the "Master Indenture") by and between the Agency and the Trustee, as supplemented by a First Supplemental Indenture of Trust dated as of December 1, 2004, a Second Supplemental Indenture of Trust dated as of December 1, 2004, a Third Supplemental Indenture of Trust dated as of March 1, 2005, a Fourth Supplemental Indenture of Trust dated as of December 1, 2006, a Fifth Supplemental Indenture of Trust dated as of December 1, 2006, a Sixth Supplemental Indenture of Trust dated as of December 1, 2006, a Seventh Supplemental Indenture dated as of May 1, 2008 and an Eighth Supplemental Indenture dated as of November 1, 2008, each by and between the Agency and the Trustee (collectively with the Master Indenture, the "Indenture").

The payment of debt service on the 2008 Series A Bonds will be payable on a parity with the payment of debt service on the Parity Bonds and other Parity Obligations. See "SECURITY FOR THE 2008 SERIES A BONDS – Outstanding Parity Bonds" and "– Outstanding Parity Obligations."

The payment of debt service on the 2008 Series A Bonds and any Additional Bonds and payments under any Parity Obligations issued or executed under the Indenture are subordinate to the payment of debt service on the Agency's outstanding Los Medanos Community Development Project Tax Allocation Refunding Bonds, Series 1999, Los Medanos Community Development Project Tax Allocation Refunding Bonds, Series 2002A, and the unrefunded Series 2003A Bonds, all as further described herein (collectively, the "Senior Bonds"). See "SECURITY FOR THE 2008 SERIES A BONDS – Outstanding Senior Indebtedness."

Under the Indenture, the Agency may issue Additional Bonds and other Parity Obligations having a parity lien on the Subordinate Pledged Tax Revenues with the 2008 Series A Bonds, the Parity Bonds and other Parity Obligations.

The 2008 Series A Bonds are being issued for sale to the City of Pittsburg Public Financing Authority (the "Authority") and will be simultaneously resold by the Authority to the Underwriter.

THE 2008 SERIES A BONDS ARE NOT A DEBT OF THE CITY OF PITTSBURG, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE CITY OF PITTSBURG, THE STATE OF CALIFORNIA NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREON. IN NO EVENT SHALL THE 2008 SERIES A BONDS OR ANY INTEREST OR REDEMPTION PREMIUM THEREON BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AGENCY AS SET FORTH IN THE INDENTURE. THE 2008 SERIES A 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 2008 SERIES A BONDS ARE LIABLE PERSONALLY ON THE 2008 SERIES A BONDS BY REASON OF THEIR ISSUANCE.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Investment in the 2008 Series A Bonds involves risks which may not be appropriate for some investors. See "RISK FACTORS" for a discussion of special risk factors that should be considered in evaluating the investment quality of the 2008 Series A Bonds.

MATURITY SCHEDULE
See inside front cover

The 2008 Series A Bonds are offered when, as and if delivered and received by the Underwriter, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe, LLP, Bond Counsel to the Agency. Certain legal matters will be passed upon by Jones Hall, A Professional Law Corporation, San Francisco, California, Disclosure Counsel. It is anticipated that the 2008 Series A Bonds will be available for delivery to DTC on or about November 19, 2008.



MATURITY SCHEDULE

Base CUSIP[†]: 724568

\$1,815,000 Serial Bonds

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP[†]</u>
2012	\$1,150,000	4.375%	4.780%	98.607	MD9
2014	15,000	4.750	5.180	97.867	LW8
2015	40,000	5.000	5.390	97.800	LX6
2016	65,000	5.250	5.580	97.930	LY4
2017	90,000	5.500	5.760	98.217	LZ1
2018	120,000	5.750	5.950	98.522	MA5
2019	150,000	6.000	6.140	98.896	MB3
2020	185,000	6.125	6.310	98.466	MC1

\$59,615,000 6.500% Term Bond due September 1, 2028; Yield 6.720%; Price 97.598; CUSIP[†] ME7

\$230,856.25 Denominational Amount (\$1,075,000 Maturity Value) Capital Appreciation Bonds

<u>Maturity Date (September 1)</u>	<u>Denominational Amount</u>	<u>Accretion Rate</u>	<u>Price</u>	<u>Maturity Value</u>	<u>CUSIP[†]</u>
2029	\$230,856.25	7.540%	100.000	\$1,075,000	MF4

[†] Copyright 2008, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the Agency nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the offer and sale of the 2008 Series A 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 2008 Series A Bonds.

Estimates and Forecasts. 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 or any other entity described or referenced herein, 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” within the meaning of the Private Securities Litigation Reform Act of 1995. 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 or any other entity described or referenced herein since the date hereof.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the Agency to give any information or to make any representations in connection with the offer or sale of the 2008 Series A Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the Agency or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2008 Series A Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Involvement of Underwriter. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a 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. 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 Agency any other entity described or referenced herein since the date hereof. All summaries of the documents referred to in this Official Statement 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.

Stabilization of Prices. In connection with this offering, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the 2008 Series A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the 2008 Series A Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

THE 2008 SERIES A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE 2008 SERIES A BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

**REDEVELOPMENT AGENCY
OF THE
CITY OF PITTSBURG**

Agency Board and City Council

Willis A. Casey, *Chairperson/Mayor*
Nancy L. Parent, *Vice Chairperson/Vice Mayor*
Ben Johnson, *Member/Councilmember*
Salvatore N. Evola, *Member/Councilmember*
Michael Kee, *Member/Councilmember*

City Staff/Agency

Marc S. Grisham, *City Manager/Executive Director*
Alice Evenson, *City Clerk/Secretary*
Randy L. Starbuck, *Redevelopment Agency Director*
Marie Simons, *Finance Director*
James F. Holmes, *Treasurer*
Ruthann Ziegler, Esq, *City Attorney*
Goldfarb & Lipman LLP, *Agency Counsel*

Special Services

Bond Counsel

Orrick, Herrington & Sutcliffe LLP

Financial Advisor

Public Financial Management, Inc.
San Francisco, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
San Francisco and Los Angeles, California

Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Verification Agent

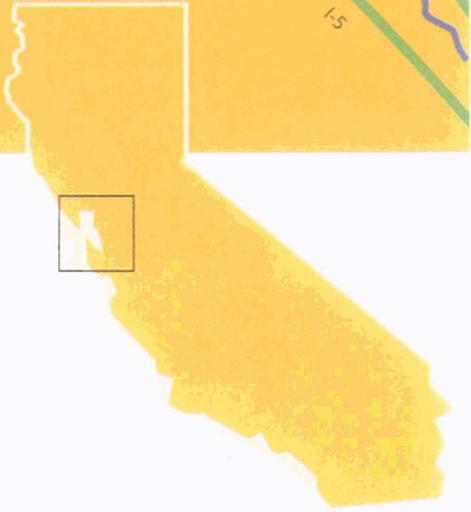
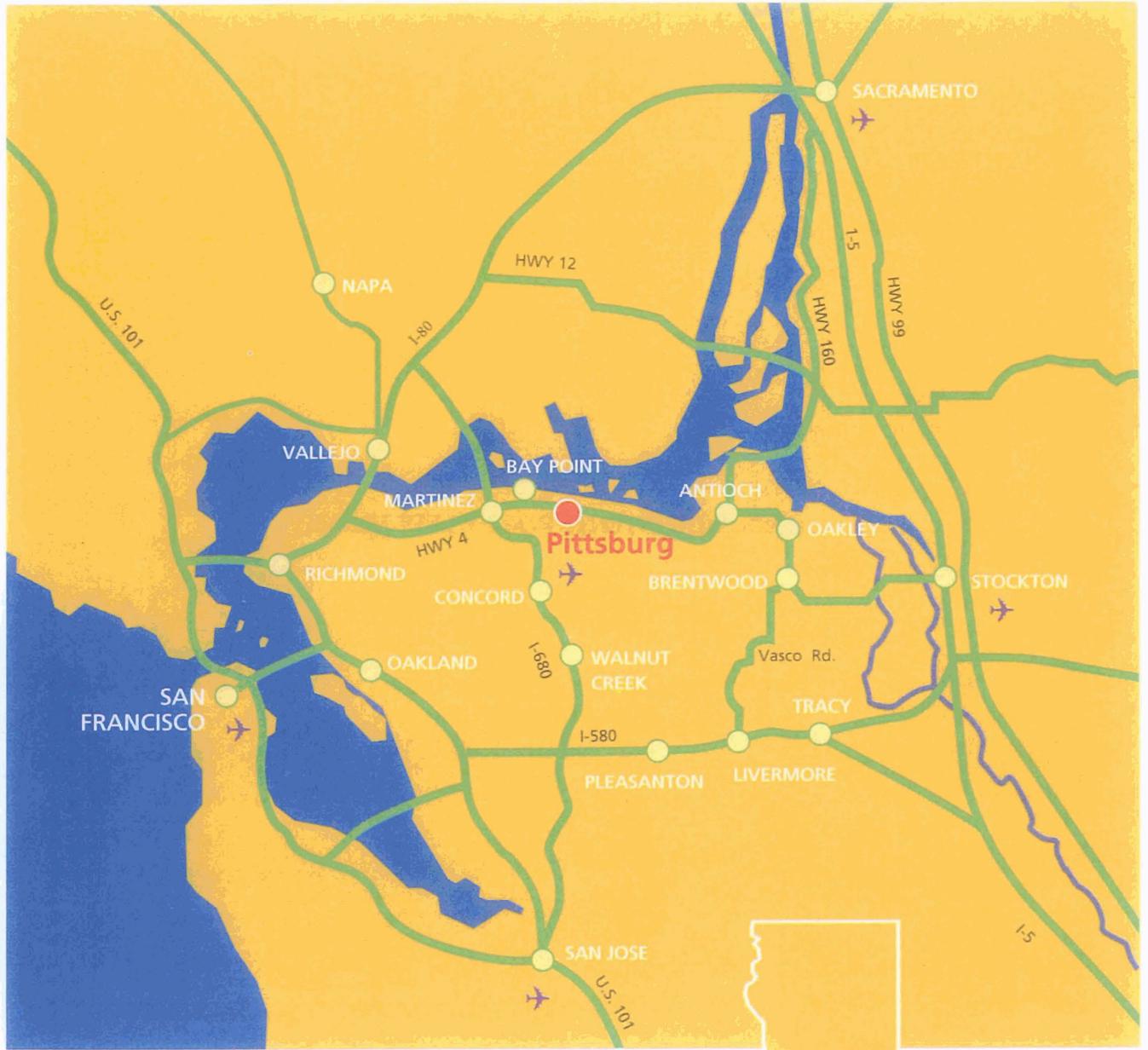
The Arbitrage Group
Tuscaloosa, Alabama

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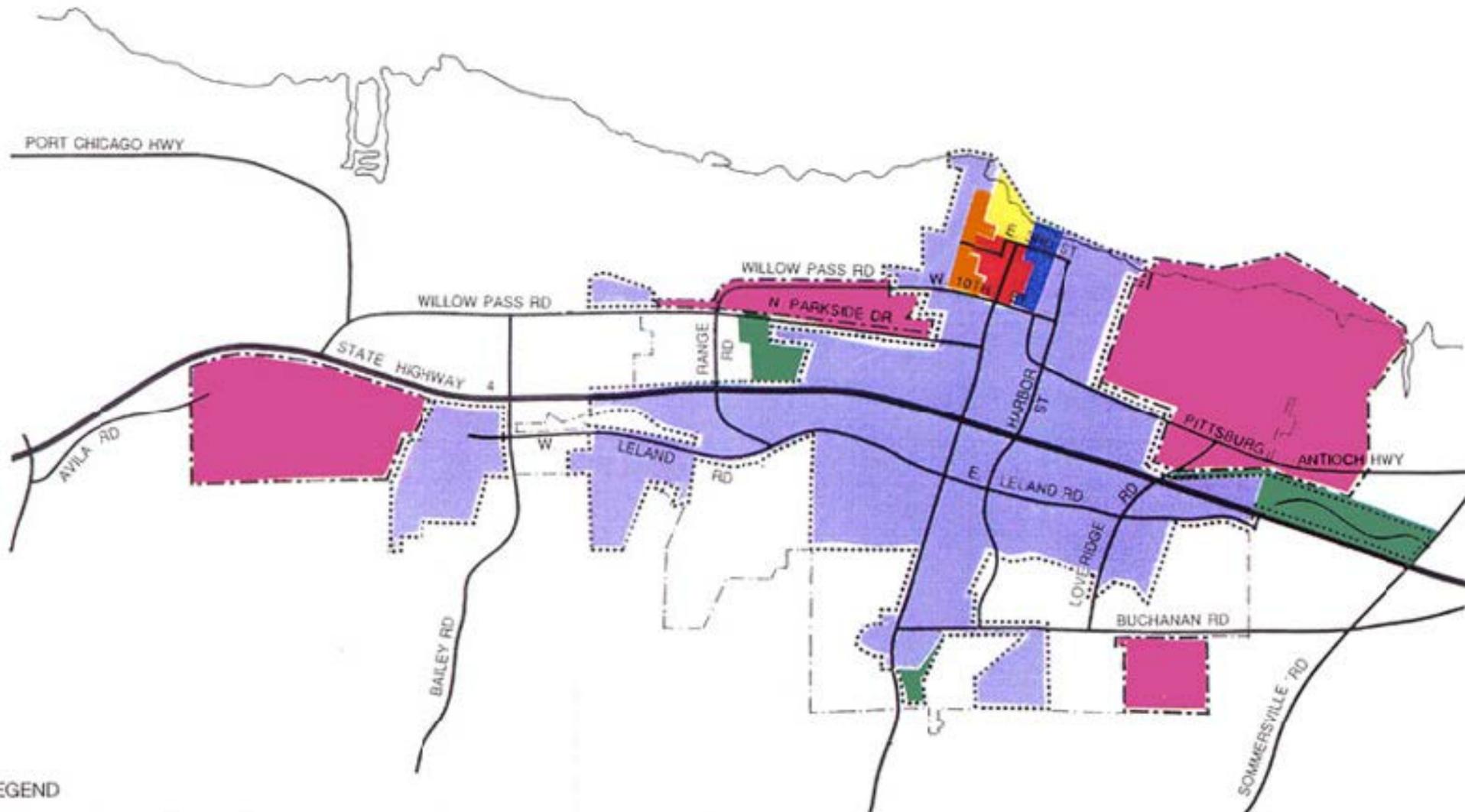
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HISTORY OF THE PROJECT
Los Medanos Community Development Project

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\$61,660,856.25
REDEVELOPMENT AGENCY OF THE CITY OF PITTSBURG
LOS MEDANOS COMMUNITY DEVELOPMENT PROJECT
SUBORDINATE TAX ALLOCATION REFUNDING BONDS
2008 SERIES A

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, Table of Contents and Appendices hereto (the "Official Statement"), is to provide information about the \$61,660,856.25 initial aggregate principal amount of the Redevelopment Agency of the City of Pittsburgh Los Medanos Community Development Project Subordinate Tax Allocation Refunding Bonds, 2008 Series A (the "2008 Series A Bonds"). The 2008 Series A Bonds are being issued by the Redevelopment Agency of the City of Pittsburgh (the "Agency") to refund all of the Agency's Los Medanos Community Development Project Subordinate Tax Allocation Bonds, 2006 Series A, issued in the original aggregate principal amount of \$75,300,000 and currently outstanding in the amount of \$75,300,000 (the "2006 Series A Bonds"), and \$4,365,000 principal amount of the Agency's Los Medanos Community Development Project Tax Allocation Bonds, Series 2003A, issued in the original aggregate principal amount of \$88,375,000 (the "Series 2003A Bonds" and, together with the 2006 Series A Bonds, the "Prior Bonds").

The Prior Bonds were issued to finance certain public capital improvements within the Los Medanos Community Development Project Area (the "Project Area"). The 2006 Series A Bonds will be refunded on a current basis. The Series 2003A Bonds refunded from proceeds of the 2008 Series A Bonds will be refunded on an advance basis. Additionally, a portion of the proceeds of the Series 2008 Series A Bonds will be used to make a deposit to a debt service reserve account, and to pay costs of issuance incurred in connection with the issuance, sale and delivery of the 2008 Series A Bonds. See "REFINANCING PLAN."

The 2008 Series A Bonds are being issued as current interest bonds ("Current Interest Bonds") and capital appreciation bonds ("Capital Appreciation Bonds") and will be dated their date of issuance and delivery. The Current Interest Bonds will be issued in denominations of \$5,000 or any integral multiple thereof and will bear interest at the rates per annum set forth on the inside cover page hereof, will be payable semiannually on each March 1 and September 1, commencing March 1, 2009 (each, an "Interest Payment Date") and mature on the dates and in the amounts set forth on the inside cover page hereof. The Capital Appreciation Bonds will be issued in denominations of \$5,000 payable upon maturity, or any integral multiple thereof, and will accrete interest at the rates (the "Accretion Rate") set forth on the inside cover page hereof from their date of delivery, compounded semiannually on March 1 and September 1 of each year, commencing March 1, 2009, payable only upon maturity or prior redemption thereof. See "THE 2008 SERIES A BONDS."

The 2008 Series A Bonds are being issued pursuant to an Amended and Restated Indenture of Trust dated as of December 1, 2004 (the "Master Indenture") by and between the Agency and The Bank of New York Trust Company, N.A., as predecessor to The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as supplemented by a First Supplemental Indenture of Trust dated as of December 1, 2004 (the "First Supplemental Indenture"), a Second Supplemental Indenture of Trust dated as of December 1, 2004 (the

“Second Supplement Indenture”), a Third Supplemental Indenture dated as of March 1, 2005 (the “Third Supplemental Indenture”), a Fourth Supplemental Indenture dated as of December 1, 2006 (the “Fourth Supplemental Indenture”), a Fifth Supplemental Indenture dated as of December 1, 2006 (the “Fifth Supplemental Indenture”), a Sixth Supplemental Indenture dated as of December 1, 2006 (the “Sixth Supplemental Indenture”), a Seventh Supplemental Indenture dated as of May 1, 2008 (the “Seventh Supplemental Indenture”), and an Eighth Supplemental Indenture dated as of November 1, 2008 (the “Eighth Supplemental Indenture” and, together with the Master Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture and the Seventh Supplemental Indenture, the “Indenture”), each by and between the Agency and the Trustee. The 2008 Series A Bonds are also being issued pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State of California (the “Redevelopment Law” or the “Law”).

The City of Pittsburg, California (the “City”), acting pursuant to the Redevelopment Law, activated the Agency in 1958 by a resolution of the City Council of the City (the “City Council”) whereby the City Council determined that its members shall serve as members of the Agency. Although the Agency is an entity distinct from the City, certain City personnel provide staff support for the Agency.

Pursuant to the Redevelopment Law, the City has adopted a plan (as amended, the “Redevelopment Plan”) for the Los Medanos Community Development Project (as subsequently expanded, the “Project Area”) by an ordinance adopted by the City Council on July 18, 1979. The Redevelopment Plan was amended in November, 1983 and in June, 1993 to add approximately 2,400 acres to the Project Area, among other things. The Project Area is comprised of approximately 5,449 acres, including the land added in the Third Amendment (as described herein), located in the City. The Project Area includes the City’s downtown area, as well as much of the balance of the City. The Project Area is planned for a mixture of industrial, commercial and residential development. See “THE LOS MEDANOS COMMUNITY DEVELOPMENT PROJECT.”

Pursuant to the Redevelopment Law, a portion of all property tax revenues, including certain reimbursements by the State of California, if any, collected by or for each taxing agency on any increase in the taxable value of certain property within the Project Area over that shown on the assessment rolls for the base year applicable to the Project Area, may be pledged to the repayment of indebtedness incurred by the Agency in connection with redevelopment in the Project Area. Under the Indenture, the Agency has pledged a portion of such tax increment revenues (exclusive of amounts required to pay debt service on the hereinafter defined Senior Bonds and certain subvention revenues, and exclusive of amounts payable to certain public taxing agencies (except to the extent subordinated) and of amounts which may be required by the Redevelopment Law to be set-aside for certain housing purposes) to the payment of the principal of, premium, if any, and interest on the 2008 Series A Bonds, the hereinafter described Parity Bonds, any Additional Bonds and other Parity Obligations issued or executed on a parity therewith. Under the Indenture, the Agency has covenanted to maintain amounts on deposit in the Debt Service Reserve Account at the Debt Service Reserve Requirement. See “SECURITY FOR THE 2008 Series A BONDS — Pledge of Subordinate Pledged Tax Revenues.”

The payment of debt service on the 2008 Series A Bonds, the Parity Bonds (defined below) and any Additional Bonds, and payments under any Parity Obligations issued or executed under the Indenture are subordinate to the payment of debt service on (i) the Agency’s

Los Medanos Community Development Project Tax Allocation Refunding Bonds, Series 1999 in the outstanding principal amount of \$27,861,357, (ii) the Agency's Los Medanos Community Development Project Tax Allocation Refunding Bonds, Series 2002A in the outstanding principal amount of \$30,105,000, and (iii) the Agency's unrefunded Series 2003A Bonds in the outstanding principal amount of \$80,080,000 (collectively, the "Senior Bonds"). Payment of the principal of and interest on each series of Senior Bonds is insured by a municipal bond insurance policy. Pursuant to the Indenture, the Agency has agreed that, so long as the 2008 Series A Bonds, the Parity Bonds, any Additional Bonds or other Parity Obligations are outstanding, it will not issue any additional bonds (including refunding bonds) on a parity with the Senior Bonds. "SECURITY FOR THE 2008 Series A BONDS – Outstanding Senior Obligations."

The Agency previously issued its Los Medanos Community Development Project Subordinate Tax Allocation Bonds, 2004 Series A in the aggregate principal amount of \$117,615,000 (the "2004 Series A Bonds"), its Los Medanos Community Development Project Subordinate Tax Allocation Refunding Bonds, (Taxable) 2004 Series B in the aggregate principal amount of \$10,720,000, its Los Medanos Community Development Project Subordinate Tax Allocation Bonds, 2006 Series B Bonds, in the aggregate principal amount of \$36,840,000 and its Los Medanos Community Development Project Subordinate Tax Allocation Refunding Bonds, 2006 Series C Bonds, in the aggregate principal amount of \$46,660,000 (collectively, the "Parity Bonds"), the debt service on which Parity Bonds is payable on a parity with the payment of debt service on the 2008 Series A Bonds. Additionally, in connection with the issuance of the 2004 Series A Bonds, the Agency entered into the 2004 Swap (as defined herein). Under the Indenture, the Agency may issue Additional Bonds and other Parity Obligations having a parity lien on the Subordinate Pledged Tax Revenues with the 2008 Series A Bonds and the Parity Bonds. See "SECURITY FOR THE 2008 SERIES A BONDS – Outstanding Parity Obligations" and "APPENDIX C — SUMMARY OF THE INDENTURE — Additional Bonds" and "— Conditions to Issuance of Parity Obligations."

The 2008 Series A Bonds are being issued for sale by the Agency to the City of Pittsburg Public 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 2008 Series A Bonds purchased by the Authority will be simultaneously resold to the Underwriter.

Capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Indenture. Summaries of the Indenture and other documents contained herein are subject to the provisions of such documents 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 Agency for further information in connection therewith.

REFUNDING PLAN

Purposes for Issuance

The 2008 Series A Bonds are being issued by the Agency to refund the Prior Bonds, to fund a reserve fund, to fund the termination payment for the swap entered into in connection with the Prior Bonds and to pay the costs of issuance incurred in connection with the issuance, sale and delivery of the 2008 Series A Bonds.

Refunding of Prior Bonds

The Prior Bonds were used to finance various public capital improvements within the Project Area. These improvements included further economic development and public improvements to the downtown/waterfront area, improvements to the civic center area and public infrastructure improvements throughout the Project Area. In order to accomplish the refunding plan, a portion of the proceeds of the 2008 Series A Bonds, along with an Agency contribution, will be transferred to the Redemption Fund to refund the 2006 Series Bonds on a current basis on November 20, 2008.

Any 2008 Series A Bonds proceeds used to refund Series 2003A Bonds will be transferred to The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank"), for deposit in an escrow fund (the "Escrow Fund") to be established pursuant to a Refunding Escrow Agreement, dated as of November 1, 2008 (the "Escrow Agreement"), between the Agency and the Escrow Bank. The Escrow Bank will invest all amounts in the Escrow Fund in Federal Securities sufficient to apply the proceeds of the maturing Federal Securities so purchased to the redemption of the refunded Series 2003A Bonds.

Sufficiency of the deposits and investment earnings in the Escrow Fund will be verified by The Arbitrage Group, Inc., of Tuscaloosa, Alabama. See "VERIFICATION OF MATHEMATICAL ACCURACY."

Sources and Uses of Funds

The sources and uses of funds relating to the issuance of the 2008 Series A Bonds are as follows:

Sources of Funds:

Principal Amount of 2008 Series A Bonds	\$	61,660,856.25
Less Original Issue Discount		(1,458,389.45)
Agency Contribution ⁽¹⁾		25,000,000.00
Amounts held in Prior Bonds Funds		<u>1,966,063.78</u>
Total Sources	\$	<u>92,676,676.30</u>

Uses of Funds:

Deposit to Redemption Fund	\$	75,300,000.00
Deposit to Escrow Fund		4,690,907.01
Deposit to Debt Service Reserve Account		4,934,296.93
Swap Termination Payment		7,150,000.00
Costs of Issuance ⁽²⁾		<u>601,472.36</u>
Total Uses	\$	<u>92,676,676.30</u>

(1) Agency contribution to consist of unspent proceeds of 2006 Series A Bonds held in project fund.

(2) Includes Underwriter's discount, Bond Counsel fees, Disclosure Counsel fees, financial advisory fees, rating agency fees, Official Statement printing, and initial fees of the Trustee.

THE 2008 SERIES A BONDS

Authority for Issuance

The 2008 Series A Bonds are being issued pursuant to the 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 Indenture are set forth in APPENDIX C hereto.

Description of the 2008 Series A Bonds

The 2008 Series A Bonds will be issued as Current Interest Bonds and Capital Appreciation Bonds.

The 2008 Series A Bonds will be issued only as one fully registered 2008 Series A Bond for each maturity, in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), as registered owner of all 2008 Series A Bonds. See "APPENDIX E — DTC AND THE BOOK-ENTRY ONLY SYSTEM." Ownership may be changed only upon the registration books maintained by the Trustee as provided in the Indenture.

Current Interest Bonds. The Current Interest Bonds will be dated their date of issuance and delivery, will bear interest at the rates per annum set forth on the inside cover page, payable semiannually on March 1 and September 1, commencing March 1, 2009 (each, an "Interest Payment Date"), and will mature on the dates and in the amounts set forth on the inside cover page. The Current Interest Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Interest will accrue on the Current Interest Bonds on the basis of a 360-day year comprised of twelve 30-day months.

The Current Interest Bonds will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (i) such Current Interest Bonds are authenticated on an Interest Payment Date, in which event from such Interest Payment Date; and (ii) unless such Current Interest Bonds are authenticated after the fifteenth (15th) day of the month immediately preceding an Interest Payment Date (each a "Record Date") and before the next succeeding Interest Payment Date for such Current Interest Bonds, in which event from such Interest Payment Date; provided, however, that if the date of authentication of a Current Interest Bond shall be prior to the Record Date for the first Interest Payment Date for such Current Interest Bond, such Current Interest Bond shall bear interest from its original dated date. Notwithstanding the foregoing, if the Agency shall default in the payment of interest, then the Current Interest Bonds shall bear interest from the date to which interest has been paid or if no interest has been paid, from their original dated date.

Interest on each Current Interest Bond shall be payable on each Interest Payment Date for such Current Interest Bond and shall be paid by check of the Trustee mailed on such Interest Payment Date to the Owner of such Current Interest 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 Current Interest Bonds may, at any time prior to a Record Date with respect to the payment of interest on such Current Interest Bonds, give the Trustee written instructions for payment of such interest on each succeeding Interest Payment Date for such Current Interest Bonds by wire transfer or by deposit to an account. Notwithstanding the foregoing, however, if the Agency shall default in the payment of interest due on Current Interest Bonds on any Interest Payment Date, such interest shall cease

to be payable to the persons in whose name such Current Interest Bonds were registered in the Bond Register on the Record Date for such Interest Payment Date, and shall be payable, when and if paid by the Agency, to the persons in whose names such Current Interest Bonds are registered at the close of business on the record date fixed therefor by the Trustee (each a "Special Record Date"), which shall not be more than 15 days and not less than 10 days prior to the date of the proposed payment.

Unless redeemed prior to such date, the principal of each Current Interest Bond shall be payable on its maturity date and the Redemption Price of any Current Interest Bond called for redemption prior to maturity, subject to the provisions regarding notice of redemption set forth in the Indenture, shall be payable on the applicable redemption date. Except as otherwise provided in the Representation Letter with a Securities Depository for Book-Entry Bonds, the principal and, if applicable, the Redemption Price of each Bond shall be payable only upon presentation and surrender of such Bond at the Principal Office of the Trustee or any other Paying Agent for such Bond.

Capital Appreciation Bonds. The Capital Appreciation Bonds are dated the date of delivery of the Bonds and accrete interest from such date, compounded semiannually on March 1 and September 1 of each year, commencing March 1, 2009, payable only upon maturity or prior redemption thereof. The Capital Appreciation Bonds will be issued in denominations of \$5,000 payable upon maturity (the "Maturity Amount") or any integral multiple thereof.

The rate of interest at which a Capital Appreciation Bond's Maturity Amount is discounted to its initial principal amount is known as the "Accretion Rate," and is stated on the inside cover hereof. For any Capital Appreciation Bond, the value of principal plus accrued interest on any given interest compounding date prior to maturity may be calculated by discounting the Maturity Amount of the Capital Appreciation Bond from its maturity date to that interest compounding date at a discount rate equal to the Accretion Rate, 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 compounding dates immediately preceding and following the date in question.

The Accreted Value (as defined below) and premium, if any, on the Capital Appreciation Bonds are payable only upon surrender of the Capital Appreciation Bonds at maturity or earlier redemption at the office of the Paying Agent.

Accreted Values. Appendix G contains a table of the principal component plus interest accrued thereon (the "Accreted Value") on each March 1 and September 1 for each maturity of Capital Appreciation Bonds. See "TAX MATTERS" herein for Bond Counsel's discussion of the federal tax treatment of accrued interest on the Capital Appreciation Bonds.

Optional Redemption of the 2008 Series A Bonds

Current Interest Bonds. The Current Interest Bonds maturing on and after September 1, 2019 are subject to redemption prior to their respective maturity dates, at the option of the Agency, as a whole or in part among maturities on such basis as is designated by the Agency and by lot within a maturity on any date on or after September 1, 2018, at a redemption price equal to 100% of the principal amount of the Current Interest Bonds to be redeemed, plus accrued interest thereon to the date of redemption.

Capital Appreciation Bonds. The Capital Appreciation Bonds are subject to redemption prior to their respective maturity dates, at the option of the Agency, as a whole or in part among maturities on such basis as is designated by the Agency and by lot within a maturity on any date, at a redemption price equal to the greater of 100% of the principal amount of the Capital Appreciation Bonds to be redeemed or the sum of the present values of the remaining scheduled payments of principal and interest on the Capital Appreciation Bonds to be redeemed (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus 12.5 basis points, as calculated by the Agency, plus in each case accrued interest thereon to the date of redemption. The following definitions apply to the redemption provisions:

“Comparable Treasury Issue” means, with respect to any redemption date for a particular Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the Fixed Rate Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of such Fixed Rate Bonds.

“Comparable Treasury Price” means, with respect to any redemption date for a particular Bond, (1) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the Designated Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“Designated Investment Banker” means one of the Reference Treasury Dealers appointed by the Agency.

“Reference Treasury Dealer” means an investment banking institution of national standing, specified by the Agency from time to time, that is a primary U.S. Government securities dealer in the City of New York (which may be one or both of the Underwriters) (each a “Primary Treasury Dealer”); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the City will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for a particular Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such redemption date.

“Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price.

Mandatory Sinking Fund Account Redemption of the 2008 Series A Bonds

The 2008 Series A Bonds maturing on September 1, 2028 (the “Term Bonds”) are subject to mandatory sinking fund redemption prior to maturity, in part on each September 1, pro rata among the Holders, from sinking funds payments due on such dates, at a redemption price equal to the principal amount of such 2008 Series A Bonds to be redeemed, without premium, plus accrued interest to the redemption date as set forth in the table below:

September 1, 2028 Term Bonds

Sinking Fund Payment Date (September 1)	Principal Amount
2021	\$5,775,000
2022	6,170,000
2023	6,335,000
2024	8,500,000
2025	9,085,000
2026	8,090,000
2027	8,650,000
2028 (maturity)	7,010,000

Notice of Redemption. Notice of redemption shall be mailed by first-class mail, by the Trustee, in the name of the Agency, not less than thirty (30) nor more than sixty (60) days prior to the redemption date to the Owners of the 2008 Series A Bonds designated for redemption at their addresses appearing on the registration books of the Trustee. Such notice shall specify the maturity date of the 2008 Series A Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption shall be payable and, if less than all of the 2008 Series A Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of 2008 Series A Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each 2008 Series A 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 2008 Series A Bonds to be redeemed in part only, and that from and after such date interest on such 2008 Series A Bond or the portion of such 2008 Series A Bond to be redeemed shall cease to accrue and be payable.

The Trustee shall also give notice of redemption of any 2008 Series A Bonds to one of the Information Services, as provided in the Indenture.

Book-Entry System

DTC will act as securities depository for the 2008 Series A Bonds. The 2008 Series A Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). See “APPENDIX A – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

SECURITY FOR THE 2008 SERIES A BONDS

General

Subject to the provisions of the Indenture permitting application thereof for the purposes and on the terms and conditions set forth in the Indenture, the 2008 Series A Bonds (and any Additional Bonds, including the Parity Bonds, and other Parity Obligations) are secured by a first lien and pledge of all of the Subordinate Pledged Tax Revenues, a pledge of all of the moneys in the Special Fund (including the Interest Account, the Principal Account, the Sinking Fund Account and the Debt Service Reserve Account created therein) and the Redemption Fund, and all amounts derived from the investment of the moneys in these funds and accounts.

Tax Allocation Financing

The Redevelopment Law and the California Constitution provide a method for financing and refinancing redevelopment projects based upon an allocation of taxes collected within a project area. First, the assessed valuation of the taxable property in a project area, as last equalized prior to adoption of the redevelopment plan, is established and becomes the base roll. Thereafter, except for any period during which the assessed valuation drops below the base year level, the taxing agencies, on behalf of which taxes are levied on property within the project area, will receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in the assessed valuation of the taxable property in a project area over the levy upon the base roll may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing the redevelopment project. Redevelopment agencies themselves have no authority to levy taxes on property and must look specifically to the allocation of taxes produced as indicated above.

Tax Increment Revenue

As provided in the Redevelopment Plan for the Project Area and in Article 6 of Chapter 6 of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State of California, taxes levied upon taxable property in the Project Area each year by or for the benefit of the State of California, any city, county, city and county, district, or other public corporation for fiscal years beginning after the effective date of the ordinance approving the Redevelopment Plan shall be divided as follows:

1. That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of said taxing agencies upon the total sum of the assessed value of the taxable property in the Redevelopment Project as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to the effective date of the ordinance approving the Redevelopment Plan shall be allocated to, and when collected shall be paid into the funds of the respective taxing agencies as taxes by or for said taxing agencies on all other property are paid; and

2. Except for taxes which are attributable to a tax levy by a taxing agency for the purpose of producing revenues to repay bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989, which shall be allocated to and when collected shall be paid to the applicable taxing agency, that portion of levied taxes each year in excess of such amount will be allocated to, and when collected, will be paid

to the Agency to pay the principal of and interest on loans to, money advanced to, or indebtedness incurred by the Agency to finance redevelopment projects.

Pledge of Subordinate Pledged Tax Revenues

The term “Subordinate Pledged Tax Revenues,” as defined in the Indenture, 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 payable during such period, (iii) except to the extent subordinated to Debt Service on Parity Obligations, (A) amounts, if any, payable to a taxing entity pursuant to Section 33607.5 of the California Health and Safety Code during such period and (B) amounts, if any, payable during such period under any Pass-Through Agreements, 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 Public Finance Contracts entered into in connection with any Bonds.

The 2008 Series A Bonds, the Parity Bonds, any Additional Bonds and other Parity Obligations are equally secured by and are payable from an exclusive pledge of Subordinate Pledged Tax Revenues, all moneys deposited in the Special Fund (including the Interest Account, the Principal Account, the Sinking Fund Account and the Debt Service Reserve Account created therein), and the Redemption Fund. The Subordinate Pledged Tax Revenues, so long as any Bonds are outstanding and provided that all deposits required to be made with respect to Senior Bonds have occurred, shall be deposited by the Agency in the Special Fund to the extent required under the Indenture, which fund is to be held by and maintained with the Trustee. See “APPENDIX C — SUMMARY OF THE INDENTURE — Special Fund.”

Pursuant to the Indenture, the Agency is entitled to issue Additional Bonds and other Parity Obligations having a parity lien on the Subordinate Pledged Tax Revenues and otherwise on a parity with the 2008 Series A Bonds. For a further discussion of Additional Bonds, see “SECURITY FOR THE 2008 SERIES A BONDS — Additional Bonds and Other Parity Obligations” and “APPENDIX C — SUMMARY OF THE INDENTURE — Additional Bonds” and “— Conditions to Issuance of Parity Obligations.”

The payment of debt service on the 2008 Series A Bonds, the Parity Bonds, and any Additional Bonds and payments under any Parity Obligations issued or executed under the Indenture are subordinate to the payment of Senior Debt Service. “Senior Debt Service” is defined in the Indenture to mean, 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 Resolution) established under the Senior Resolution with respect to Senior Bonds and any other amounts required to be deposited in the Accounts (as defined in the Senior Resolution) established under the Senior Resolution. Pursuant to the Indenture, the Agency has agreed that, so long as the Parity Bonds, the 2008 Series A Bonds, any Additional Bonds or other Parity Obligations are outstanding, it will not issue any additional bonds (including refunding bonds) on a parity with the Senior Bonds.

The Agency has certain contractual and statutory pass-through obligations which have been subordinated to the payment of Bond Debt Service on the 2008 Series A Bonds and the Parity Bonds. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS — Tax Sharing Statutes" and "ESTIMATED REVENUES AND BOND RETIREMENT — Pass-Through Agreements."

The 2008 Series A 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, or any of its political subdivisions, is liable thereon. In no event shall the 2008 Series A Bonds or any interest or redemption premium thereon be payable out of any funds or properties other than those of the Agency as set forth in the Indenture. The 2008 Series A 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 2008 Series A Bonds are liable personally on the 2008 Series A Bonds by reason of their issuance.

Debt Service Reserve Account

The Trustee will set aside from the Special Fund and deposit in a Debt Service Reserve Account established under the Indenture an amount equal to the Debt Service Reserve Requirement, which, as of any date of calculation, is an amount equal to the least of (a) ten percent of the initial offering price to the public of the 2008 Series A Bonds and any Additional Bonds (as determined under the Code), or (b) the greatest amount of Bond Debt Service on the 2008 Series A Bonds and any Additional Bonds 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 2004 Series A Bond or Additional Bond is due, or (c) 125% of the sum of the Bond Debt Service on the 2008 Series A Bonds and any Additional Bonds 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 on the 2008 Series A Bonds or any Additional Bonds 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 Series of Bonds that constitute Variable Rate Indebtedness, (A) with respect to Hedged Bonds, the interest rate 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.

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 Account 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 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.

Outstanding Senior Obligations

The payment of debt service on the 2008 Series A Bonds, the Parity Bonds and any Additional Bonds, and payments under any Parity Obligations issued or executed under the Indenture are subordinate to the payment of debt service on the Agency's Senior Bonds. Pursuant to the Indenture, the Agency has agreed that, so long as the 2008 Series A Bonds, any Additional Bonds or other Parity Obligations are outstanding, it will not issue any additional bonds (including refunding bonds) on a parity with the Senior Bonds.

Outstanding Parity Obligations

The debt service on the 2008 Series A Bonds and any Additional Bonds (including the 2008 Series A Bonds and the 2006 Series C Bonds) are payable on a parity with the payment of debt service on the Parity Bonds and certain obligations under the 2004 Swap.

Additional Bonds and Other Parity Obligations

Under the Indenture, the Agency may issue one or more series of Additional Bonds and other Parity Obligations (collectively, the "Additional Parity Obligations"), in addition to the Parity Bonds, payable on a parity from the Subordinate Pledged Tax Revenues, provided certain conditions precedent to the issuance of such Additional Parity Obligations, as set forth in the 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:

- (i) 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 issuing instrument providing for the issuance of the 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, except in cases where such reductions are not applicable to payment of Senior Debt Service on Senior Bonds issued prior to December 31, 1993) expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which the Additional Parity Obligations are Outstanding shall be in an amount equal to at least 125% of the Combined Maximum Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Bonds and such Additional Parity Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law; and

(ii) the Adjusted 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 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, except in cases where such reductions are not applicable to payment of Senior Debt Service on Senior Bonds issued prior to December 31, 1993) 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 100% of the Combined Maximum Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Bonds and such Additional Parity Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law.

"Tax Revenues" are defined in the Indenture 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 Debt Service and Debt Service on Parity Obligations, (A) amounts, if any, payable to a taxing entity pursuant to Section 33607.5 of the California Health and Safety Code during such period and (B) amounts, if any, payable during such period under any Pass-Through Agreements, and (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 (b) all receipts and payments made to the Agency pursuant to Public Finance Contracts entered into in connection with any Bonds.

"Adjusted Tax Revenues" are defined in the Indenture to mean, for any period of time, Tax Revenues for such period less such amount of Tax Revenues for such period attributable to each taxpayer of ad valorem taxes in the Project Area which represents 7.5% or more of the assessed value of the property within the Project Area as shown on the most recent equalized assessment roll of the County of Contra Costa.

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 (a) 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, except in cases where such reductions are not applicable to payment of Senior Debt Service on Senior Bonds issued prior to December 31, 1993) shall be in an amount equal to at least 125% of the Combined Maximum Adjusted Annual Debt Service on all then Outstanding Parity Obligations (exclusive of disqualified Bonds), Senior Bonds 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 (b) Adjusted 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, except in cases where such reductions are not applicable to payment of Senior Debt Service on Senior Bonds issued prior to December 31, 1993) shall be in an amount equal to at least 100% of the Combined Maximum Adjusted Annual Debt Service on all then Outstanding Parity Obligations (exclusive of disqualified Bonds described in the Indenture), Senior Bonds 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.

The Agency may issue Refunding Bonds without meeting the coverage requirements set forth above if, after the issuance of the Refunding Bonds, the Combined Maximum Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Bonds, such Refunding Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues is not greater than the Combined Maximum Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Bonds and any unsubordinated loans if such Refunding Bonds were not issued. The Agency may issue such Refunding 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 Bonds and the Parity Obligations to be refunded.

Additionally, the Agency may issue or enter into Qualified Swap Agreements, the Net Payments under which constitute Parity Obligations, without regard to the coverage requirement described above, 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; and (iii) the Agency has received a Rating Confirmation from each Rating Agency with respect to such Qualified Swap Agreement.

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

Subordinated Obligations

Under the Indenture, the Agency may also issue or incur Subordinated Obligations payable from Subordinate 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 2008 Series A Bonds and Parity Obligations, without meeting the coverage requirements described above under the caption “Additional Bonds and Parity Obligations”. 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. See "APPENDIX C — SUMMARY OF THE INDENTURE — Conditions to Issuance of Subordinated Obligations.”

DEBT SERVICE SCHEDULE

The principal and interest requirements for the 2008 Series A Bonds are as follows:

Bond Year (ending September 1)	Principal	Interest	Total
2009	--	\$ 3,104,815.11	\$ 3,104,815.11
2010	--	3,963,593.76	3,963,593.76
2011	--	3,963,593.76	3,963,593.76
2012	\$ 1,150,000.00	3,963,593.76	5,113,593.76
2013	--	3,913,281.26	3,913,281.26
2014	15,000.00	3,913,281.26	3,928,281.26
2015	40,000.00	3,912,568.76	3,952,568.76
2016	65,000.00	3,910,568.76	3,975,568.76
2017	90,000.00	3,907,156.26	3,997,156.26
2018	120,000.00	3,902,206.26	4,022,206.26
2019	150,000.00	3,895,306.26	4,045,306.26
2020	185,000.00	3,886,306.26	4,071,306.26
2021	5,775,000.00	3,874,975.00	9,649,975.00
2022	6,170,000.00	3,499,600.00	9,669,600.00
2023	6,335,000.00	3,098,550.00	9,433,550.00
2024	8,500,000.00	2,686,775.00	11,186,775.00
2025	9,085,000.00	2,134,275.00	11,219,275.00
2026	8,090,000.00	1,543,750.00	9,633,750.00
2027	8,650,000.00	1,017,900.00	9,667,900.00
2028	7,010,000.00	455,650.00	7,465,650.00
2029	<u>230,856.25</u>	<u>844,143.75</u>	<u>1,075,000.00</u>
Total	\$61,660,856.25	\$65,391,890.22	\$127,052,746.47

For totals showing debt service and estimated coverage for the 2008 Series A Bonds and the Outstanding Parity Obligations, see “ESTIMATED REVENUES AND BOND RETIREMENT — Debt Service and Estimated Coverage.”

RISK FACTORS

The following information should be considered by prospective investors in evaluating the 2008 Series A Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the 2008 Series A Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. For certain additional information regarding the availability of Subordinated Pledged Tax Revenues to pay debt service on the 2008 Series A Bonds, see “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS.”

Reduction in Taxable Value

Tax increment revenues allocated to the Agency are determined by the amount of incremental taxable value in the Project Area allocable to the Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property caused by economic factors beyond the Agency’s control, such as a relocation out of the Project Area by one or more major property owners, or the transfer, pursuant to California Revenue and Taxation Code Section 68, of a lower assessed valuation to property within the Project Area by a person displaced by eminent domain or similar proceedings, or the discovery of hazardous substances on a property within the Project Area (see “Hazardous Substances,” below) or the complete or partial destruction of such property caused by, among other eventualities, an earthquake (see “Seismic Factors,” below), flood (see “Risk of Floods,” below) or other natural disaster, could cause a reduction in the tax increment revenues securing the 2008 Series A Bonds. Property owners may also appeal to the County Assessor for a reduction of their assessed valuations or the County Assessor could order a blanket reduction in assessed valuations based on then current economic conditions. Currently there are 106 open appeals relating to property within the Project Area, and if the County Assessor were to find for the property owners and reduce the assessed values of such property to the amounts the owners claim they are worth, there would be a reduction in assessed value in the approximate amount of \$135 million, or approximately 2.8% of assessed valuation. See “ESTIMATED REVENUES AND BOND RETIREMENT — Assessment Appeals.”

Calpine Corporation (“Calpine”) filed two of the four appeals filed in 2006 seeking reductions in the unsecured property value of the LMEC power plant located in the Los Medanos I Sub-Area and the Pittsburg Power Plant located in the Los Medanos III Sub-Area of the Project Area. Calpine, Delta Energy Center LLC and Calpine Pittsburg Inc., both of which are affiliates of Calpine, are among the top taxpayers in the Project Area. See Table 4. In prior years, Calpine has successfully appealed the value of the DEC Plant located in the Los Medanos III Sub-Area of the Project Area. Additionally, Calpine had previously filed appeals on the LMEC Plant in 2003, 2004 and 2005, requesting an average reduction of 52.9%. The assessor only reduced the value of the LMEC Plant by an average of 8.2% during these years. In 2005-06, Calpine’s appeal to the SBOE regarding the state assessed value of the DEC Plant was denied and Calpine filed a refund suit against the SBOE and three counties. The lawsuit was later dismissed. However, in the future, more favorable appeals outcomes for Calpine, could result in a significant reduction in the value of its power plants, and the Agency could be

subject to refunding some tax increment received in future years. See "ESTIMATED REVENUES AND BOND RETIREMENT — Assessment Appeals."

Real Estate and Development Risks

The Agency's ability to make payments on the 2008 Series A Bonds will in large measure depend on the continued economic strength of the Project Area. The market for real estate in the Project Area will be subject to all the risks generally associated with the local and regional economy. In any given year, real estate development within the Project Area may be subject to delays, disruptions and changes. Real estate development and real estate values 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 within the Project Area could be adversely affected by future governmental policies, including governmental policies to restrict or control development. If development in the Project Area is delayed or halted, the economy of the Project Area could be affected causing a reduction of the tax increment revenues. In addition, if there is a decline in the general economy of the Project Area, the owners of property within the Project Area may be less able or less willing to make timely payments of property taxes causing a delay or stoppage of the tax increment revenues received by the Agency from the Project Area. In addition, the insolvency or bankruptcy of one or more large owners of property within the Project Area could delay or impair the receipt of tax increment revenues by the Agency.

Impact of Mortgage Crisis – Residential Foreclosures in Project Area

The Agency is tracking the impact of the mortgage crisis relative to residential properties in the Project Area. From January through August 2008, 223 homes in the Project Area had been sold at auction by lenders who had taken possession through foreclosure. An additional 530 homes in the Project Area are in bank ownership, and another 165 are in pre-foreclosure (i.e., borrowers 90 days past due or longer). Assessed values of residential property within the Project Area are expected to decrease as foreclosed homes are resold and reassessed. Reductions in assessed values of residential property within the Project Area could reduce receipts of tax increment revenues by the Agency and its ability to repay the 2008 Series A Bonds if reductions in residential assessed valuation are not offset by gains in commercial and industrial assessed valuation within the Project Area.

In response to the downturn in the residential housing market, the Agency has taken measures to guard against revenue shortfalls or future actions by the State. The Agency is projecting a 3% decline in assessed valuation for its fiscal year 2008-09 budget and zero percent growth in Fiscal Year 2009-10 forecasts. Additionally, the Agency set aside \$10 million of tax increment revenues in a Budget Stabilization Fund to guard against unforeseen revenue shortfalls. As a consequence of the ERAF shift approved in the 2008-09 State Budget and projected State budget deficits in coming years, the Agency intends to forecast ERAF transfers in its future budgets. See "State Budget Deficit – ERAF" below.

The Agency is unable to predict how the mortgage crisis will impact future assessed values and receipt of tax increment revenues in the Project Area.

Reduction in Inflationary Rate

As described in greater detail below, 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 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. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation five times: for 1993/94, 1%; for 1995/96, 1.19%; for 1996/97, 1.11%; for 1999/2000, 1.853%; and for 2004/05, 1.867%. The Agency is unable to predict if any adjustments to the full cash value base of real property within the Project Area, whether an increase or a reduction, will be realized in the future.

Levy and Collection

The Agency does not have any 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 with respect to the Project Area, and accordingly, could have an adverse impact on the ability of the Agency to repay the 2008 Series A Bonds. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the Agency's ability to make timely debt service payments.

Bankruptcy

The rights of the Owners of the 2008 Series A Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights under currently existing law or laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. The opinions of Bond Counsel as to the enforceability of the obligation to make payments on the 2008 Series A Bonds will be qualified as to bankruptcy and such other legal events. See "APPENDIX D — PROPOSED FORM OF OPINION OF BOND COUNSEL."

State Budget Deficit — ERAF

Historical ERAF Payments. In connection with its approval of the budget for the 1992-93, 1993-94 and 1994-95 fiscal years, the State Legislature enacted legislation which, among other things, reallocated funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment, net of amounts due to other taxing agencies, to school districts for such fiscal years for deposit in the Education Revenue Augmentation Fund ("ERAF"). 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.

Faced with a projected State budget gap for Fiscal Year 2002-03, the State Legislature adopted as urgency legislation AB 1768, which required redevelopment agencies to pay into ERAF in Fiscal Year 2002-03 an aggregate amount of \$75 million. AB 1768 became effective on September 30, 2002 and required the payment into ERAF in Fiscal Year 2002-03 only. AB 1768 provided that one-half of the Agency's ERAF obligation is calculated based on the gross tax increment received by the Agency and the other one-half of the Agency's ERAF obligation is

calculated based on net tax increment revenues (after any pass-through payments to other taxing entities). The Agency made the required payment into ERAF.

Faced with a continuing State budget gap, the State Legislature in 2003 adopted SB 1045, which again required redevelopment agencies to make ERAF transfers in Fiscal Year 2003-04, based on a statewide aggregate transfer by redevelopment agencies of \$135 million. SB 1045 required the Agency to transfer approximately \$1.09 million to ERAF in fiscal year 2003-04 and to make this transfer payment by May 10, 2004. The Agency timely made the required ERAF payment.

The Governor's budget for fiscal year 2004-05 as implemented by SB 1096 (Chapter 211, Stats. 2006) again included a transfer by redevelopment agencies to the applicable ERAFs. However, the aggregate amount of ERAF transfers by redevelopment agencies has increased from \$135 million (in Fiscal Year 2003-04) to \$250 million in each of the Fiscal Years 2004/05 and 2005-06. The Agency was required to transfer \$2,379,090.50 to ERAF in Fiscal Year 2004-05 and \$2,886,953.33 to ERAF in Fiscal Year 2005-06. The Agency timely made the required ERAF payments.

The State budgets for Fiscal Year 2006-07 and 2007-08 did 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.

Fiscal Year 2008-09. The recently enacted State budget for Fiscal Year 2008-09 as implemented by AB 1389 (enacted on September 30, 2008) includes a one-time transfer by redevelopment agencies to the applicable ERAFs. This time, the aggregate amount of ERAF transfers by redevelopment agencies is \$350,000,000. Unlike prior years, there is no redevelopment plan time limit extension for agencies making the ERAF payment. The final amount that the Agency will be required to transfer to ERAF in Fiscal Year 2008-09 will be determined by the County Auditor. Published estimates calculated by the California Redevelopment Association ("CRA") indicate that the Agency's 2008-09 ERAF amount will be approximately \$3.6 million. The Agency expects to make the ERAF payment from cash on hand.

AB 1389 additionally imposed a reporting requirement on each redevelopment agency with respect to its statutory and contractual pass through requirements, in order to calculate any shortfalls in the payments of pass-throughs to taxing entities during the past five years. As of October 1, 2008 (which deadline was extended administratively by the State Controller's Office to November 1, 2008), the Agency was required to submit a report to the County Auditor and each affected taxing entity describing each statutory and contractual pass-through requirement. The Agency has met its reporting obligation. The County Auditor is required to review the report and notify the Agency of its findings. The Agency believes that its pass-throughs have been correctly calculated and does not expect that any back payments of pass-throughs will be owing to taxing entities.

In response to the 2008-09 ERAF transfer, the CRA Board of Directors recently voted to pursue litigation against the State on the theory that the taking of redevelopment funds violates

Article XVI, Section 16 of the California Constitution. As of the date of this Official Statement, a lawsuit has not been filed.

Future Fiscal Years. For the purpose of projecting future Tax Revenues, no ERAF transfers in future fiscal years have been assumed. However, the State's structural deficit has yet to be resolved and these deficits may lead to subsequent ERAF transfers or other actions which might reduce the Agency's Tax Revenues and the Agency's ability to pay debt service on the 2008 Series A Bonds and Parity Bonds. The Agency cannot predict whether the State Legislature will, in future fiscal years, adopt legislation requiring other shifts of redevelopment tax increment revenues to the State and/or to schools, whether by the ERAF mechanism or by other arrangement. Should such legislation be enacted, Tax Revenues available for payment of the 2008 Series A Bonds may, in the future, be substantially reduced and the Agency's ability to pay debt service on the 2008 Series A Bonds and Parity Bonds.

Future legislation, litigation and other measures affecting the Agency's receipt of Tax Revenues in connection with the State budget situation cannot be predicted and may materially and adversely affect the Agency's ongoing ability to pay principal and interest on the Series 2008 A Bonds and Parity Bonds. Prospective purchasers of the Series 2008 A Bonds may wish to review information presented by the State at www.dof.ca.gov (maintained by the State Department of Finance) and www.lao.ca.gov (analysis by the State Office of the Legislative Analyst). The Agency does not prepare such information and cannot assume any responsibility for its accuracy, completeness or timeliness (or the continued accuracy of internet address information).

Risks Associated with Variable Rate Debt

The 2004 Series A Bonds, which are payable on a parity with the Parity Bonds, including the Series 2008 A Bonds, are variable rate bonds. Although the Agency has utilized an interest rate swap in order to hedge against risks associated with variable rate debt, there exists a risk that the Agency would have to pay an amount above the swap rate due to the relationship between the variable rate and the swap index. Under such a scenario, amounts available from Subordinated Pledged Tax Revenues to pay debt service on all fixed rate Parity Bonds, including the Series 2008 A Bonds, would be reduced.

Seismic Factors

The City, like most regions in the State of California, is located in an area of seismic activity and, therefore, could be subject to potentially destructive earthquakes. The known faults in the area include the San Andreas and Antioch faults (and it is possible that other faults exist that have not yet been discovered). The risk from seismic shaking from events on these faults is considered high. According to the California Seismographic Station at Berkeley several "significant" earthquakes have been recorded within the Pittsburg Planning Area (which includes the Project Area) since 1853, although the epicenter locations can only be roughly estimated. Additionally, the City is located in a Seismic Zone 4 for building design and engineering purposes.

The occurrence of severe seismic activity in the City could result in substantial damage to property located in the Project Area, and could lead to successful appeals for reduction of assessed values of such property. Such a reduction of assessed valuations could result in a reduction of the Subordinate Pledged Tax Revenues that secure the 2008 Series A Bonds.

Risk of Floods

A small portion of the Project Area is in a flood zone. Besides the waterfront area adjacent to the San Joaquin Delta, areas along Kirker Creek and Lawlor Creek are the major areas of the Project Area prone to flooding. During the heavy rains during the past few winters, one to two feet of water collected on several streets and intersections in the Project Area; there was, however, no flooding in the residential and downtown areas of the City.

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 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 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.

Assumptions and Projections

To estimate the total Subordinate Pledged Tax Revenues available to pay debt service on the 2008 Series A Bonds, the Agency has made certain assumptions, including zero growth in assessed valuation in the Project Area, future tax rates, the percentage of taxes collected and the likelihood of appeals. The Agency believes these assumptions to be reasonable, but to the extent that the payment of any revenues that constitute tax increment is less than such assumptions, the total Subordinate Pledged Tax Revenues available will, in all likelihood, be less than those projected herein.

Parity Obligations and Subordinated Obligations

The Agency may issue Additional Bonds or incur other Parity Obligations payable from Subordinate Pledged Tax Revenues on a parity with the 2008 Series A Bonds, the Parity Bonds, and the 2004 Swap, provided that the conditions set forth in the Indenture are met. See "SECURITY FOR THE 2008 Series A BONDS — Additional Bonds and Other Parity Obligations." The Agency may also issue bonds or incur other obligations payable from Subordinate Pledged Tax Revenues which are subordinate to the 2008 Series A Bonds and the Parity Bonds. See "SECURITY FOR THE 2008 Series A BONDS – Subordinated Obligations."

Change in Law

In general, there can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the Redevelopment Law or other laws or the Constitution of the State of California resulting in a reduction of tax increment revenue. If any such subsequent initiative or legislation would impair the Agency's ability to make payments on the 2008 Series A Bonds, such initiative or legislation may be subject to legal challenge. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS."

Secondary Market

There can be no guarantee that there will be a secondary market for the 2008 Series A Bonds, or, if a secondary market exists, that such 2008 Series A Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon the then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Calpine Bankruptcy and Assessment Appeals

On December 20, 2005, Calpine and many of its subsidiaries filed voluntary petitions to restructure under Chapter 11 of the U.S. Bankruptcy Code. Calpine has completed its Chapter 11 restructuring and successfully emerged from bankruptcy on January 31, 2008.

Calpine and affiliates of Calpine own and operate the Los Medanos Energy Center power plant (the "LMEC Plant"), the Delta Energy Center power plant (the "DEC Plant") and the Pittsburg Power Plant, which are located in the Project Area, and together represent \$856.7 million in assessed value for Fiscal Year 2008-09. Prior to and during the Chapter 11 proceedings, Calpine was not delinquent in the payment of its taxes. However, Calpine has, with some success, filed appeals of value on each of these power plants in prior years. To the knowledge of the Agency staff, there are currently no open appeals before the County with respect to the DEC Plant, the LMEC Plant and the Pittsburg Power Plant. See "– Reduction in Taxable Value," above, and "ESTIMATED REVENUES AND BOND RETIREMENT – Assessment Appeals."

The Agency cannot predict the outcome of any future appeals. No assurance can be given that future assessment appeals will not impact the receipt of tax increment revenue by the Agency.

LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS

Property Tax Limitations — Article XIII A

California voters, on June 6, 1978, 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 things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property 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 any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors. 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 indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII was adopted in June 1986 by initiative which exempts any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property from the 1 percent limitation.

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, 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

There have been many challenges to Article XIII A of the California Constitution. Recently, the United States Supreme Court heard the appeal in *Nordlinger v. Hahn*, a challenge relating to residential property. Based upon the facts presented in *Nordlinger*, the United States Supreme Court held that the method of property tax assessment under Article XIII A did not violate the federal Constitution. 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 tax increment 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 (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax, except to pay debt service on indebtedness approved by the

voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIII A.

The apportionment of property taxes in fiscal years after 1978/79 has been revised pursuant to Statutes of 1979, Chapter 282 which provides relief funds from State moneys beginning in fiscal year 1978/79 and is designed to provide a permanent system for sharing State taxes and budget surplus funds with local agencies. Under Chapter 282, cities and counties receive about one-third more of the remaining property tax revenues collected under Proposition 13 instead of direct State aid. School districts receive a correspondingly reduced amount of property taxes, but receive compensation directly from the State and are given additional relief.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, not to exceed 2% annual value growth) is generally 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 which is allocated by a different method discussed herein.

Tax Collection Fees

SB 2557 (Chapter 466, Statutes of 1990) authorizes county auditors to determine property tax administration costs proportionately attributable to local jurisdictions and to submit invoices to the jurisdictions for such costs. Subsequent legislation specifically includes redevelopment agencies among the entities which are subject to a property tax administration charge. Such costs are deducted prior to a determination of Subordinate Pledged Tax Revenues which are pledged to repay the 2008 Series A Bonds.

Unitary Property

AB 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with the fiscal year 1988/89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies and herein defined as "Unitary Property") is to be allocated county-wide as follows: (i) 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 (ii) 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 has been changed to January 1. Railroad property will continue to be assessed and revenues allocated to all tax rate areas where the railroad property is sited.

Appropriations Limitations — Article XIII B

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIII B to the California Constitution. 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.

Effective November 30, 1980, the California Legislature added Section 33678 to the Redevelopment Law which provided 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 the agency within the meaning of Article XIII B, nor shall such portion of taxes be deemed receipt 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 of the Redevelopment Law.

State Board of Equalization and Property Assessment Practices

On December 10, 1998, the State Board of Equalization (“SBOE”) approved revisions to its guidelines regarding the valuation of intangible business and commercial property for property tax purposes. The SBOE approved these revisions over the strong objections of the California Assessors Association (“CAA”), an organization representing all 58 County Assessors in California. Prior to modification of the revised guidelines, SBOE staff estimated a Statewide loss of \$2.23 billion in property tax revenues. After modification of the revised guidelines, SBOE staff revised its estimated loss to \$4.36 million Statewide. However, the CAA has indicated in a media release dated December 10, 1998 that it does not believe that the modification to the revised guidelines will minimize the Statewide loss of property tax revenues to the extent claimed by SBOE staff. The County Assessors are not required by law to follow these guidelines.

The Agency is not able to predict, at this time, whether the revised SBOE guidelines will cause any reduction in its Subordinate Pledged Tax Revenues. However, the Agency does not believe that the SBOE’s adoption of the revised guidelines will affect its ability to pay debt service on the 2008 Series A Bonds.

Exclusion of Tax Revenues for General Obligation Bonds Debt Service

An initiative to amend the California Constitution entitled “Property Tax Revenues Redevelopment Agencies” was approved by California voters at the November 8, 1988 general election. Under prior law, a redevelopment agency using tax increment revenue received additional property tax revenue whenever a local government increased its property tax rate to repay its general obligation bonds. This initiative amended the California Constitution to allow the California Legislature to prohibit redevelopment agencies from receiving any of the property tax revenues raised by increased property tax rates imposed by local governments to make payments on their bonded indebtedness. The initiative only applies to tax rates levied to finance general obligation bonds approved by the voters on or after January 1, 1989. Any revenue reduction to redevelopment agencies would depend on the number and value of the general obligation bonds approved by voters in prior years, which tax rate will reduce due to increased valuation subject to the tax or the retirement of the indebtedness. The Agency did not experience a revenue loss as a result of the initiative.

Proposition 218

On November 5, 1996, California voters approved Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIII C and XIII D to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Subordinate Pledged

Tax Revenues securing the 2008 Series A Bonds are derived from property taxes which are outside the scope of taxes, assessments and property-related fees and charges which were limited by Proposition 218.

Certification of Agency Indebtedness

Section 33675 was added to the Redevelopment Law in 1976, providing for the filing not later than the first day of October of each year with the county auditor of a statement of indebtedness certified by the chief fiscal officer of the agency for each redevelopment project that receives tax increment. The statement of indebtedness is required to contain the date on which any bonds were delivered, the principal amount, term, purpose and interest rate of bonds and the outstanding balance on bonds. Similar information must be given for each loan, advance or indebtedness that the agency has incurred or entered into to be payable from tax increment. The Agency has complied with the requirements of Section 33675.

Section 33675 also provides that the county auditor is limited in payment of tax increment to the agency to the amounts shown on the agency's statement of indebtedness. The section further provides that the statement of indebtedness is prima facie evidence of the indebtedness of the agency, but that the county auditor may dispute the amount of indebtedness shown on the statement in certain cases. Provision is made for time limits under which the dispute can be made by the county auditor as well as provisions for determination by the Superior Court in a declaratory relief action of the property disposition of the matter. The issue in any such action must involve only the amount of the indebtedness and not time validity of any contract or debt instrument, or any expenditures pursuant thereto. An exception is made for payments to a public agency in connection with payments by such public agency pursuant to a bond issue which shall not be disputed in any action under Section 33675.

Assembly Bill 1290 and Time Limits for Agency Existence and Powers

In 1993, Assembly Bill 1290 ("AB 1290") was passed by the California Legislature and signed into law by the Governor amending various provisions of the Redevelopment Law. Among other amendments to the Redevelopment Law, AB 1290 imposed time limits on existing redevelopment plans for the incurrence of indebtedness, the duration of the plan and the collection of the tax increment revenues. In 1994 the Agency passed an ordinance with respect to the Project Area which brought the Redevelopment Plan into full compliance with AB 1290. See "THE LOS MEDANOS COMMUNITY DEVELOPMENT PROJECT — Plan Limits" for the limits relating to the Redevelopment Plan.

Senate Bill 211

The California Legislature enacted SB 211, Chapter 741, Statutes 2001, effective January 1, 2002 ("SB 211"). SB 211 provides, among other things, that 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 respect to the Project Area with those taxing entities that do not have tax sharing agreements (such as the Pass-Through Agreements described below). Tax sharing will be calculated based on the increase in assessed valuation after the year in which the limitation would otherwise have become effective. See caption "Tax Sharing Statutes," below.

SB 211 also authorizes the amendment of a redevelopment plan adopted a 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.

The Agency has adopted an ordinance pursuant to SB 211 deleting the prior January 1, 2004 limit on the Agency's authority to incur loans, advances and indebtedness and as a result, the Agency makes statutory tax sharing payments to certain entities with which it does not have an existing tax sharing agreement. (See "Tax Sharing Statutes," below, and "ESTIMATED REVENUES AND BOND RETIREMENT — Pass-Through Agreements.") The amount of such tax sharing payments in Fiscal Year 2008-09 is estimated to be \$1,440,000, which amount includes an estimated tax sharing payment of \$560,000 to the City. The statute allows for the subordination of tax sharing payments to any indebtedness upon receipt of consent of the taxing entity. The Agency has obtained subordination consents from each taxing entity. See "Tax Sharing Statutes" and "ESTIMATED REVENUES AND BOND RETIREMENT — Pass-Through Agreements." See "THE LOS MEDANOS COMMUNITY DEVELOPMENT PROJECT — Plan Limits" for the limits relating to the Redevelopment Plan. The Agency currently does not intend to utilize the provisions of SB 211 permitting the extension of the effectiveness of the Redevelopment Plan.

Tax Increment Limitation

Section 33333.4 of the Redevelopment Law requires redevelopment plans adopted on or after October 1, 1976 and prior to January 1, 1994 to contain, among other things, a limitation on the number of dollars in taxes that may be divided and allocated to the redevelopment agency pursuant to the plan.

As part of the third amendment, the Agency also established a cumulative tax increment limit of \$1.714 billion and an outstanding bond limit of \$624 million (as of the date of this Official Statement, the Agency's outstanding bond amount is approximately \$428 million). Both limits are calculated exclusive of tax sharing payments to the taxing entities made pursuant to Section 33401 of the Redevelopment Law and Section 316 of the Redevelopment Plan and any housing set-aside on the tax sharing payments. The Agency reports that it has received approximately \$361.7 million in (non-housing) tax increment for the Project Area through Fiscal Year 2007-08. Depending on the future growth of tax increment revenues in the Project Area, it is likely that the Agency will reach this limit prior to the last date to receive tax increment in the Project Area. Pursuant to the Master Indenture, the Agency has covenanted to annually review commencing in 2012 (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 or is less than 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).

Tax Sharing Statutes

Certain provisions were added to the Redevelopment Law by the adoption of AB 1290 in 1994. If new territory should be added to the Redevelopment Project, or certain other amendments are made to the Agency's Redevelopment Plan, under Section 33607.5 of the Law, affected taxing entities that did not have an existing tax sharing agreement with the Agency would share in the tax increment revenues generated by such added area pursuant to a statutory formula ("Statutory Tax Sharing").

In addition, pursuant to Section 33333.6(a)(2) of the Law, if the Agency deletes the time limit to incur indebtedness in the Redevelopment Project (as amended by SB211) or increases the total amount of Tax Revenues to be allocated to the project area or increases the duration of the Redevelopment Plan and the period for receipt of Tax Revenues, Statutory Tax Sharing will also be required under Section 33607.7 of the Law with all affected taxing agencies not already a party to a tax sharing agreement, once the original limitations have been reached. In general, the amounts to be paid pursuant to Statutory Tax Sharing are as follows:

(a) commencing in the first fiscal year after the limitation has been reached, an amount equal to 25% of tax increment revenues generated by the incremental increase of the current year assessed valuation over the assessed valuation in the fiscal year that the limitation had been reached, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted;

(b) in addition to amounts payable as described in (a) above, commencing in the 11th fiscal year after the limitation has been reached, an amount equal to 21% of tax increment revenues generated by the incremental increase of the current year assessed valuation over the assessed valuation in the preceding (10th) fiscal year that the limitation had been reached, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted; and

(c) in addition to amounts payable as described in (a) and (b) above, commencing in the 31st fiscal year after the limitation has been reached, an amount equal to 14% of tax increment revenues generated by the incremental increase of the current year assessed valuation over the assessed valuation in the preceding (30th) fiscal year that the limitation had been reached, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted.

(d) The City may elect to receive a portion of the tax increment generated in (a) above, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted.

(e) The Agency may subordinate the amount required to be paid to an affected taxing entity to any indebtedness after receiving the consent of the taxing entity.

With respect to a taxing entity that is a party to a negotiated tax sharing agreement (see "ESTIMATED REVENUES AND BOND RETIREMENT — Pass-Through Agreements") tax sharing payments would continue pursuant to the Tax Sharing Agreement after the original limitations in the Redevelopment Plan were passed.

The Agency currently is subject to Statutory Tax Sharing, which commenced in Fiscal Year 2004-05, due to the Agency's elimination of the time limitation for incurring debt adopted pursuant to SB211. See "Senate Bill 211" above.

Recent Property Tax Legislation

In 2002, Assembly Bill No. 81 (Migden) was signed into law. AB 81 provides, among other things, that electric generating facilities which are not owned by regulated public utilities are treated as State assessed property, but that the property tax revenues from such facilities shall be distributed to the local taxing agencies in the same manner as normal property taxes levied by County assessors. This means that the tax increment revenues generated by the Calpine power plants within the Project Area will continue to be allocated to the Agency pursuant to the Redevelopment Law. State assessed property is not subject to the limitations in Article XIII A of the State Constitution concerning the maximum 2% annual increase in assessed value, and is subject to the assessment procedures of the State Board of Equalization.

Future Initiatives

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

THE AGENCY

Authority and Management

The Agency was activated in 1958 by Resolution No. 3369 of the City Council of the City of Pittsburg under the provisions of the Community Redevelopment Law (Part 1 of Division 24 of the Health and Safety Code of the State of California). At the same time, the City Council declared itself to be members and officers of the Agency.

Mayor Will Casey currently serves as Chairperson. The current members of the City Council, their position with the Agency, their term expiration and their principal occupations are as follows:

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>	<u>Occupation</u>
Willis A. Casey	Chairperson	2008*	Public Safety Consultant
Nancy L. Parent	Vice Chairperson	2010	Attorney
Ben Johnson	Member	2008*	Business/Financial Analyst
Salvatore N. Evola	Member	2010	Business Manager
Michael Kee	Member	2010	Architect

*Willis Casey's and Ben Johnson's council seats are not being challenged in the upcoming November 2008 election; therefore, on August 21, 2008, the City Council appointed each to new terms set to expire in 2012.

The staff of the Agency consists of individuals with extensive experience in the City and in the public sector. It is under this staff that the Project Area has experienced its greatest growth. The executive staff members, together with their positions and years of Agency experience, are as follows:

<u>Name</u>	<u>Position</u>	<u>Commencement of Employment with the City</u>
Marc S. Grisham	Executive Director	2004
Alice Evenson	City Clerk*/Secretary	2006
Randy L. Starbuck	Redevelopment Agency Director	2005
Marie Simons	Finance Director	2002

*Elected position

City personnel provide the Agency with financial, planning, engineering, legal and other technical staff support. The Agency does not maintain independent staff personnel. Various legal, auditing, financial consulting and other professional services are contracted for as needed by the Agency.

Powers

The Agency is charged with the responsibility for elimination of blight through the process of redevelopment. All powers of the Agency are vested in its five members. The Agency exercises governmental functions in carrying out projects and has sufficient broad authority to acquire, develop, administer and sell or lease property, including the right of eminent domain and the right to issue bonds and expend their proceeds.

Redevelopment in the State of California is carried out pursuant to the Redevelopment Law. Section 33020 of the Redevelopment Law defines redevelopment as the planning, development, replanning, redesign, clearance, reconstruction or rehabilitation, or any combination of these, of all or part of a survey area and the provision of such residential, commercial, industrial, public or other structures or spaces as may be appropriate or necessary in the interest of the general welfare, including recreational and other facilities incidental or appurtenant to them.

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.

The Agency may, out of the funds available to it for such purposes, pay for all or part of the value of land and the cost of buildings, facilities, structures or other improvements to be publicly owned and operated to the extent that such improvements are of benefit to the Project Area and no other reasonable means of financing is available. The Agency must sell or lease remaining property within a project for redevelopment by others in strict conformity with the redevelopment plan, and may specify a period within which such redevelopment must begin and be completed.

Financial Statements

The Agency is a public entity separate and apart from the City. All accounting records of Agency operations are maintained by the City's Finance Department separately from the accounting records of the City.

Agency financial statements have been audited by independent certified public accountants since fiscal year 1982-83. The audited financial statements of the Agency for the fiscal year ended June 30, 2007 are included herein as Appendix A hereto.

THE LOS MEDANOS COMMUNITY DEVELOPMENT PROJECT

The Los Medanos I Sub-Area

The Los Medanos Community Development Project represents a merger of five separately adopted project areas within the City: the Marina View Redevelopment Project Area, the Riverside Mall Project Area, Neighborhood Development Program Area I and II, and the original Los Medanos Community Development Project (collectively referred to herein as "Los Medanos I") as well as two subsequent amended additions to the Los Medanos Project: Los Medanos II and Los Medanos III. The redevelopment plans adopted with respect to each project area provide for the elimination of blight and deterioration which was found to exist in each of such areas.

In 1962, the Marina View Redevelopment Project Area was adopted. This was the first redevelopment project area to be established by the City and encompassed part of the traditional downtown. Since then, the City's redevelopment efforts have been an ongoing process that has been repeatedly refocused to maximize the benefits available from changes in state and federal laws and programs. The Marina View efforts were eventually augmented with the establishment in 1970 of the adjacent Riverside Mall Project Area, and then in 1972 with the establishment of Neighborhood Development Program Area I and II, two adjacent redevelopment project areas.

These initial redevelopment efforts, though they made use of tax increment funds, were heavily dependent on federal and state aid. In the mid-to late 1970's, as federal funding sources became less stable and as the blighting factors impacting the project area were not being fully eradicated, the City adopted the original Los Medanos Community Development Project.

The Los Medanos Community Development Project, as originally adopted, completely surrounded the four older project areas and included much of the balance of the City within the City limits (approximately 3,550 acres). The vast majority of the Project Area's current tax increment is attributable to the original Los Medanos Community Development Project. The adoption of the Los Medanos Community Development Project and the resources it has provided to the Agency thus have allowed the City to undertake comprehensive efforts designed toward the continued improvement of the community.

In 1980, by an ordinance of the City Council adopted pursuant to special State legislation, the Los Medanos Community Development Project Area was merged with the four older redevelopment project areas to create a single redevelopment project area within the City that is still termed the Los Medanos Community Development Project Area. With this merger, the City further increased its ability to comprehensively deal with problems impacting the entire Project Area. Following the merger, over eight thousand new residential units have been constructed within the Project Area as well as four neighborhood shopping centers and various office, commercial and industrial real estate projects.

The Los Medanos II Sub-Area

In 1983, the Los Medanos Community Development Project Area was expanded to include an additional approximately 1,000 acres of territory. That amended sub-area, entitled Los Medanos II, has been partially developed with a sub-regional shopping area (the Century Boulevard Shopping Area) and two large apartment projects. This area is approximately 70% developed. Additional commercial development is in the planning process for the Los Medanos II Sub-Area.

The Los Medanos III Sub-Area

In 1990, the Agency determined that it was necessary to amend the Project Area tax increment revenue ceiling of \$400 million to provide for additional financing capabilities for Project implementation. Commencing in late 1990 and concluding in July of 1993, the Agency undertook a comprehensive planning process that culminated in the adoption by the City Council of a third amendment to the Redevelopment Plan (the "Third Amendment"). The Third Amendment resulted in the following basic changes to the Redevelopment Plan and Project Area:

1. The tax increment revenue ceiling of \$400 million was increased to \$1.714 billion plus those funds allocated to revenue sharing agreements and the housing set aside. Total forecast property tax increment growth, for the term of the Third Amendment, is approximately \$1.8 billion.

2. Four new areas were added to the Project Area. These areas, termed the "Los Medanos 93 Sub-Areas," are sub-areas of the overall Project Area. These areas encompassed approximately 2,100 acres of land, some of which has been recently removed from the Project Area (see "Recent Plan Amendment," below) so that the Los Medanos III Sub-Area now contains approximately 1,200 acres of land. The four sub-areas comprised of the following individual sub-areas:

A. The Northeast Industrial Sub-Area, encompassing over 800 acres, includes the Delta Energy Center ("DEC") and other waterfront shipping and industrial facilities. Total assessed value of this sub-area is approximately \$500 million.

B. The Willow Pass Area, encompassing over 100 acres of mixed development, including light industrial and residential. Assessed value of this sub-area is approximately \$397,713.

C. The Chevron site, encompassing over 500 acres, is a former Chevron tank farm that is planned for residential development of over 800 homes. Assessed value of this sub-area is approximately \$418 million at this time. While over 600 homes have been constructed on this site since 1999, future phases have been halted due to the economic downturn.

D. The Southwest Area, encompassing over 700 acres, includes land planned for over 1,500 homes. Assessed value of this sub-area is approximately \$248 million. Development of this site commenced in 1999 with site grading. Total buildout is expected to occur over the upcoming decade.

Recent Plan Amendment

In 2004, the Agency amended the Plan to remove four parcels from the Los Medanos III Sub-Area. The parcels are owned by USS Posco, Dow Chemical, National Energy Constructors and Union Carbide. The assessed value of the parcels had declined since they were added to the Project Area as part of the Third Amendment. This occurred for a variety of reasons, including appeals under Proposition 8 and continued depreciation of fixtures and equipment. In total, the 2002-03 assessed value of the parcels was \$149.4 million less than the value in 1992-93, when the base year value of the parcels was established. By removing these parcels from the Project Area, the Agency eliminated the negative effect on the generation of tax increment revenues arising from the decline in value of these four parcels. Prior to the amendment of the Plan, the total assessed value in Los Medanos III was \$1,510,287,687 with a base value of \$851,754,992. Following the amendment, the total assessed value in Los Medanos III for 2004-05 was reduced to \$925,367,467 and the base value was reduced to \$47,420,956. Due to this reduction in base value and overall growth in the Los Medanos III Sub-Area, the result was a net increase of over \$219 million in incremental assessed value.

Plan Limits

In 1994, the Community Development Plan was amended to bring various financial time limits into conformance with those required by State law pursuant to AB 1290. In 2003, the Plan was again amended pursuant to SB 211 to eliminate the last date to incur debt for the Los Medanos I and II Areas. This amendment has had the impact of triggering statutory pass through payments, as discussed in "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS — Tax Sharing Statutes". The Agency also has, pursuant to SB 1045, amended the Plan to extend by one year the time limits for the effectiveness of the Plan and the Agency's ability to receive tax increment. Under SB 1096, the Agency has extended by two years the effectiveness of the Plan time limit and the time limit to receive tax increment for all but the Los Medanos III subarea (which does not meet the conditions for the additional two year extension). The current financial time limits for each of the project areas that make up the entire Project Area (Constituent Project Areas) are shown below. The last date for tax increment receipt does not apply to debt service on the 1993 Bonds, since the 1993 Bonds were issued prior to the effective date of AB 1290.

Constituent Project Areas	Last date to Incur Debt	Plan Effectiveness	Tax Increment Receipt
Marina View	None	01/01/12	01/01/22
Riverside Mall	None	01/19/13	01/19/23
Neigh. Dev. I	None	07/17/15	07/17/25
Neigh. Dev. II	None	12/04/15	12/04/25
Los Medanos I	None	07/18/22	07/18/32
Los Medanos II	None	11/28/26	11/28/36
Los Medanos III	None	06/07/34	06/07/44

As part of the Third Amendment, the Agency also established a cumulative tax increment limit of \$1.714 billion and a bond limit of \$624 million. Both limits are calculated exclusive of tax sharing payments to the taxing entities made pursuant to Section 33401 of the Redevelopment Law and Section 316 off the Redevelopment Plan and any housing set-aside on the tax sharing payments. The Agency reports that it has received approximately \$361.7 million in (non-housing) tax increment for the Project Area through 2007-08. Depending on the

future growth of tax increment revenues in the Project Area, the Agency will reach this limit prior to the last date to receive tax increment in the Project Area.

Location and Surrounding Areas

The Project Area, including the land added in the Third Amendment, contains approximately 5,449 acres, or roughly 53% of the City's area. The City is located in the northeastern part of Contra Costa County, approximately 45 minutes east of San Francisco. The City is bounded by the Sacramento River on the north, the City of Antioch on the east and unincorporated parts of Contra Costa County on the west and south. The City and Project Area are bisected by State Highway 4, which travels in an east-west direction through the City. This highway is the primary access route to the City from both the San Francisco-Oakland area and Sacramento. (A regional location map of the City and a map of the Project Area are shown preceding page one of this Official Statement.)

The Project Area encompasses all of the City limits north of Highway 4 and a portion of the City south thereof. Immediately to the east of the Project Area is the major U.S. Steel plant operating in the Bay Area. To the west of the Project Area, in the unincorporated area of Bay Point, is a major Mirant electric generation facility.

Present Condition

Over the last few years, the City has seen significant new private industrial, commercial and residential real estate development, including over \$1 billion in new industrial investment. Two major power plants, the LMEC Plant and the DEC Plant, as well as the smaller Pittsburg Power Plant, all of which are owned by Calpine or affiliates of Calpine, along with several other industrial projects, became operational within the last seven years. These new projects have contributed significantly to the overall Pittsburg economy as well as the secured tax roll of the City. The City expects that the proximity to major local power generation facilities, including the LMEC and DEC plants, will strongly facilitate additional industrial development in upcoming years. In addition to the LMEC and DEC plants, the most notable industrial development includes the opening of the west coast manufacturing facility and North American headquarters of BREDA Transportation, a subsidiary of Italian rail car manufacturer Ansaldo Breda. The 200,000 square foot BREDA facility, located on Loveridge Road at the Pittsburg-Antioch Highway, added approximately 125 new jobs to the Pittsburg economy. BREDA Transportation has a \$185 million contract with the Los Angeles transit authority to produce light rail vehicles.

In the eastern portion of the City, directly south of the USS-Posco and Dow sites, Mill Creek Development, in partnership with Silicon Diversified, is constructing 314,000 square feet of light industrial and office space on 16.2 acres. Adjacent to this site a 96-room Hampton Inn & Suites hotel is also under construction and is projected to open in late 2008.

On the western side of the community, Davis and Associates has recently completed construction of Phase 1 of the Empire Business Park, consisting of 104,000 square feet. Phase 2 of the Empire Business Park, consisting of 326,000 square feet will commence construction in 2009. In addition, another 458,000 square feet of industrial space adjacent to this site has been completed.

In addition to the major industrial projects, the Pittsburg Automall located adjacent to State Highway 4 next to the Century Plaza Commercial Center has expanded. Mazzei GMC

completed expansion of its facility adding a new Hyundai dealership next door to GMC. Winter Honda relocated from its Railroad Avenue location to a larger complex at the Automall.

Commercial development is primarily present along the Railroad Avenue corridor, the Harbor Street corridor, Old Town Pittsburg and the Century Shopping Center area. The undeveloped land is zoned to accommodate over 800,000 square feet of commercial development as well as over 5,000 additional residential units. In Old Town, several projects are under construction including the initial phase of Vidrio (formerly Black Diamond), a \$100 million residential/commercial mixed-use project. Phase One of Vidrio was scheduled for completion in September 2008, however, due to the economic slowdown, AF Evans Company, the project's developer, is in default on the Union Bank construction loan. Union Bank is actively pursuing a workout of the construction loan. Subsequent phases of Vidrio have been put on hold. Entrata (formerly known as Gateway), another mixed use project, has been completed. Domus Development LLC partnered with the Agency to construct this project, which consists of 28 rental apartments located over 8,000 square feet of commercial space. Thirteen of the apartments are restricted to low and very low income households. Two new small commercial establishments, the Palace of Fine Foods and La Veranda restaurant were also completed in Old Town in mid-2008.

Marina Walk (formerly Mariner Walk II) is a planned 123-unit subdivision being developed by the Olson Company. Phase One (13 homes) is under construction, although subsequent phases are on hold due to market conditions. Olson began selling homes in early 2007.

Land use in the Project Area in fiscal year 2008-09 is summarized as follows:

Table 1
LOS MEDANOS COMMUNITY DEVELOPMENT PROJECT
COMBINED LOS MEDANOS I, II AND III
ASSESSED VALUATION AND PARCELS BY LAND USE

	2008-09 <u>Assessed Valuation (1)</u>	% of <u>Total</u>	No. of <u>Parcels</u>	% of <u>Total</u>
Non-Residential:				
Rural Land/Undeveloped	\$ 15,478,997	0.37%	12	0.10%
Commercial	361,812,026	8.72	281	2.23
Vacant Commercial	12,144,674	0.29	40	0.32
Industrial	211,671,999	5.10	139	1.10
Power Plant and Other Utilities	439,150,103	10.59	6	0.05
Vacant Industrial	18,557,790	0.45	38	0.30
Government/Social/Institutional	<u>2,074,231</u>	<u>0.05</u>	<u>404</u>	<u>3.21</u>
Subtotal Non-Residential	\$1,060,889,820	25.58%	920	7.31%
Residential:				
Single Family Residence	\$2,505,688,574	60.42%	10,084	80.09%
Condominium/Townhouse	210,903,865	5.09	907	7.20
Mobile Home	1,585,320	0.04	44	0.35
2-4 Residential Units	73,350,965	1.77	326	2.59
5+ Residential Units/Apartments	275,238,373	6.64	55	0.44
Vacant Residential	<u>19,498,108</u>	<u>0.47</u>	<u>255</u>	<u>2.03</u>
Subtotal Residential	\$3,086,265,205	74.42%	11,671	92.69%
Total	\$4,147,155,025	100.00%	12,591	100.00%

(1) Total Secured Assessed Valuation; excluding tax-exempt property.

LOS MEDANOS I SUB-AREA

	2008-09 <u>Assessed Valuation (1)</u>	% of <u>Total</u>	No. of <u>Parcels</u>	% of <u>Total</u>
Non-Residential:				
Commercial	\$241,338,633	9.25%	247	2.44%
Vacant Commercial	8,314,096	0.32	34	0.34
Industrial	165,823,856	6.36	116	1.14
Vacant Industrial	9,996,341	0.38	23	0.23
Government/Social/Institutional	<u>1,725,967</u>	<u>0.07</u>	<u>343</u>	<u>3.38</u>
Subtotal Non-Residential	\$427,198,893	16.38%	763	7.53%
Residential:				
Single Family Residence	\$1,699,147,124	65.16%	7,960	78.52%
Condominium/Townhouse	210,903,865	8.09	907	8.95
Mobile Home	1,555,320	0.06	43	0.42
2-4 Residential Units	73,350,965	2.81	326	3.22
5+ Residential Units/Apartments	191,300,841	7.34	44	0.43
Vacant Residential	<u>4,246,615</u>	<u>0.16</u>	<u>95</u>	<u>0.94</u>
Subtotal Residential	\$2,180,504,730	83.62%	9,375	92.47%
Total	\$2,607,703,263	100.00%	10,138	100.00%

(1) Local Secured Assessed Valuation; excluding tax-exempt property.

LOS MEDANOS II SUB-AREA

	2008-09 <u>Assessed Valuation (1)</u>	% of <u>Total</u>	No. of <u>Parcels</u>	% of <u>Total</u>
Non-Residential:				
Commercial	\$120,122,120	30.47%	31	4.76%
Vacant Commercial	3,605,644	0.91	4	0.61
Industrial	2,418,790	0.61	1	0.15
Vacant Industrial	312,507	0.08	3	0.46
Government/Social/Institutional	<u>200,400</u>	<u>0.05</u>	<u>14</u>	<u>2.15</u>
Subtotal Non-Residential	\$126,659,461	32.12%	53	8.14%
Residential:				
Single Family Residence	\$190,000,178	48.19%	596	91.55%
5+ Residential Units/Apartments	<u>77,611,979</u>	<u>19.68</u>	<u>2</u>	<u>0.31</u>
Subtotal Residential	\$267,612,157	67.88%	598	91.86%
Total	\$394,271,618	100.00%	651	100.00%

(1) Local Secured Assessed Valuation; excluding tax-exempt property.

LOS MEDANOS III SUB-AREA

	2008-09 <u>Assessed Valuation (1)</u>	% of <u>Total</u>	No. of <u>Parcels</u>	% of <u>Total</u>
Non-Residential:				
Rural Land/Undeveloped	\$ 15,478,997	1.35%	12	0.67%
Commercial	351,273	0.03	3	0.17
Vacant Commercial	224,934	0.02	2	0.11
Industrial	43,429,353	3.79	22	1.22
Power Plant and Other Utilities	438,414,759	38.31	4	0.22
Vacant Industrial	8,248,942	0.72	12	0.67
Government/Social/Institutional	<u>147,864</u>	<u>0.01</u>	<u>47</u>	<u>2.61</u>
Subtotal Non-Residential	\$506,296,122	44.24%	102	5.67%
Residential:				
Single Family Residence	\$616,541,272	53.87%	1,528	84.89%
Mobile Home	30,000	0.00	1	0.06
5+ Residential Units/Apartments	6,325,553	0.55	9	0.50
Vacant Residential	<u>15,251,493</u>	<u>1.33</u>	<u>160</u>	<u>8.89</u>
Subtotal Residential	\$638,148,318	55.76%	1,698	94.33%
Total	\$1,144,444,440	100.00%	1,800	100.00%

(1) Total Secured Assessed Valuation; excluding tax-exempt property.

The foregoing tables reflect only secured assessed valuation and State assessed valuation. The total State assessed valuation in the Project Area is \$439,150,103. The major source of State assessed valuation is derived from the DEC Power Plant, which has a State assessed valuation of \$438,400,000. Unsecured valuation within the Project Area totals \$548,637,990, with the major source derived from the LMEC Power Plant, which has an unsecured valuation of \$379,800,000. The total 2008-09 taxable value within the Project Area is \$4,695,343,996, representing a decline of 3.1% from the 2007-08 total valuation, due primarily to the decrease in secured valuation of residential property in the Los Medanos I and Los Medanos II subareas of the Project Area.

Current and Planned Development

Residential Development. During the twenty year period between 1986 through 2006, over 8,000 new residential units were constructed within the Project Area. However, residential development has slowed dramatically in the past two years due to fallout from the subprime mortgage crisis resulting in tightening credit markets, bank collapses, higher interest rates, increased foreclosure activity and major reductions in home prices throughout the region. As a result, several housing developments within the Project Area have been put on hold until economic conditions improve.

Commercial Development. In Old Town Pittsburg, Phase One of Vidrio, a \$100 million residential/commercial mixed-use project being developed by AF Evans Company, was scheduled for completion in September 2008, however, due to the economic slowdown, the developer is in default on the Union Bank construction loan. Union Bank and the developer are pursuing a workout of the construction loan. Subsequent phases of Vidrio have been put on hold. A 96-room Hampton Inn & Suites hotel is under construction and projected to open in late 2008.

Industrial Development. In October 2007, Posco broke ground on a \$150 million spiral pipe manufacturing facility within the Project Area. Construction completion is projected for late 2009 or early 2010. In 2007, construction of 458,000 square feet of industrial space was completed and Angelica Laundry, a commercial laundry facility to the medical industry, leased 55,000 square feet in July 2008.

Trans Bay Cable Project. The proposed Trans Bay Cable Project is a 400-megawatt, 55-mile long sub-sea high voltage direct current transmission line in San Francisco Bay and the Carquinez Straits from the City of Pittsburg to San Francisco, together with associated onshore facilities. The proposed Trans Bay Cable Project will transmit electrical power from a converter station in Pittsburg to a converter station in San Francisco, providing a dedicated connection between the East Bay and San Francisco, and is designed to help meet San Francisco's electrical demand projected for 2012 and for at least 40 years thereafter. Construction of the \$100 million converter station on a 7.5-acre site in the Project Area, and installation of approximately 5.5 miles of new submarine, underground and aboveground alternating current transmission cable in Pittsburg began in December 2007.

The Trans Bay Cable Project is a project of Trans Bay Cable LLC, a wholly-owned subsidiary of Babcock & Brown Power Operating Partners, LLC, located in San Francisco, in cooperation with the City of Pittsburg and Pittsburg Power Company, a municipal utility. Babcock & Brown has provided financing for the Project. Overall construction of the Trans Bay Cable Project is expected to be completed in 2010.

Controls, Land Use and Building Restrictions

The Redevelopment Plan for the Project Area sets forth the principal land uses permitted and the building restrictions to be imposed in project development. It also assigns the Agency and the City their respective responsibilities in carrying out the Redevelopment Plan. Provision is made for rehabilitation as well as new construction and sets forth conditions and procedures required under both approaches. Construction is required to comply with all applicable State and local laws in effect, including, without limitation, environmental laws and Building, Electrical, Heating and Ventilating, Housing and Plumbing Codes of the City.

Housing Litigation

The City of Pittsburg and the Agency were defendants in litigation brought before the Contra Costa County Superior Court. The litigation, *Osorio et al v. City of Pittsburg et al.*, Case No. MSN 04-0209, sought to invalidate the housing element of the City's general plan on grounds that the element did not conform to State law concerning housing elements. In the litigation, the plaintiffs sought a writ of mandate that would have prevented the City from approving some or all development pending completion of a valid housing element. The court denied the writ. Subsequently, the City completed a new housing element and obtained approval of the element from the State Department of Housing and Community Development ("HCD"). Under California Government Code Section 65589.3, the HCD approval of the housing element created a rebuttable presumption that the City's housing element substantially complies with the State housing element laws.

The litigation also alleged that the Agency had failed in the past to comply with its housing production obligations under California Health and Safety Code Section 33314. The production obligation requires that at least 15% of the new or substantially rehabilitated housing units produced in the redevelopment project area be affordable to low and moderate income

households. Of the affordable units produced, at least 40% must be affordable to very low income households. In the litigation, the plaintiffs sought a court order requiring the Agency to produce additional affordable housing units to make up for alleged past failures of the Agency to satisfy these production obligations. The parties to the litigation entered into a settlement agreement that addressed the Agency's housing production issues. The following is a summary of the settlement agreement:

Between July 1, 2004 and July 1, 2014, the Agency is required to produce 990 units of new or newly rehabilitated affordable housing for very low, low and moderate income households. Of the 990 units, 396 or 40% would be affordable to very low income households, no more than 150 of which may be senior units and no fewer than 198 of which must be new construction. The Agency must make good faith efforts to have at least 120 of the 190 units have at least three bedrooms. The 990-unit production requirement can be reduced if the Agency produces units serving extremely low income levels (i.e., 35%, 30% and 25% of Area median income) or produces units with three bedrooms or more. The ability of the Agency to take advantage of these reductions would be eliminated if, prior to June 30, 2007, the City's inclusionary housing ordinance is repealed or substantially weakened. The Agency cannot take advantage of these reduction options until 198 very low income units are produced, provided those 198 units are at least two bedroom units. The Agency may purchase affordability covenants for up to 445 of the 990 units, 223 units for very low income households and 222 units for low and moderate income households. The Agency and the City are required to adopt and implement policies that, to the extent permitted by law, give preferences in Agency or City assisted housing to those who live or work in the City, which has been accomplished by the adoption of a preference policy.

From July 1, 2004 to July 1, 2009, the Agency is required to produce 200 of the 990 units for very low income households. The Agency expects to substantially comply with the required production of 200 units by July 2009.

The Agency believes that it has sufficient financial resources and development opportunities to meet the requirements of the settlement agreement and intends to use some housing increment to meet these goals.

Certain Information Concerning the City

Certain statistical and financial information concerning the City is included herein as Appendix B hereto. Such information is provided for informational purposes only. The General Fund of the City is not liable for the payment of the 2008 Series A Bonds or the interest thereon, nor is the taxing power of the City pledged for the payment of the 2008 Series A Bonds or the interest thereon.

ESTIMATED REVENUES AND BOND RETIREMENT

Current Tax Revenues

The Indenture requires Subordinate Pledged Tax Revenues to be transferred each year to the Trustee and applied to the payment of interest and principal (including mandatory sinking account payments) on the 2008 Series A Bonds, and any Additional Bonds and Parity Obligations, and to maintain the Debt Service Reserve Account in an amount equal to the Reserve Requirement, provided that all deposits required to be made with respect to Senior Debt Service have been made.

The Assessor of Contra Costa County will assess all taxable property in the Project Area (except exempt property and public utility property) at 100% of "full cash value", as defined in Article XIII A of the California Constitution. See section headed "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS — Property Tax and Spending Limitations." Public utility property is assessed by the State Board of Equalization. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS — Unitary Property," above. Contra Costa County operates under the provisions of Revenue and Taxation Code Sections 4701-4716 by which taxing entities in the County may receive their total secured tax levies regardless of actual payments and delinquencies. See "Property Tax Collection Procedures," below.

Each of the five separately adopted project areas which now comprise the Project Area, as well as the six additional sub-areas (see "THE LOS MEDANOS COMMUNITY DEVELOPMENT PROJECT — The Los Medanos I Sub-Area," above), have their own base years and base years values, and as a result, tax increment revenues are calculated separately for each separate project area and sub-area. Accordingly, as decline in the assessed value of the property below the base year assessed value in any such project area or sub-area would cause a reduction in Subordinate Pledged Tax Revenues from such project area or sub-area to \$0, but would not further cause a decline in the overall collection of Subordinate Pledged Tax Revenues.

Limitations on Indebtedness, Receipt of Tax Increments

Section 33334.1 of the Redevelopment Law requires that a redevelopment plan adopted by a redevelopment agency contain a limit on the amount of bonded indebtedness which can be outstanding at one time. The Agency's Redevelopment Plan provides, with respect to the Project Area, that the amount of Agency bonded indebtedness which can be outstanding at one time shall not exceed \$624 million and that the amount of tax increment revenue which may be allocated to the Agency in the aggregate shall not exceed \$1.714 billion plus those funds allocated to revenue sharing agreements (under Section 33401 of the Redevelopment Law and Section 316 of the Redevelopment Plan) and the related housing set aside revenues. The various time limits applicable to the Project Area are set forth above under "THE LOS MEDANOS COMMUNITY DEVELOPMENT PROJECT — Plan Limits." The Agency is of the opinion that these limitations will not impede its ability to develop the Project Area in accordance with the Redevelopment Plan nor impair its ability in the future to repay any obligation or indebtedness incurred by the Agency in connection with the development of the Project Area in accordance with the Redevelopment Plan.

The Housing Set-Aside

Under various provisions of the Redevelopment Law a redevelopment agency is generally required, subject to certain exceptions, to set-aside into a low and moderate income housing fund not less than 20% of its allocated tax revenues from a project. The moneys so set-aside are to be used for the purpose of increasing and improving the community's supply of low and moderate income housing.

However, Chapter 512, Statutes of 1980, Health and Safety Code Sections 33478 through 33478.3, provided the Agency with a special exemption from the housing set-aside requirement. That statute authorized the merger of the Agency's five redevelopment project areas into a single project area and provided that the merged project area would be exempt from the housing set-aside requirement to the extent the Agency found that at least four percent (4%) of the housing in the community received low and moderate income subsidies. The required finding was made by the Agency.

The Agency has sought and received judicial validation regarding the applicability of the special exemption contained in Sections 33478 through 33478.3. As a result, the 20% housing set-aside requirement therefor applies only to the Los Medanos II and Los Medanos III Sub-Areas.

Pass-Through Agreements

In connection with the Third Amendment, the Agency entered into revenue sharing agreements with the County of Contra Costa (including the Contra Costa County Library District, the Contra Costa County Flood Control District and the Riverview Fire District), the Contra Costa County Mosquito Abatement District, the Contra Costa County Department of Education, the East Bay Regional Park District, the Antioch School District, the Pittsburg Unified School District, and the Contra Costa County Community College District. These entities each determined that the Third Amendment would constitute a financial burden or detriment as defined in Redevelopment Law, and as consideration for foregoing the right to contest the adoption of the Third Amendment, each entity entered into the respective tax sharing agreement (the "Pass-Through Agreements"). The agreements generally provide that the Agency will pass-through to each entity a portion of the Tax Revenues it would receive as a result of the Third Amendment and, in the case of the County of Contra Costa and the Pittsburg Unified School District, certain amounts from Los Medanos I and Los Medanos II. Each entity has agreed in each respective tax sharing agreement that the obligation of the Agency to pass-through a portion of Tax Revenues to such entity is subordinate to the payment of debt service on the 2008 Series A Bonds.

Additionally, in connection with the adoption of the Third Amendment, the City elected to receive tax increment derived from the inflationary not to exceed 2% adjustment to property values, as assessed.

History of Taxable Valuation and Tax Revenues

The following table shows the incremental assessed valuation and the Tax Revenues received for the entire Project Area for fiscal years 2002-03 through 2006-07.

Table 2
LOS MEDANOS COMMUNITY DEVELOPMENT PROJECT
HISTORICAL TAXABLE VALUATION
Entire Project Area

<u>Fiscal Year</u>	<u>2003-04</u>	<u>2004-05⁽¹⁾</u>	<u>2005-06</u>	<u>2006-07⁽²⁾</u>	<u>2007-08⁽²⁾</u>	<u>2008-09</u>
Locally Assessed Secured Value	\$2,851,946,495	\$2,637,164,620	\$3,015,581,340	\$3,530,493,854	\$3,927,235,628	\$3,707,555,903
Unsecured Value	671,570,063	515,933,674	543,343,050	555,424,279	512,622,834	548,637,990
State-Assessed Value	<u>565,982,155</u>	<u>512,026,044</u>	<u>478,598,737</u>	<u>440,433,949</u>	<u>405,835,344</u>	<u>439,150,103</u>
Total Taxable Value ⁽³⁾	4,089,498,713	3,665,124,338	4,037,523,127	4,526,352,082	4,845,693,806	4,695,343,996
Percentage Change	12.8%	-10.4%	10.2%	12.1%	7.1%	-3.1%
Base Value	<u>1,091,264,961</u>	<u>286,930,926</u>	<u>287,051,614</u>	<u>286,508,902</u>	<u>277,937,469</u>	<u>277,937,469</u>
Total Incremental Value ⁽⁴⁾	\$2,998,233,752	\$3,378,193,412	\$3,750,471,513	\$4,239,843,180	\$4,567,756,337	\$4,417,406,527
Percentage Change	18.3%	12.7%	11.0%	13.0%	7.7%	-3.3%

(1) In 2004, the Agency amended the Los Medanos III Sub-Area, removing approximately 540 acres from the Project Area. The effect was a reduction in both assessed value and the base value for that Sub-Area. The net result was an increase in incremental assessed value.

(2) The County Auditor Controller excludes Marina View Project Area's assessed values and base value from FY 2006-07 totals due to negative growth.

(3) Nonunitary utility property is assessed by the State Board of Equalization.

(4) Taxable Value above base year value of \$1,091,264,961 through FY 2003-04 and above base year value of \$286,930,926 beginning FY 2004-05.

Source: Contra Costa County Assessor.

Property Tax Collection Procedures

In California, property which is subject to ad valorem taxes is classified as "secured" or "unsecured." The secured classification includes property on which any property tax levied by the County becomes a lien on that property. A tax levied on unsecured property does not become a lien against the unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens.

Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. 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: (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 the personal property, improvement 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 property securing the taxes to the State for the amount of taxes which are delinquent.

A ten percent (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 is sold to the State 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 one and one-half percent (1.5%) per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A ten percent (10%) penalty also applies to delinquent taxes on property on the unsecured roll, and further, an additional penalty of one and one-half percent (1.5%) per month accrues with respect to such taxes beginning on varying dates related to the tax bill mailing date. It is the County's practice to retain all such penalties.

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

Contra Costa County operates under the provisions of Revenue and Taxation Code Sections 4701-4716 by which taxing entities in the County may receive their total secured tax levies regardless of actual payments and delinquencies. The County establishes a delinquency reserve and assumes responsibility for all secured delinquencies. Because of this method of tax collection, the city is virtually assured of 100% collection of its annual secured tax levy. The County could in the future discontinue this practice regarding delinquencies, in which event the Agency would bear its share of delinquencies, and share in any penalties and interest collected. The Board of Supervisors may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply, after holding a public hearing on the matter, discontinue the procedure under the Teeter Plan with respect to any tax or assessment levying agency in the County if the rate of secured tax delinquency for that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls in for that agency. The Teeter Plan does not cover collections on the unsecured rolls. See Table 2, above.

It has been the Agency's experience that approximately 55% of the tax allocations for the year are received by December 31 and an additional 40% by April 30 and the final five percent (5%) by June.

Supplemental Assessments. A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498), provides for the supplemental assessment and taxation of property upon the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next March 1 tax lien date following the change and thus delayed the realization of increased property taxes from the new assessments for up to 14 months. As enacted, Chapter 498 provides increased revenue to redevelopment agencies to the extent that supplemental assessments of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the January 1 lien date. To the extent such supplemental assessments occur within the Project Area, the Agency revenues may increase.

Increase in Assessed Value Due to Resales

Under the Revenue and Taxation Code, a change of ownership establishes a reassessment of taxable property based on the property's purchase price and fair market value. Sales that occur prior to the lien date (January 1) are reflected on the next equalized

assessment roll. Sales occurring after the January 1 lien date are subject to a supplemental tax bill for the prorated amount of increase in taxes during the fiscal year.

Through the first nine months of 2006, nearly 600 properties were sold in the Project Area. The sales prices in those transactions exceeded the 2006-07 assessed values of the properties by \$133 million. This increased value was captured on the 2007-08 tax roll, representing a 2.9% increase in assessed values due to property sales. However, the mortgage crisis and credit crunch has resulted in numerous foreclosures of homes in the Project Area and any gains to assessed valuation in 2007-08 will likely be offset by lowered assessed valuations in this year and future years.

Assessment Appeals

General. Pursuant to California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

After the applicant and the assessor have presented their arguments, the appeals board makes a final decision on the proper assessed value. The appeals board may rule in the assessor's favor, in the applicant's favor, or the Board may set their own opinion of the proper assessed value, which may be more or less than either the assessor's opinion or the applicant's opinion.

Any reduction in the assessment ultimately granted applies to the year for which the application is made and may also affect the values in subsequent years. Refunds for taxpayer overpayment of property taxes may include refunds for overpayment of taxes in years after that which was appealed. Current year values may also be adjusted as a result of a successful appeal of prior year values. Any taxpayer payment of property taxes that is based on a value that is subsequently adjusted downward will require a refund for overpayment.

Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Appeals may also be filed under Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property shall be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Significant reductions have taken place in some counties due to declining real estate values. Reductions made under this code section may be initiated by the County Assessor or requested by the property owner. After a roll reduction is granted under this section, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and it may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS."

The following table presents a summary of the appeals activity within the Project Area.

**Table 3
LOS MEDANOS COMMUNITY DEVELOPMENT PROJECT
APPEALS SUMMARY
Entire Project Area**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008*</u>
Total No. of Appeals on File	21	17	15	19	109	3
Withdrawn/Late/Denied	15	16	14	12	5	0
Appeals Stipulated/Reduced	6	1	1	2	0	0
Appeals Pending	0	0	0	5	104	3
<u>Resolved Appeals Summary</u>						
Assessor's Original Value	\$1,009,286,315	\$401,927,904	\$420,361,070	\$457,000,037	\$7,470,240	
Applicant's Opinion of Value	503,082,866	140,674,363	242,782,784	331,689,482	6,488,749	
% Reduction Requested	50.15%	65.00%	42.24%	27.42%	13.14%	
Assessor Reduced Value	\$118,286,151	\$36,156,507	\$39,609,977	\$27,500,000	\$0	
% Reduction Granted	11.72%	9.00%	9.42%	6.02%	0.00%	
<u>Pending Appeals Summary</u>						
Assessor's Original Value	\$0	\$0	\$0	\$2,194,000	\$59,089,882	\$1,223,000
Applicant Opinion Value	0	0	0	2,006,000	36,578,495	757,000
Requested Reduction of Value	0	0	0	188,000	22,511,387	466,000
% Reduction Requested	0.00%	0.00%	0.00%	8.57%	38.10%	38.10%
<u>Potential Reductions Summary</u>						
Total Pending Appeals			112			
Pending Appeals Roll Value		\$62,506,882				
Applicant Opinion Value		<u>39,341,495</u>				
Total Requested Reduction of Value		\$23,165,387				
Total Potential Value Loss		\$23,165,387				
Project Area 2008-09 AV		\$4,695,343,996				
Loss as a % of 2008-09 AV		0.49%				

* Represents 2008 appeals filed as of October 2, 2008.
Source: Contra Costa County Assessor.

Since 2003, property owners in the Project Area have filed 184 assessment appeals, with the large majority (109) occurring in 2006-07. The Agency knows of no large commercial appeals in fiscal year 2006-07 or 2007-08. The majority of 2006-07 and 2007-08 appeals are from the residential sector, no doubt due to the recent decline in home values and increase in foreclosures following the subprime mortgage crisis.

The pending appeals, represent a total contested value of \$23,165,387 of the Project Area assessed value. The amount of contested value represents only 0.49% of the total Project Area assessed value. Projections of incremental tax revenue shown in Table 6 have not been adjusted to reflect any impact of these appeals.

Calpine Prior Appeals. In 2006, two of the largest appeals were filed by Calpine and a Calpine affiliate, two of the largest taxpayers in the Project Area. One of the appeals sought a reduction in the unsecured property value of the LMEC Plant from \$398 million to Calpine's opinion of value of \$300 million. Calpine's second appeal in 2006 sought a reduction in the unsecured property value of the Pittsburg Power Plant in the Los Medanos III Sub-Area from the assessed value of \$38.5 million to Calpine's opinion of value of \$17 million. Calpine had not previously filed an appeal on this property. These two appeals were stipulated and the assessor reduced the value by an average of 6.2%. Calpine filed appeals on this property in 2003, 2004 and 2005, requesting an average reduction of 52.9%. While all three appeals were stipulated, the assessor only reduced the value by an average of 8.2%.

The State Board of Equalization (the "SBOE") assesses the DEC Plant. In 2003-04, the assessed value of the DEC Plant was stated at \$563 million. Calpine appealed the value, and the SBOE revised the 2003-04 value to \$519 million. Calpine filed a refund suit against five counties, including Contra Costa County, in which it appealed the value of facilities in each of those counties. In the suit, Calpine claimed a 2003-04 stated value for the DEC Plant of \$352 million, or \$167 million less than the 2003-04 value. The City challenged the suit as an intervenor. The SBOE and the City eventually approved a settlement with Calpine.

For 2004-05, the assessed value of the DEC Plant was stated at \$509.7 million. Calpine appealed the value, and the SBOE approved a revised value of \$392.5 million for 2004-05.

In 2005-06, the SBOE assessed the value of the DEC Plant at \$476,200,000. Calpine appealed the value, requesting a reduction in assessed value to \$381,119,000. The SBOE denied the petition. Calpine filed a refund suit against the SBOE and three counties, including Contra Costa County, in which it appealed the value of facilities in each of those counties. Trial was set for early 2008, however, the entirety of the lawsuit has been dismissed. The Agency is not aware of any pending appeals filed by Calpine on these properties. Neither the City nor the Agency can predict whether Calpine will file appeals or initiate litigation in future years.

Largest Assesseees

The Project Area consists of residential development, several retail shopping centers, small office building developments, industrial facilities and two power plants. Other than the power plants and the industrial facilities, which are primarily located in the Los Medanos III Sub-Area, there is no identifiable group of assesses which account for a significant portion of the assessed valuation in the Project Area.

The following table sets forth the ten largest secured roll property taxpayers in the total Project Area and in each of Los Medanos I, Los Medanos II and Los Medanos III of the Project Area for fiscal year 2008-09. These tables do no include unsecured valuation, therefore, the LMEC Plant, with an unsecured valuation of \$379,800,000 is not shown below.

Table 4
LOS MEDANOS COMMUNITY DEVELOPMENT PROJECT
TEN LARGEST SECURED ASSESSEES ⁽¹⁾
(Total Project Area)
Fiscal Year 2008-09

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2008-09 Assessed Valuation</u>	<u>% of Total (2)</u>
1.	Delta Energy Center LLC	Power Plant	\$ 438,400,000	10.57%
2.	Sierra Pacific Properties Inc.	Apartments/Shopping Center	94,056,875	2.27
3.	Kirker Creek BBS LP	Apartments	77,611,979	1.87
4.	Century Plaza Corporation	Shopping Center	72,507,259	1.75
5.	William Lyon Homes Inc. / Lyon Vista De Mar 533 LLC	Residential Development	49,809,353	1.20
6.	Fund VIII PR Pittsburg LLC	Apartments	29,223,650	0.70
7.	Deutsche Bank National Trust Company	Residential Properties	25,661,000	0.62
8.	Albert D. Seeno Construction Co.	Shopping Center	25,413,121	0.61
9.	Matthew J. Mazzei	Auto Dealership	24,855,282	0.60
10.	Delaware North Park LLC	Shopping Center	<u>23,131,563</u>	<u>0.56</u>
			\$860,670,082	20.75%

(1) Table does not include properties on the unsecured roll whose assessed valuations for fiscal year 2008-09 would be among the top taxpayers (Los Medanos Energy Center 2008-09 assessed valuation \$379,800,000 and Pittsburg Power Plant 2008-09 assessed valuation \$38,500,000).

(2) 2008-09 Total Secured Assessed Valuation: \$4,147,155,025

TEN LARGEST SECURED ASSESSEES
(Los Medanos I Sub-Area)
Fiscal Year 2008-09

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2008-09 Assessed Valuation</u>	<u>% of Total (1)</u>
1.	Sierra Pacific Properties Inc.	Apartments/Shopping Center	\$ 94,056,875	3.61%
2.	Fund VIII PR Pittsburg LLC	Apartments	29,223,650	1.12
3.	Albert D. Seeno Construction Co.	Shopping Center	23,322,121	0.89
4.	Delaware North Park LLC	Shopping Center	23,131,563	0.89
5.	GWF Power Systems LP	Industrial	23,030,230	0.88
6.	Deutsche Bank National Trust Company	Residential Properties	20,410,500	0.78
7.	Pittsburg Meridian Properties	Apartments	20,134,492	0.77
8.	Aspen Loveridge LLC	Apartments	18,807,630	0.72
9.	Wal-Mart Real Estate Business Trust	Shopping Center	15,891,884	0.61
10.	Signode Corporation	Industrial	<u>15,283,004</u>	<u>0.59</u>
			\$283,291,949	10.86%

(1) 2008-09 Local Secured Assessed Valuation: \$2,607,703,623

**TEN LARGEST SECURED ASSESSEES
(Los Medanos II Sub-Area)
Fiscal Year 2008-09**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2008-09 Assessed Valuation</u>	<u>% of Total (1)</u>
1.	Kirker Creek BBS LP	Apartments	\$ 77,611,979	19.68%
2.	Century Plaza Corporation	Shopping Center	72,507,259	18.39
3.	Matthew J. Mazzei	Auto Dealership	24,855,282	6.30
4.	Rose C. Winter	Auto Dealership	14,990,483	3.80
5.	Pacific Gas & Electric Co.	Utility	2,708,593	0.69
6.	In-N-Out Burgers	Restaurant	2,662,543	0.68
7.	Byron E. & Patricia A. Kelly	Industrial	2,418,790	0.61
8.	Deutsche Bank National Trust Company	Residential Properties	2,416,000	0.61
9.	7-Eleven Inc.	Commercial Store	2,285,304	0.58
10.	Albert D. Seeno Construction Co.	Restaurant	<u>2,091,000</u>	<u>0.53</u>
			\$204,547,233	51.88%

(1) 2008-09 Local Secured Assessed Valuation: \$394,271,618

**TEN LARGEST SECURED ASSESSEES
(Los Medanos III Sub-Area)
Fiscal Year 2008-09**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2008-09 Assessed Valuation</u>	<u>% of Total (1)</u>
1.	Delta Energy Center LLC	Power Plant	\$438,400,000	38.31%
2.	William Lyon Homes Inc. / Lyon Vista De Mar 533 LLC	Residential Development	49,809,353	4.35
3.	Ora Vineyard 162 LLC	Residential Development	13,078,977	1.14
4.	Contra Costa Waste Service Inc.	Industrial	12,417,097	1.08
5.	San Marco Properties LLC	Undeveloped	11,975,047	1.05
6.	Don & Lonnie Carr	Industrial	11,708,473	1.02
7.	Seecon Financial & Construction Co.	Residential Development	11,647,501	1.02
8.	West Coast Home Builders	Residential Development	11,275,869	0.99
9.	USS Posco Industries	Industrial	7,848,418	0.69
10.	Dow Chemical Company	Industrial	<u>5,947,925</u>	<u>0.52</u>
			\$573,108,660	50.08%

(1) 2008-09 Total Secured Assessed Valuation: \$1,144,444,440

The top ten taxpayers account for approximately \$861 million (20.75%) of the combined secured and State assessed valuation in the Project Area. Calpine and its affiliates account for approximately \$450 million (10.85%) of the combined secured and State assessed value in the Project Area. This figure does not include the LMEC Plant, which is on the unsecured roll. The total secured, unsecured and State assessed valuation of the Project Area is \$4,695,343,996, meaning that the Calpine power plants account for approximately \$829.5 million, or 17.67% of the total 2008-09 secured, unsecured and State assessed valuation in the Project Area.

Certification of Agency Indebtedness

A significant provision of the Redevelopment Law, Section 33675, was added by the Legislature in 1976, providing for the filing not later than the first day of October of each year with the county auditor of a statement of indebtedness certified by the chief fiscal officer of the agency for each redevelopment project which receives tax increment. The statement of indebtedness is required to contain the date on which the bonds were delivered, the principal amount, term, purpose and interest rate of the bonds and the outstanding balance and amount due on the bonds. Similar information must be given for each loan, advance or indebtedness that the agency has incurred or entered into to be payable from tax increment.

Section 33675 also provides that the county auditor is limited in payment of tax increment to the agency to the amounts shown on the agency's statement of indebtedness. Section 33675 further provides that the statement of indebtedness is prima facie evidence of the indebtedness of the agency, but that the county auditor may dispute the amount of indebtedness shown on the statement in certain cases. Provision is made for time limits under which the dispute can be made by the county auditor as well as provisions for determination by the Superior Court in a declaratory relief action of the proper disposition of the matter. The issue in any such action shall involve only the amount of the indebtedness and not the validity of any contract or debt instrument, or any expenditures pursuant thereto. An exception is made for payments to a public agency in connection with payments by such public agency pursuant to a bond issue which shall not be disputed in any action under Section 33675. All Outstanding Parity Obligations and the 2008 Series A Bonds should be entitled to the protection of that portion of the statute so that they cannot be disputed by the county auditor.

Tax Revenues

The following table shows historical receipts of tax increment revenues for the past five years.

**Table 5
HISTORICAL TAX INCREMENT REVENUES
Entire Project Area
Fiscal Years 2002-03 through 2007-08**

<u>Fiscal Year</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
Total Taxable Value	\$4,089,498,713	\$3,665,124,338	\$4,037,523,127	\$4,526,352,082	\$4,845,693,806
Base Year Value	<u>(1,091,264,961)</u>	<u>(286,930,926)</u>	<u>(287,051,614)</u>	<u>(286,508,902)</u>	<u>(277,937,469)</u>
Total Incremental Value	2,998,233,752	3,378,193,412	3,750,471,513	4,239,843,180	4,567,756,337
Total Levy Rate	1.0057%	1.0057%	1.0057%	1.0085%	1.0076%
Gross Revenues	30,153,237	33,974,491	37,718,492	42,758,818	46,024,713
Plus: Supplemental Revenues	4,225,748	932,735	2,773,539	3,987,410	1,824,929
Plus: Unitary Revenues	351,455	347,876	331,086	341,741	361,660
Less: County Admin Fees	<u>(312,216)</u>	<u>(369,308)</u>	<u>(371,484)</u>	<u>(322,751)</u>	<u>(463,864)</u>
Total Tax Increment	<u>\$34,418,224</u>	<u>\$34,885,793</u>	<u>\$40,451,633</u>	<u>\$46,765,218</u>	<u>\$47,780,978</u>

Source: Contra Costa County Assessor.

The table on the following page shows tax revenues projected through 2038, assuming no growth in assessed valuation. The assessed values and the resulting Tax Revenues reflect the last dates various sub-areas within the Project Area are permitted to receive tax increment. See "THE AGENCY — Plan Limits," above.

Table 6
Redevelopment Agency of the City of Pittsburg
Calculation of Tax Revenues
Assuming No Growth in Assessed Values

Fiscal Year	Total Assessed Value	Incremental Assessed Value	Gross Tax Increment Revenues (1)	Unitary Revenues (2)	Gross Tax Increment	Less: County Administration Fees	Total Revenues	Housing Set-Aside (3)	Tax Revenues
2009	\$4,695,343,996	\$4,417,406,527	\$44,509,788	\$361,660	\$44,871,449	\$448,714	\$44,422,734	\$3,081,654	\$41,341,080
2010	4,695,343,996	4,417,406,527	44,509,788	361,660	44,871,449	448,714	44,422,734	3,081,654	41,341,080
2011	4,695,343,996	4,417,406,527	44,509,788	361,660	44,871,449	448,714	44,422,734	3,081,654	41,341,080
2012	4,695,343,996	4,417,406,527	44,509,788	361,660	44,871,449	448,714	44,422,734	3,081,654	41,341,080
2013	4,695,343,996	4,417,406,527	44,509,788	361,660	44,871,449	448,714	44,422,734	3,081,654	41,341,080
2014	4,695,343,996	4,417,406,527	44,509,788	361,660	44,871,449	448,714	44,422,734	3,081,654	41,341,080
2015	4,695,343,996	4,417,406,527	44,509,788	361,660	44,871,449	448,714	44,422,734	3,081,654	41,341,080
2016	4,695,343,996	4,417,406,527	44,509,788	361,660	44,871,449	448,714	44,422,734	3,081,654	41,341,080
2017	4,695,343,996	4,417,406,527	44,509,788	361,660	44,871,449	448,714	44,422,734	3,081,654	41,341,080
2018	4,695,343,996	4,417,406,527	44,509,788	361,660	44,871,449	448,714	44,422,734	3,081,654	41,341,080
2019	4,695,343,996	4,417,406,527	44,509,788	361,660	44,871,449	448,714	44,422,734	3,081,654	41,341,080
2020	4,695,343,996	4,417,406,527	44,509,788	361,660	44,871,449	448,714	44,422,734	3,081,654	41,341,080
2021	4,695,343,996	4,417,406,527	44,509,788	361,660	44,871,449	448,714	44,422,734	3,081,654	41,341,080
2022	4,695,343,996	4,417,406,527	44,509,788	361,660	44,871,449	448,714	44,422,734	3,081,654	41,341,080
2023	4,654,681,168	4,383,732,703	44,170,491	356,610	44,527,101	445,271	44,081,830	3,081,654	41,000,176
2024	4,654,681,168	4,383,732,703	44,170,491	356,610	44,527,101	445,271	44,081,830	3,081,654	41,000,176
2025	4,654,681,168	4,383,732,703	44,170,491	356,610	44,527,101	445,271	44,081,830	3,081,654	41,000,176
2026	4,448,459,599	4,183,379,530	42,151,732	345,633	42,497,365	424,974	42,072,392	3,081,654	38,990,738
2027	4,448,459,599	4,183,379,530	42,151,732	345,633	42,497,365	424,974	42,072,392	3,081,654	38,990,738
2028	4,448,459,599	4,183,379,530	42,151,732	345,633	42,497,365	424,974	42,072,392	3,081,654	38,990,738
2029	4,448,459,599	4,183,379,530	42,151,732	345,633	42,497,365	424,974	42,072,392	3,081,654	38,990,738
2030	4,448,459,599	4,183,379,530	42,151,732	345,633	42,497,365	424,974	42,072,392	3,081,654	38,990,738
2031	4,448,459,599	4,183,379,530	42,151,732	345,633	42,497,365	424,974	42,072,392	3,081,654	38,990,738
2032	4,448,459,599	4,183,379,530	42,151,732	345,633	42,497,365	424,974	42,072,392	3,081,654	38,990,738
2033	1,576,036,469	1,523,069,793	15,346,451	61,817	15,408,268	154,083	15,254,185	3,081,654	12,172,532
2034	1,576,036,469	1,523,069,793	15,346,451	61,817	15,408,268	154,083	15,254,185	3,081,654	12,172,532
2035	1,576,036,469	1,523,069,793	15,346,451	61,817	15,408,268	154,083	15,254,185	3,081,654	12,172,532
2036	1,576,036,469	1,523,069,793	15,346,451	61,817	15,408,268	154,083	15,254,185	3,081,654	12,172,532
2037	1,166,455,753	1,119,260,792	11,277,672	9,893	11,287,564	112,876	11,174,689	2,257,513	8,917,176
2038	1,166,455,753	1,119,260,792	11,277,672	9,893	11,287,564	112,876	11,174,689	2,257,513	8,917,176

- (1) Gross tax increment revenues are based on a 1.0076% tax rate.
- (2) Unitary revenues are based on 2007-08 amounts held constant.
- (3) County administration fees are estimated at 1.00% of gross tax increment.
- (4) Represents 20% of Revenues from Los Medanos II and III.

Combined Debt Service and Estimated Coverage

Annual debt service on the Senior Bonds, the 2008 Series A Bonds and the Parity Bonds and the annual debt service coverage, based on current tax increment revenues are presented in the following table.

Table 7
Redevelopment Agency of the City of Pittsburg
Calculation of Debt Service Coverage (Assuming No Growth in Secured Assessed Values)

Fiscal Year	Tax Revenues (1)	Senior Bonds Debt Service	Subordinate Bonds				Combined Debt Service	Debt Service Coverage	
			2004 Series A Bonds Debt Service (2)	2004 Series B Bonds Debt Service	2006 Series B Bonds Debt Service	2006 Series C Bonds Debt Service (3)			2008 Series A Bonds Debt Service
2009	\$41,341,080	\$11,300,815	\$4,928,501	\$2,437,992	\$1,902,796	\$2,123,858	\$3,104,815	\$25,798,776	160.2%
2010	41,341,080	11,296,225	5,081,458	3,548,740	1,902,796	1,973,058	3,963,594	27,765,870	148.9
2011	41,341,080	11,293,625	5,081,458	3,555,842	3,182,796	2,123,058	3,963,594	29,200,372	141.6
2012	41,341,080	12,896,300	8,973,944	-	3,967,324	2,121,308	5,113,594	33,072,469	125.0
2013	41,341,080	12,897,485	8,948,453	-	5,193,375	2,120,108	3,913,281	33,072,701	125.0
2014	41,341,080	12,897,273	8,914,522	-	5,206,140	2,123,708	3,928,281	33,069,923	125.0
2015	41,341,080	12,894,508	8,894,543	-	5,204,187	2,122,758	3,952,569	33,068,563	125.0
2016	41,341,080	12,893,028	8,874,815	-	5,207,771	2,119,883	3,975,569	33,071,065	125.0
2017	41,341,080	12,895,478	8,843,689	-	5,211,125	2,121,783	3,997,156	33,069,229	125.0
2018	41,341,080	12,897,278	8,817,572	-	5,214,487	2,119,895	4,022,206	33,071,438	125.0
2019	41,341,080	12,897,050	8,798,907	-	5,206,116	2,122,583	4,045,306	33,069,962	125.0
2020	41,341,080	12,896,300	8,718,790	-	5,266,011	2,119,588	4,071,306	33,071,995	125.0
2021	41,341,080	12,896,050	8,404,295	-	-	2,121,188	9,649,975	33,071,508	125.0
2022	41,341,080	12,895,550	8,385,133	-	-	2,122,388	9,669,600	33,072,671	125.0
2023	41,000,176	12,032,113	9,207,707	-	-	2,123,188	9,433,550	32,796,557	125.0
2024	41,000,176	12,032,400	7,457,298	-	-	2,123,348	11,186,775	32,799,821	125.0
2025	41,000,176	12,032,463	7,424,990	-	-	2,123,035	11,219,275	32,799,762	125.0
2026	38,990,738	12,031,825	7,403,339	-	-	2,122,115	9,633,750	31,191,029	125.0
2027	38,990,738	12,030,013	7,373,283	-	-	2,120,775	9,667,900	31,191,970	125.0
2028	38,990,738	12,030,788	7,335,645	-	-	2,123,625	7,465,650	28,955,707	134.7
2029	38,990,738	12,030,863	7,302,896	-	-	2,120,825	1,075,000	22,529,584	173.1
2030	38,990,738	9,145,000	10,151,937	-	-	2,122,588	-	21,419,524	182.0
2031	38,990,738	-	4,865,803	-	-	11,448,700	-	16,314,503	239.0
2032	38,990,738	-	4,846,504	-	-	11,449,613	-	16,296,116	239.3
2033	12,172,532	-	4,826,222	-	-	11,447,300	-	16,273,522	252.2
2034	12,172,532	-	4,799,356	-	-	11,451,125	-	16,250,481	253.6
2035	12,172,532	-	2,655,578	-	-	-	-	2,655,578	458.4
2036	12,172,532	-	3,303	-	-	-	-	3,303	368502.8
2037	8,917,176	-	-	-	-	-	-	-	-
2038	8,917,176	-	-	-	-	-	-	-	-

- (1) Tax Revenues assume no growth in assessed values from FY 2008-09. Tax Revenues decrease as time limits are reached for sub-areas within the Project Area.
- (2) The 2004A Bonds were issued as variable rate bonds and were hedged with a LIBOR based interest rate swap. The final swap rate was 3.549%. Included in these cash flows are letter of credit fees equal to 75 basis points.
- (3) Debt service on the 2006C Bonds from 2033-2034 is excluded from the debt service calculation, since after 2032, debt service can be paid from tax revenues derived from Los Medanos I. See "THE LOS MEDANOS COMMUNITY DEVELOPMENT PROJECT — Plan Limits" herein.

THE AUTHORITY

The City of Pittsburg Public Financing Authority was created by a Joint Exercise of Powers Agreement, dated as of January 1, 1991 between the City and the Agency. The agreement was entered into pursuant to the provisions of Articles 1, 2 and 4, Chapter 5, Division 7, Title 1 of the California Government Code. The Authority was created for the purpose of assisting the financing or refinancing of certain redevelopment activities within the Agency's project areas. 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 2008 Series A Bonds are being issued for sale to the Authority and will be simultaneously resold by the Authority to the Underwriter.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Agency ("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 2008 Series A 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 2008 Series A 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. A complete copy of the proposed form of opinion of Bond Counsel with regard to the 2008 Series A Bonds is set forth in Appendix D hereto.

To the extent the issue price of the Current Interest Bonds or Capital Appreciation Bonds of any given maturity date is less than the amount to be paid at maturity of such 2008 Series A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2008 Series A Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2008 Series A Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 2008 Series A Bonds is the first price at which a substantial amount of such maturity of the 2008 Series A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2008 Series A Bonds accrues daily over the term to maturity of such 2008 Series A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale or payment on maturity) of such 2008 Series A Bonds. Beneficial Owners of the 2008 Series A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2008 Series A Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2008 Series A Bonds in the original offering to the public at the first price at which a substantial amount of such 2008 Series A Bonds is sold to the public

2008 Series A 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 2008 Series A 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 2008 Series A Bonds. The Agency has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2008 Series A 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 2008 Series A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2008 Series A 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 2008 Series A Bonds may adversely affect the value of, or the tax status of interest on, the 2008 Series A Bonds.

Although Bond Counsel is of the opinion that interest on the 2008 Series A 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 2008 Series A 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 of the 2008 Series A Bonds 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 2008 Series A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals or clarification of the Code or court decisions may also affect the market price for, or marketability of, the 2008 Series A Bonds. Prospective purchasers of the 2008 Series A 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 2008 Series A 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 2008 Series A 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 2008 Series A 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 2008 Series A Bonds, and may cause the Agency or the Beneficial Owners to incur significant expense.

CONTINUING DISCLOSURE

The Agency has covenanted for the benefit of holders and beneficial owners of the 2006 Bonds to provide certain financial information and operating data relating to the Agency by not later than March 1 of each year, commencing March 1, 2009 with the Annual Report for the Fiscal Year ending June 30, 2008 (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 with each Nationally Recognized Municipal Securities Information Repository, and with the appropriate State information depository, if any. The notices of material events will be filed by the Agency with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any). The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX E — Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The Agency has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

CERTAIN LEGAL MATTERS

Upon the delivery of the 2008 Series A Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel, will issue its opinion approving the validity of the 2008 Series A Bonds, the proposed form of which opinion is set forth in Appendix D hereto. Orrick, Herrington & Sutcliffe LLP, expresses no opinion regarding the accuracy, completeness or fairness of information contained in this Official Statement. Certain legal matters will be passed upon by Jones Hall, A Professional Law Corporation, San Francisco, California, Disclosure Counsel. The fees payable to Bond Counsel and Disclosure Counsel are contingent upon the issuance and delivery of the 2008 Series A Bonds.

FINANCIAL ADVISOR

The Agency has retained Public Financial Management, Inc., of San Francisco, California, as financial advisor (the "Financial Advisor") in connection with the issuance of the 2008 Series A Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Public Financial Management, Inc., is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The fees payable to the Financial Advisor are contingent upon the issuance and delivery of the 2008 Series A Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the 2008 Series A Bonds, The Arbitrage Group, Tuscaloosa, Alabama, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the Agency, relating to the sufficiency of the anticipated receipts from the cash and Federal Securities deposited in the Escrow Fund to redeem and defease the Series 2003A Bonds.

The Verification Agent has restricted its procedures to verification of the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

ABSENCE OF LITIGATION

To the best knowledge of the Agency, there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the Agency to restrain or enjoin the authorization, execution or delivery of the 2008 Series A Bonds, or the pledge of the Subordinate Pledged Tax Revenues or the collection of the payments to be made pursuant to the Indenture, or in any way contesting or affecting validity of the 2008 Series A Bonds, the Indenture or the agreement for the sale of the 2008 Series A Bonds.

RATINGS

Standard & Poor's Credit Market Services, a Division of the McGraw-Hill Companies ("S&P"), and Fitch, Inc. ("Fitch") have assigned their municipal bond ratings of "A-" and "A-", respectively, to the 2008 Series A Bonds.

These ratings reflect only the views of the rating agencies, and do not constitute a recommendation to buy, sell or hold securities. Explanations of the significance of the ratings may be obtained from the rating agencies. The ratings are subject to revision or withdrawal at any time by the rating agencies, and there is not assurance that the ratings will continue for any period of time or that they will not be revised or withdrawn. Any revision or withdrawal of the ratings could have an adverse effect on the market price of the 2008 Series A Bonds.

UNDERWRITING

The 2008 Series A Bonds are being purchased by the Authority and concurrently resold to E. J. De La Rosa & Co., Inc., on behalf of itself and Piper Jaffray & Co. (collectively, the "Underwriter"). The Underwriter has agreed to purchase the 2008 Series A Bonds, subject to certain conditions, at a price equal to \$59,955,823.37 (representing the principal amount of the 2008 Series A Bonds (\$61,660,856.25), less an original issue discount of \$1,458,389.45, and less an Underwriter's discount of \$246,643.43). The Underwriter is committed to purchase all of the 2008 Series A Bonds if any are purchased.

The 2008 Series A Bonds are offered for sale at the initial prices stated on the inside cover page of this Official Statement, which may be changed from time to time by the Underwriter. The 2008 Series A Bonds may be offered and sold to certain dealers at prices lower than the public offering prices.

APPENDIX A

**AGENCY AUDITED FINANCIAL STATEMENTS FOR
THE FISCAL YEAR ENDED JUNE 30, 2007**

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Redevelopment Agency of the City of Pittsburg

Pittsburg, California

*Basic Financial Statements
and Independent Auditors' Reports*

For the year ended June 30, 2007

C&L
Caporicci & Larson
Certified Public Accountants

Redevelopment Agency of the City of Pittsburgh
Basic Component Unit Financial Statements
For the Year Ended June 30, 2007

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Redevelopment Agency of the City of Pittsburgh
Basic Component Unit Financial Statements
For the Year Ended June 30, 2007

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Redevelopment Agency of the City of Pittsburgh
Basic Component Unit Financial Statements
For the Year Ended June 30, 2007

Agency Board and Other Officials

<u>AGENCY BOARD</u>	<u>Term Expires</u>
Ben Johnson, Chairperson	December, 2008
Will Casey, Vice Chair	December, 2008
Salvatore N. Evola, Agency Member	December, 2010
Michael B. Kee, Agency Member	December, 2010
Nancy L. Parent, Agency Member	December, 2010

<u>OTHER OFFICIALS</u>	<u>Position</u>
Marc S. Grisham	Executive Director
Randy Starbuck	Director of Redevelopment Agency
Marie Simons	Director of Finance
Alice E. Evenson	Agency Secretary

INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors
of the City of Pittsburg
Pittsburg, California

We have audited the accompanying basic financial statements of the government activities and each major fund of the Redevelopment Agency of the City of Pittsburg (Agency), a component unit of the City of Pittsburg, California (City), as of and for the year ended June 30, 2007, as listed in the table of contents. These 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 and the standards applicable to 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Agency as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2008, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis and budgetary comparison information as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accepted accounting principles of the United States. We have applied certain limited procedures, which consist 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.

To the Members of the Board of Directors
of the Pittsburg Redevelopment Agency
Pittsburg, California
Page 2

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying Supplementary Information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Capricci & Carson

Oakland, California
January 24, 2008

CITY OF PITTSBURG
REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The discussion and analysis of the Redevelopment Agency's (Agency) financial performance provides an overall review of the Agency's financial activities for the fiscal year ended June 30, 2007 (Fiscal Year 2006-2007). The intent of this discussion and analysis is to look at the Agency's financial performance as a whole. This document has been prepared as required by Statement No. 34 of Governmental Accounting Standards Board (GASB 34).

As a component unit of the City of Pittsburgh, the Agency's purpose is to eliminate blight in its project areas, all of which are in the City, while ensuring an adequate stock of low and moderate income housing. The Agency has the power to condemn properties for this purpose and to issue debt payable out of the incremental property taxes expected to be realized as a result of its redevelopment activities. The Agency may enter into development agreements with developers and others to further its purposes.

The financial section of this report has been prepared to show the results of the financial administration, financial condition and operation of the Agency. The combined financial statements in this report have been audited by the firm of Caporicci & Larson, an independent audit firm, whose opinion is included in this report.

BASIS OF ACCOUNTING

The Agency maintains funds in accordance with generally accepted accounting principles set forth by the GASB and other governing entities. The Agency's basic 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 and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents 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.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenue 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.

FINANCIAL DISCUSSION

I. Overview of the Financial Statements

The Agency's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

FINANCIAL DISCUSSION, Continued

I. Overview of the Financial Statements, Continued

Government-Wide Financial Statements. The Government-wide Financial Statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. The Agency, while a separate legal entity, acts as a financial conduit for the City and as such does not hold title to the assets it helps construct. Therefore, net assets are not any indication of the Agency's financial health.

The Statement of Activities and Changes in Net Assets presents information reflecting how the Agency's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements. The Agency's funds fall into four categories: Special Revenue, Capital Projects, Debt Service, and Low/Moderate Housing Set-aside.

- *Special Revenue Fund* accounts for the entire Agency's redevelopment programs and administration activities as well as pass-thru obligation to other taxing agencies.

- *Capital Projects Fund* accounts for the funds used to carry out the operations for capital improvement projects within the Redevelopment Area, using tax increment property taxes to pay for the project costs.

- *Debt Service Fund* is used to account for the payment of principal, interest and related costs of the Agency's long-term debt.

- *Low/Moderate Housing Set-aside Fund I* is used to account for the allocation of the costs of low/moderate income housing programs qualified for the Housing Set Aside efforts owed to the Agency.

- *Low/Moderate Housing Set-aside Fund II* is used to account for the 20% of the tax increments that is required by State Law to be used for low and moderate-income housing purposes.

Notes to the Basic 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.

In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information concerning the Agency's progress in funding its obligation, with a budgetary comparison statement to demonstrate compliance with the annual appropriated budget for all Agency funds.

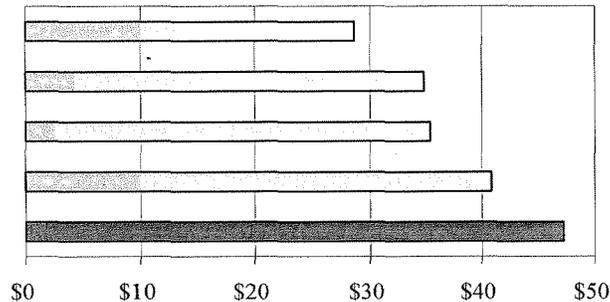
FINANCIAL DISCUSSION, Continued

II. *Financial Highlights*

For the fiscal year ended June 30, 2007, the Agency reported an operating deficit of revenue under expenditures of (\$31.61) million. Other financing sources activities included (\$7.85) million of net transfers and \$127.73 million of other financing sources totaled \$119.88 million. The total fund balance as of June 30, 2007 is \$253.66 million, up from \$165.39 million in the previous fiscal year. Of the \$253.66 million total fund balance, \$151.33 million is designated for redevelopment projects; \$0.61 million is reserved for various rehabilitation loans (non-current portions); and \$49.45 million for debt repayments. The remaining \$52.31 million of fund balance includes \$0.18 million of Escrow payable and an \$8.10 million advance for the Low/Moderate Income Housing Fund I (undesignated at the end of the Fiscal Year June 30, 2007 and intended to subsidize future capital projects as well as low and moderate-income housing programs). Undesignations represent management's intended use of resources and reflect actual plans approved by the Agency Board for Fiscal Year 2007-2008.

Tax increment revenue increased by 15.3% in Fiscal Year 2006-2007, to \$47.1 million from \$40.8 million in Fiscal Year 2005-2006. This increase is attributable to the 12.5% increase in assessed property valuations in the redevelopment areas (from \$4.0 billion in Fiscal Year 2005-2006 to \$4.5 billion in Fiscal Year 2006-2007).

<u>Fiscal Year</u>	<u>Tax Increment</u>
2002-2003	\$28,663,760
2003-2004	34,730,440
2004-2005	35,255,101
2005-2006	40,823,118
2006-2007	47,087,969



20% of tax increment revenue in the Los Medanos II & III areas set aside for the Low and Moderate Housing Fund for affordable housing projects was \$3.20 million in Fiscal Year 2006-2007 compared to \$2.78 million in Fiscal Year 2005-2006.

Total operating revenue for Fiscal Year 2006-2007 was \$57.4 million, of which 82% was tax increment revenue and 18% was interest and other incomes. Total operating expenditures for Fiscal Year 2006-2007 was \$89.1 million including \$9.5 million for community development projects and loans; \$42.7 million for capitalized street projects; and \$25.6 million for payments of long-term debt, principal, interest, bond issuance and fiscal charges. The remaining \$11.3 million including \$7.2 million for tax increments passed through to other taxing entities in Contra Costa went to the costs of general governmental administration services (a decrease of \$1.4 million in comparison to the \$12.7 million in costs for general non-departmental and governmental expenditures for the prior Fiscal Year 2005-2006). Beginning with Fiscal Year 2006-2007 general non-departmental expenditures were combined into general governmental expenditures.

By far the largest portion of the Agency's net assets reflect amounts designated for capital projects (e.g., land, buildings, machinery and equipment) and are reported in the Government-Wide Financial Statements. Unlike most other type of governmental bodies that provide day-to-day services, the main purpose of the Agency is to provide capital funds for the development of a certain geographical area of the City.

FINANCIAL DISCUSSION, Continued

II. Financial Highlights, Continued

Net Assets (in Millions)

	Fiscal Year Ended		Variance
	2007	2006	
Assets			
Current Assets	\$ 264.02	\$ 172.50	53.06%
Non-Current Assets	92.00	60.59	51.84%
Total Assets:	<u>356.02</u>	<u>233.09</u>	<u>52.74%</u>
Liabilities			
Current Liabilities	24.90	17.79	39.97%
Non-Current Liabilities	467.00	348.99	33.81%
Total Liabilities	<u>491.90</u>	<u>366.78</u>	<u>34.11%</u>
Net Assets			
Restricted	42.80	156.54	-72.66%
Unrestricted	(178.68)	(290.23)	-38.44%
Adjustment (See Note 10)		(4.41)	
Total Net Assets, as restated	<u>\$ (135.88)</u>	<u>\$ (138.10)</u>	<u>-1.61%</u>

The Agency's net assets increased by \$2.22 million during the Fiscal Year 2006-2007 to (\$135.88) million from (\$138.10) million in Fiscal Year 2005-2006. The Agency restated the beginning net asset amount by \$4.4 million from (\$133.7) to (\$138.1) since the transfer of capital assets were not recorded at cost. The detail is disclosed on page 52 in the Notes to the Basic Financial Statements. The increase was due to several factors that relate to operation and financing activities during the fiscal year. The Restricted Net Asset of \$42.80 million represents restricted assets that were restricted by external creditors, grantors, contributors, laws or regulations of other government agencies.

The Agency's current assets increased 53.06% as the Agency issued 2006 Series A, B, and C Subordinate Tax Allocation and Refunding Bonds and 2006 Series A Housing Set Aside Tax Allocation Bonds to benefit various Los Medanos Redevelopment Project activities and to refund 1993B Bonds. The activities in several redevelopment projects increased the non-current assets to \$92.0 million compared to \$60.6 million in Fiscal Year 2005-2006. As of June 30, 2007 the Agency's net capital assets were \$61.4 million. There are times when the Agency acts as a financial conduit for the City of Pittsburg and as a result its investments in capital assets are recorded as City assets rather than Agency assets; capital assets consist primarily of \$35.3 million in land and \$25.6 million in construction to be used for redevelopment projects. The detail is disclosed on page 40 in the Notes to the Basic Financial Statements.

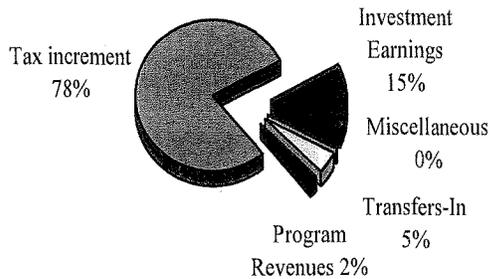
Financing activities subsequently increased current and non-current liabilities by a net amount of \$125.1 million or 34.11% from the prior fiscal year. Additional information about the Agency's long-term obligations can be found on pages 41 to 51 in the Notes to the Basic Financial Statements.

FINANCIAL DISCUSSION, Continued

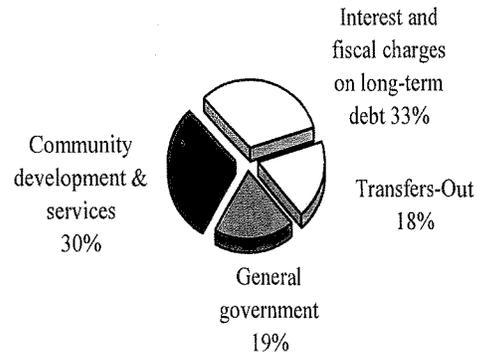
II. Financial Highlights, Continued

Activities and Changes in Net Assets (in Millions)

Revenues by Source



Expenses by Activities



	Fiscal Year Ended		Variance
	2007	2006	
Revenues			
General Revenues, Transfers and Contributions:			
Tax Increment	\$ 47.09	\$ 40.82	15.36%
Investment Earnings	8.98	5.01	79.24%
Miscellaneous	0.28	1.26	-77.78%
Transfers-In	2.88	1.95	47.69%
Program Revenues	0.92	0.42	119.05%
Total Revenues	60.15	49.46	21.61%
Expenses			
General Government	11.29	2.91	287.97%
General nondepartmental	NA	9.07	NA
Community Development & Services	17.14	14.34	19.53%
Interest and Fiscal Charges on Long-Term Debt	18.77	14.34	30.89%
Transfers-Out	10.73	4.73	126.85%
Total Expenses	57.93	45.39	27.63%
Change in Net Assets	2.22	4.07	-45.45%
Net Assets (Deficit) - Beginning, as restated	(138.10)	(137.76)	0.25%
Adjustment (See Note 10)		(4.41)	NA
Net Assets (Deficit) - Ending	\$ (135.88)	\$ (138.10)	-1.61%

An increase in Net Assets resulted from a combination of an increase in total revenues of \$10.69 million (from \$49.46 million in Fiscal Year 2005-2006 to \$60.15 million in Fiscal Year 2006-2007) and an increase of \$12.54 million in total expenses (from \$45.39 million in Fiscal Year 2005-2006 to \$57.93 million in Fiscal Year 2006-2007). The increase in total revenues is primarily due to the increase in Tax Increment as a result of high assessed values within the redevelopment project area and additional investment earnings from the proceeds of the new bonds. The increase in total expenses is primarily due to capital projects that are described in the following section and financing activities during the Fiscal Year 2006-2007.

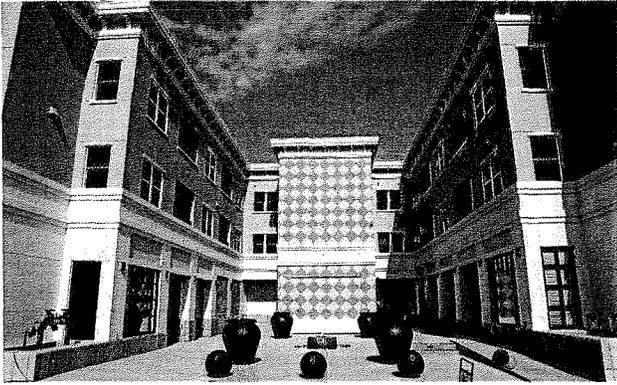
FINANCIAL DISCUSSION, Continued

II. Financial Highlights, Continued

For the Fiscal Year 2006-2007, the Redevelopment Agency's low and moderate income housing funds supported the following affordable housing programs and policy:

- \$50,000 was allocated to Pacific Community Services Inc. (PCSI) to provide on-going housing counseling services to Pittsburg residents. The housing counseling services range from tenant training to home ownership training, low interest mortgage, and down payment and rent payment assistance.
- The Agency provided the direct housing subsidy of \$4 million for 30 restricted low and moderate income residential units for the development of Vidrio, and \$150,000 for 12 units for the Vista Del Mar Development.

- On November 21, 2005, the Agency entered into a Disposition and Development and Loan Agreement with Domus Development LLC, a developer specializing in affordable housing development, for the construction and management of the Gateway Project. Located at the northeast corner of the 10th St. and Railroad Avenue intersection, this new development will result in a three-story structure consisting of 8,000 square feet of ground floor commercial and 28 apartment units on the second and third floors. The City of Pittsburg Community Access Department will occupy 4,000 square feet of the ground floor commercial, leaving the remaining space for rent to private commercial business. Thirteen of the apartments will be held for rent to persons of low to very low income with remaining apartments will be available



as market rate units (moderate income). Domus is providing low income housing tax credits to finance construction of the project, along with an \$6 million loan from the Agency's 20% Housing Set Aside. Construction of the Gateway Project began on May 2, 2006 and was completed in late October 2007. A ribbon cutting celebration was held on November 29, 2007 and 80% of the apartments are now occupied. The City of Pittsburg, Community Access Department, has relocated to the first floor of the Gateway Project building. During the 2006-2007 Fiscal Year, the Redevelopment Agency's low and moderate income housing funds of \$3,285,758 was expended from the allocated \$6 million toward the Gateway Project.

- On November 6, 2006, the Agency entered into an Owner Participation, Acquisition Loan, and Rehabilitation Grant Agreement with Palm Plaza Development, Inc. for the acquisition and rehabilitation of an existing single family dwelling unit and three buildings of multi-family dwelling units located at 415 through 433 West 10th Street, and within the redevelopment project area boundaries. The Agency expended \$374,650 from allocated grant of \$504,985 for the rehabilitation of the units and loaned \$940,000 to assist in the acquisition of the property. After substantial rehabilitation, all ten multi-family units will be restricted at affordable housing prices; two at very low, two at low, and six at moderate income levels.
- On April 2, 2007, the Agency entered into an Owner Participation and Acquisition Loan Agreement with Palm Plaza Group, LLC. for the acquisition and rehabilitation of two four-plexes of two bedroom apartments for a total of eight units located at 424-426 West 10th Street and within the redevelopment project area boundaries. The Agency loaned \$728,000 to assist in the acquisition of the property. After substantial improvements, three units will be rented to very low income households and five units will be rented to moderate income households at affordable housing costs.

FINANCIAL DISCUSSION, Continued

II. Financial Highlights, Continued

- The Agency expended \$377,011 from allocated amount of \$541,000 to Pacific Community Services for prior construction of 104 units called the Presidio Village Senior Housing.

The Redevelopment Agency General Funds supported the following projects and programs during the Fiscal Year 2006-2007:

- The Agency expended \$11,532,337 during the Fiscal Year 2006-2007 that included \$4 million for the low and moderate income housing development portion from Vidrio Project (a \$100 million mixed use development).



Construction on Phase I began in August, 2006. Upon completion, Vidrio will consist of 195 owner occupied residences and 40,000 square feet of ground floor commercial space. Of the 195 residential units, 30 will be restricted for sale to persons at affordable income levels. The Vidrio Project covers three adjacent city blocks in Old Town Pittsburg. The developer for the Vidrio Project is A. F. Evans.

- The Agency expended \$4,945,994 for West 10th Street Commercial Development, a mixed use redevelopment project that will encompass the first five parcels on the south side of West 10th Street. Acquisition of the properties, demolition of existing improvements and construction of new improvements will eliminate blight and improve the appearance of the area around the entrance to the Heritage Pointe Subdivision. The developer for this project is West 10th Street Associates LLC.
- The Agency expended \$3,050,170 for a Citywide Pavement Rehabilitation Project that primarily consists of the rehabilitation of various roadways, installation of speed humps and improvements to alleyways throughout the City of Pittsburg.
- The Agency expended \$1,435,498 from an allocated grant of \$1,720,079 for the installation of public infrastructure improvements to support the Empire Business Park I & II projects that include significant offsite improvements along 701 Willow Pass Road of substantial benefit to the community. Of even greater interest to the City are the economic development benefits to be gained from the development of the Empire Business Park II Project in creating a high quality business park, eliminating blight and stimulating sound economic development in Pittsburg. This Project has the potential to provide attractive employment centers to assist the City in attracting other businesses and providing employment opportunities to the project area residents and the surrounding community.
- The Agency expended \$3,624,773 from an allocated \$15,460,005 for the Downtown 8th to 12th Infrastructure Project that consists of four phase construction plans:
 - Phase I - Water, Sewer and Storm Drain Improvements
 - Phase II - Montezuma Pump Station
 - Phase III - Undergrounding of Overhead Utilities
 - Phase IV - Street Sidewalk Curb and Gutter Improvements

FINANCIAL DISCUSSION, Continued

II. Financial Highlights, Continued

The first phase of the project consists mainly of supplying and installing all products and materials for the construction of water, sewer and storm drain improvements located in several blocks of residential infrastructure in the Old Town area. JMB Construction, Inc. was awarded as the low bidder for the construction of Phase I.

- The Agency expended \$1,124,203 for the East Leland Road Pavement Reconstruction Project to provide utility and circulation infrastructure improvements throughout the Los Medanos Project area.
- The Agency expended \$1,164,675 for the West Leland Extension Project to provide a new route of travel for project area residents.
- The Agency transferred \$5 million to the City of Pittsburg which will in turn fund a portion of the installation and construction costs for recreational facilities at the Marina Elementary School to provide area residents with additional recreational facilities and to enhance the residential community in the Old Town Pittsburg area.
- The Agency expended \$2,527,650 for the Marina Promenade Improvements Project that consists of the construction of a waterfront promenade with lighting, landscaping and two parking lots adjacent to the future Bed & Breakfast and Harbormaster buildings. Bay Cities Paving & Grading, Inc. was the apparent low bidder.
- The Agency expended \$704,162 for California Theatre Renovation Project that consists of three phases of removing contamination and cleaning up the area:
 - Phase I - Accessing the California Theatre to evaluate the condition
 - Phase II - Demolition, abatement, and removal of the contamination
 - Phase III - Remediation and clean up

Acquisition is an important activity that the Agency exercises in order to assist in the redevelopment of a particular site or to assemble various parcels to redevelop a larger site. In Fiscal Year 2006-2007 the Agency spent \$11.0 million in land acquisitions which included the following:

- For development of new offices, market rate and affordable units, specialty stores, and a restaurant, and for redevelopment of the older downtown area:
 - 2-4 Fifth Street
 - 500- 520 Railroad Avenue
 - 190 E. 3rd Street
- To address blight and enhance the quality of residential life at:
 - 460 West 10th Street

FINANCIAL DISCUSSION, Continued

II. Financial Highlights, Continued

- The following are various acquisitions for redevelopment purposes (by improving or replacing significantly blighted properties) by providing the community with improvements that will encourage business development through the retention of existing businesses and attraction of new businesses, thereby providing additional employment opportunities:
 - 2027, 2043 & 3745 Railroad Avenue
 - 505, 511-515, 554, 557 & 559 West 10th Street

III. Economic Factors and Next Year's Budgets

The Agency's tax increment has increased approximately 15.3%, from \$40.8 million in Fiscal Year 2005-2006 to \$47.1 million in Fiscal Year 2006-2007. The Agency's funding capacity has enabled traditional redevelopment programs and projects to be established as well as provide assistance with public improvements in the Project Area through the Capital Improvement Project (CIP) Program. The following programs and projects have been identified for Fiscal Year 2007-2008:

Redevelopment Agency Low and Moderate Income Housing Funds

- \$532,000 will be allocated to the First Time Homebuyer Program ("FTHP") in addition to \$456,642 already allocated to meet the anticipated demand for qualifying individuals for the FTHP.
- The Agency also increased participation in the previously approved development of Mercy Housing California for the development of a 64-unit dwelling and child care center by providing a loan in the amount of \$3.9 million (including \$1,705,600 of Inclusionary Housing In-Lieu fees from various developers). The loan amount is the addition to a previous amount of \$2,825,289 for Agency's low and moderate income housing support for land and construction subsidy as of the Fiscal Year 2006-2007. The Agency disbursed \$871,537 as of June 30, 2007.
- On April 16, 2007, the Agency entered into a Disposition and Development Loan Agreement with Resources for Community Development for the development of 71 rental dwellings and an approximately 3,400 square foot community center to serve the City of Pittsburg residents on a vacant land located to the south of Frontage Road between Crestview Drive and Marsh Street. Thirty five units will be restricted to extremely low, very low and low income households while the other thirty six units will be restricted to moderate income households. The Agency has spent \$1,123,785 (the property acquisition of \$1,069,081 occurred during the Fiscal Year 2005-2006) from the allocated amount of \$7,202,784 toward this affordable housing construction.

Redevelopment Agency General Funds

- For the development of Vidrio Project Phase I & II, the Agency allocated an additional \$16,643,477 bringing the total financial commitment through the end of the Fiscal Year 2007-2008 to over \$39 million for this comprehensive mixed use public and private development partnership project.
- \$900,000 has been allocated for revitalization of a single parcel located at 1301 Standard Oil Avenue to carry out the terms on a Disposition and Development Agreement with Antioch Building Materials.

FINANCIAL DISCUSSION, Continued

III. Economic Factors and Next Year's Budgets, Continued

- \$1.5 million and \$785,000 has been allocated for Davi Avenue and Bailey Road widening, and the Streetscape Improvements Project, respectively, to divert and improve the traffic flow for project area residents.
- \$1,270,000 has been allocated for the George Lowy Commercial Building in addition to \$2,500,000 to construct a three story public building located along the Marina Promenade, which will provide a public facility on the first floor, the Harbor Master's Office on a portion of the second floor, and two or three restaurants and offices on the second and third floors.
- \$4 million has been allocated for the Mecca Block Parking Podium to improve quality and mix uses, and encourage business growth, development and investment in the business community of Old Town Pittsburg.
- \$15.1 million has been allocated for the Civic Center Mid-Rise Project that will provide approximately 125,000 square feet of six-story office space and Library to project residents.
- \$1.3 million has been allocated for the Enean Land acquisition to purchase property located at 901 Los Medanos Street for the purpose of future redevelopment.
- An additional \$1 million has been allocated for replacement of infrastructure in Old Town Pittsburg neighborhoods including new water, sewer and other utilities.
- \$1 million has been allocated for mobile homes and the Mirant Annexation & Plan Adoption Project to create a redevelopment plan for the annexation of 1,000 acres north of West 10th Street between Beacon Street and Bay Point.
- \$2,055,000 has been allocated for the Block 073 Unified Development Area Project such that the Port of Pittsburg may provide a deep water port on New York Slough.
- The Agency is planning a Micro Loan Program that is designed to assist properties in the Pittsburg Redevelopment Project Area by providing flexible low cost loans to start-up and expand businesses (for the renovation or rehabilitation of commercial property, installation of tenant improvements and the purchase of fixed machinery and equipment for the purpose of light manufacturing).
- The Adopted Implementation Plan for the Los Medanos Project Area 2004-2009 provides for the acquisition and public improvements of the following buildings:
 - Vidrio Mixed Use Project Phase I & II
 - Civic Center Mid-Rise construction
 - City Park Sports Complex construction
 - County Courthouse construction
 - Crestview and Mercy Affordable Housing construction
 - Enean Theater and West Tenth Street rehabilitation
 - First Baptist Church Affordable Housing and Mixed Use Building construction
 - Marina Elementary School construction
 - Relocation of the Pittsburg Unified School District Administrative offices
 - Relocation of the Pittsburg Branch Library
 - Seventh Day Adventist Senior Housing construction
 - Vista Del Mar Affordable Housing Loan program

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the Redevelopment Agency finances and to provide accountability for funding received by the Redevelopment Agency of the City of Pittsburg. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Pittsburg, Finance Department, 65 Civic Avenue, CA 94565-3814.

Note: Photos courtesy of Kerry Lyman (Redevelopment Agency of the City of Pittsburg)

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BASIC COMPONENT UNIT FINANCIAL STATEMENTS

Redevelopment Agency of the City of Pittsburgh
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
ASSETS	
Pooled cash and investments	\$ 65,716,995
Restricted cash and investments with fiscal agents	195,343,768
Accounts receivable	634,054
Interest receivable	1,768,574
Prepaid items and other assets	578,425
Deferred charges	5,885,888
Loans receivable	24,738,560
Capital assets:	
Non-depreciable	61,094,483
Depreciable, net	258,466
Total capital assets	<u>61,352,949</u>
Total assets	<u>356,019,213</u>
LIABILITIES	
Accounts payable	9,797,441
Salaries payable	95,636
Refundable deposits	170,000
Due to other Agency	569,927
Interest payable	6,960,263
Long-term debt - due within one year (Note 7)	7,842,665
Long-term debt - due in more than one year (Note 7)	466,461,967
Total liabilities	<u>491,897,899</u>
NET ASSETS	
Restricted for:	
Debt service	30,959,626
Special projects	11,840,262
Total Restricted Net Assets	<u>42,799,888</u>
Unrestricted	<u>(178,678,574)</u>
Total Net Assets (Deficit)	<u>\$ (135,878,686)</u>

See accompanying Notes to Basic Financial Statements.

Redevelopment Agency of the City of Pittsburg
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Capital Grants and Contributions	Total	
Primary government:					
Governmental activities:					
General government	\$ 11,286,571	\$ -	\$ -	\$ -	\$ (11,286,571)
Community development and services	17,137,976	124,712	794,252	918,964	(16,219,012)
Interest and fiscal charges on long-term debt (unallocated)	18,765,780	-	-	-	(18,765,780)
Total governmental activities	\$ 47,190,327	\$ 124,712	\$ 794,252	\$ 918,964	(46,271,363)
General Revenues and transfers to/from City:					
Incremental property taxes					47,087,969
Investment earnings					8,982,156
Miscellaneous					453,699
Capital transfers to the City					(180,391)
Transfers to the City (Note 4C)					(10,729,095)
Transfers from the City (Note 4C)					2,879,232
Total general revenues and transfers to/from City					48,493,570
Change in net assets					2,222,207
Net assets - beginning of year, as restated (Note 10)					(138,100,893)
Net assets - end of year					\$ (135,878,686)

See accompanying Notes to Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

Redevelopment Agency Special Revenue Fund accounts for the tax increment revenue received and expenditures to carry out general operation within project areas.

Low-Moderate Income Housing I Special Revenue Fund accounts for the allocation of the costs of low/moderate income housing programs qualified for the Housing Set-Aside efforts owed to the Agency.

Low-Moderate Income Housing II Special Revenue Fund accounts for the receipts of the mandated 20% set-aside of tax increment revenue in the Los Medanos II and III Areas and expenses related to the low/moderate income housing programs.

Redevelopment Agency Debt Service Fund accounts for the accumulation of resources for payment of principal, interest and related costs of the Agency's long-term debt.

Redevelopment Agency Capital Projects Fund accounts for the funds used to carry out all the operations for capital improvement projects within the Redevelopment Areas, using the tax increments to pay for the project costs.

Redevelopment Agency of the City of Pittsburg
Balance Sheet
Governmental Funds
June 30, 2007

	Major Funds					Total Governmental Funds
	RDA Special Revenue	Low/Moderate Income Housing I	Low/Moderate Income Housing II	RDA Debt Service	RDA Capital Projects	
ASSETS						
Pooled cash and investments (Note 2)	\$ 55,823,742	\$ -	\$ 3,122,555	\$ 4,502,536	\$ 2,268,162	\$ 65,716,995
Restricted cash and investments (Note 2)	-	-	-	195,343,768	-	195,343,768
Receivables:						
Accounts	-	-	-	-	634,054	634,054
Interest	377,417	-	56,625	1,334,532	-	1,768,574
Loans/Notes (Note 3)	15,113,594	-	9,624,966	-	-	24,738,560
Advances to other funds (Note 5B)	8,100,000	-	-	-	-	8,100,000
Prepaid items and other assets	175,089	-	-	-	403,336	578,425
Total assets	\$ 79,589,842	\$ -	\$ 12,804,146	\$ 201,180,836	\$ 3,305,552	\$ 296,880,376
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 6,339,102	\$ -	\$ 223,632	\$ 29,155	\$ 3,205,552	\$ 9,797,441
Salaries payable	95,636	-	-	-	-	95,636
Interest payable	-	-	-	354,907	-	354,907
Refundable deposits	70,000	-	-	-	100,000	170,000
Due to other agencies	552,779	-	-	17,148	-	569,927
Deferred revenue (Note 4)	14,503,969	-	9,624,966	-	-	24,128,935
Advances from other funds (Note 5B)	-	8,100,000	-	-	-	8,100,000
Total liabilities	21,561,486	8,100,000	9,848,598	401,210	3,305,552	43,216,846
Fund Balances (Note 8):						
Reserved						
Capital projects	-	-	-	151,327,975	-	151,327,975
Debt service	-	-	-	49,451,651	-	49,451,651
Special projects	-	-	2,955,548	-	-	2,955,548
Escrow payable	175,089	-	-	-	-	175,089
Noncurrent loans receivable	609,625	-	-	-	-	609,625
Advances to other funds (Note 5B)	8,100,000	-	-	-	-	8,100,000
Unreserved, designated	49,143,642	(8,100,000)	-	-	-	41,043,642
Total fund balances	58,028,356	(8,100,000)	2,955,548	200,779,626	-	253,663,530
Total liabilities and fund balances	\$ 79,589,842	\$ -	\$ 12,804,146	\$ 201,180,836	\$ 3,305,552	\$ 296,880,376

See accompanying Notes to Basic Financial Statements

Redevelopment Agency of the City of Pittsburgh
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2007

Total fund balances reported on the governmental funds balance sheet	\$ 253,663,530
<p>Amounts reported for governmental activities in the Statement of Net Assets were different from those reported in the Governmental Funds above because of the following:</p>	
CAPITAL ASSETS	
Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.	61,352,949
LONG TERM ASSETS AND LIABILITIES	
Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.	(474,304,632)
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.	(6,605,356)
Deferred charges on issuance of long-term debt were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. This amount is to be amortized over the life of the long-term debt.	5,885,888
ACCRUAL OF NON-CURRENT ITEMS	
Revenue which are deferred on the Fund Balance Sheets because they are not available currently and are taken into revenue in the Statement of Activities.	24,128,935
Net Assets of Governmental Activities	\$ (135,878,686)

See accompanying Notes to Basic Financial Statements.

Redevelopment Agency of the City of Pittsburgh
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2007

	Major Funds					Total Governmental Funds
	RDA Special Revenue	Low/Moderate Income Housing I	Low/Moderate Income Housing II	RDA Debt Service	RDA Capital Projects	
REVENUES:						
Incremental property taxes	\$ 43,883,972	\$ -	\$ 3,203,997	\$ -	\$ -	\$ 47,087,969
Intergovernmental revenues	-	-	-	-	794,252	794,252
Service fees	124,712	-	-	-	-	124,712
Use of money and property	1,632,365	-	303,820	7,045,971	-	8,982,156
Other revenues	441,299	-	3,477	-	8,923	453,699
Total revenues	46,082,348	-	3,511,294	7,045,971	803,175	57,442,788
EXPENDITURES:						
Current:						
General Government	11,264,509	-	22,062	-	-	11,286,571
Community development and services	5,250,218	-	3,359,521	-	870,143	9,479,882
Capital outlay and improvements	2,360,870	-	-	-	40,301,395	42,662,265
Debt service:						
Principal retirement	-	-	-	4,960,000	-	4,960,000
Bond issuance costs	-	-	-	4,171,245	-	4,171,245
Interest and fiscal charges	-	-	-	16,491,747	-	16,491,747
Total expenditures	18,875,597	-	3,381,583	25,622,992	41,171,538	89,051,710
REVENUES OVER (UNDER) EXPENDITURES	27,206,751	-	129,711	(18,577,021)	(40,368,363)	(31,608,922)
OTHER FINANCING SOURCES (USES):						
Issuance of debt	-	-	-	169,820,000	-	169,820,000
Proceeds from sale of capital assets	2,309,250	-	-	-	-	2,309,250
Payment to escrow account	-	-	-	(44,218,319)	-	(44,218,319)
Capital contribution	-	-	-	-	(180,391)	(180,391)
Transfers in (Note 4B)	1,562,182	-	2,823,298	15,006,269	36,979,460	56,371,209
Transfers out (Note 4B)	(20,292,694)	-	(5,132,795)	(30,945,720)	-	(56,371,209)
Transfers in from the City (Note 4C)	-	-	-	-	2,879,232	2,879,232
Transfers out to the City (Note 4C)	(3,000,000)	-	-	(7,729,095)	-	(10,729,095)
Total other financing sources (uses)	(19,421,262)	-	(2,309,497)	101,933,135	39,678,301	119,880,677
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	7,785,489	-	(2,179,786)	83,356,114	(690,062)	88,271,755
FUND BALANCES:						
Beginning of year	50,242,867	(8,100,000)	5,135,334	117,423,512	690,062	165,391,775
End of year	\$ 58,028,356	\$ (8,100,000)	\$ 2,955,548	\$ 200,779,626	\$ -	\$ 253,663,530

See accompanying Notes to Basic Financial Statements

Redevelopment Agency of the City of Pittsburgh
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in
Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets
For the year ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ 88,271,755
Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets were different because:	
CAPITAL ASSETS TRANSACTIONS	
Governmental funds reported acquisition of capital assets as part of capital outlay expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period.	29,297,409
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in Governmental Funds.	(33,239)
Disposal of capital assets is reported in the Governmental-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, it is not reported as expenditures in governmental funds.	
- Loss on sale of capital assets	(559,347)
- Proceeds from sale of capital asset	(2,309,250)
LONG TERM DEBT AND PAYMENTS	
Issuance of bonds provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Assets.	(169,820,000)
Repayment of bond principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets.	4,960,000
Amortization of bond premium did not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds	442,090
Deferred charges on issuance of debt are recorded as expenditures in the Fund Financial Statements. In the Government-Wide Financial Statements, these costs are capitalized and amortized over the life of the debt.	4,171,245
Cost of issuance was an expenditure in governmental funds, but in the Government-Wide Statement of Net Assets, deferred charges were recorded and are being amortized over the life of the bond. This amount is the current year amortization expense.	(323,531)
Payment to escrow agent was an expenditure in governmental funds, but the payment reduced long-term liabilities in the Government-Wide Statement of Net Assets.	
Payment of long-term debt	39,885,000
Amount deferred on refunding	4,333,319
Payment to escrow was an expenditure in governmental funds, but in the Government-Wide Statement of Net Assets, payment to escrow were recorded and are being amortized over the life of the bond. This amount is the current year amortization expense.	(149,425)
Subtotal	<u>(1,833,974)</u>

Redevelopment Agency of the City of Pittsburgh
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in
Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets, Continued
For the year ended June 30, 2007

	Subtotal from previous page	(1,833,974)
ACCRUAL OF NON-CURRENT ITEMS		
New loans and notes receivable were expenditures in the Fund Financial Statements. This amount represent the expense amount that was decreased.		6,451,490
Principal payment received on loans and note receivables were recorded as revenue in the Fund Financial Statements. The following amount represents the current year payment received on loans and note receivable.		(152,142)
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represented the change in accrued interest from prior year.		<u>(2,243,167)</u>
Change in Net Assets of Governmental Activities		<u>\$ 2,222,207</u>

NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS

Redevelopment Agency of the City of Pittsburg
Notes to Basic Component Unit Financial Statements
For the year ended June 30, 2007

1. DESCRIPTION OF ENTITY

A. Organization and Purpose

The Redevelopment Agency of the City of Pittsburg (Agency) was established under the provisions of the Redevelopment Law (California Health and Safety Code) to clear and rehabilitate areas determined to be in a declining economic condition in the Project Areas. The Agency's policies are determined by the City Council in their separate capacity as board members of the Agency.

B. Project Area

The Los Medanos Community Development Project Area represents the merger of five separately adopted project areas within the City of Pittsburg (City) including the Marina View Redevelopment Area, Riverside Mall Project Area, Neighborhood Development Program Areas I and II, and the original Los Medanos Community Development Project Area. The redevelopment plans adopted with respect to each project area provide for the elimination of blight and deterioration, which was found to exist in each of such areas.

In 1962, the Marina View Redevelopment Project Area was adopted. This was the first redevelopment project area to be established by the City and encompasses part of the traditional downtown. Since then, the City's redevelopment efforts have been an ongoing process that have been repeatedly refocused to maximize the benefits available from changes in State and Federal laws and programs. The Marina View Project Area efforts were eventually augmented with the establishment in 1969 of the adjacent Riverside Mall Project Area, and then in 1972 with the establishment of Neighborhood Development Program Areas I and II, two adjacent redevelopment areas.

These initial redevelopment efforts, though they made use of tax-increment funds, were heavily dependent on Federal and State aid. In the mid to late 1970's, as Federal funding sources became less stable and as the blight factors impacting the project area were not being fully eradicated, the City adopted the original Los Medanos Community Development Project Area.

The Los Medanos Community Development Project Area, as originally adopted, completely surrounded the four older project areas and included much of the vacant land within the City limits (approximately 90 acres), as well as the balance of the City's commercial and much of its residential land. The vast majority of the Project Area's current tax increment is attributable to the original Los Medanos Community Development Project Area. The adoption of the Los Medanos Community Development Project Area and the resources it has provided to the Redevelopment Agency (Agency) thus have allowed the City to undertake comprehensive efforts designed toward the continued improvement of the community.

In 1980, by an ordinance of the City Council adopted pursuant to special State legislation, the **Los Medanos Community Development Project Area** was merged with the four older redevelopment project areas to create a single redevelopment project area within the City that is still termed **Los Medanos Community Development Project Area (Project Area)**. With this merger, the City further increased its ability to comprehensively deal with problems impacting the entire Project Area. Following the merger, several hundred new residential units have been constructed within the Project Area as well as two neighborhood shopping centers and a number of other commercial projects.

Redevelopment Agency of the City of Pittsburgh
Notes to Basic Component Unit Financial Statements, Continued
For the year ended June 30, 2007

1. DESCRIPTION OF ENTITY, Continued

B. Project Area, Continued

In 1983, the Project Area was expanded to include an additional approximately 500 acres of territory that was planned for a mixture of commercial and residential development. The Los Medanos Community Development Project Area, after the 1983 expansion, contained approximately 4,500 acres, or roughly 65% of the City's area at that time.

1993 Amendment - In 1990, the Agency determined that it was necessary to amend the Project Area tax increment revenue ceiling of \$400 million to provide for additional financing capabilities for Project Area implementation. Commencing in late 1990 and concluding in July 1993, the Agency undertook a comprehensive planning process that culminated in the adoption by the City Council of a third amendment to the Community Development Plan (the "Third Amendment"). The Third Amendment resulted in the following changes to the Redevelopment Plan and Project Area:

- The combined project area has a bonded indebtedness limit of \$624 million and the tax increment revenue ceiling of \$400 million was increased to \$1.7 billion plus those funds allocated to revenue sharing agreements and the housing set aside. Total forecast property tax increment growth, for the term of the Third Amendment, is \$2.3 billion.
- Four new areas were added to the Project Area. These areas, termed the "Los Medanos 93 Sub-Areas," are sub-areas of the overall Project Area. These areas encompass over 2,000 acres of land. The four sub-areas are comprised of the following individual sub-areas:
 - The Northeast Industrial Sub-Area, encompassing over 800 acres, includes the Posco-US Steel plant, Dow Chemical facilities and other waterfront shipping and industrial facilities. Total assessed value of this sub-area is in excess of \$650 million.
 - The Willow Pass Sub-Area, encompassing over 100 acres of mixed development, includes light industrial and mobile homes. Assessed value of this sub-area is under \$20 million.
 - The Chevron Sub-Area, encompassing over 500 acres, is a former Chevron tank farm that is planned for residential development of over 800 homes. Assessed value of this sub-area is under \$100 million.
 - The San Marcos Sub-Area, encompassing over 700 acres, includes land planned for over 1,500 homes. Assessed value of this sub-area is under \$10 million.

Redevelopment Agency of the City of Pittsburgh
Notes to Basic Component Unit Financial Statements, Continued
For the year ended June 30, 2007

1. DESCRIPTION OF ENTITY, Continued

B. Project Area, Continued

2003 Amendment - In 2003, the Agency amended the Plan to delete four parcels in Los Medanos III. The parcels are owned by USS Posco, Dow Chemical, National Energy Constructors and Union Carbide. The assessed value of the parcels had declined since they were added to the Project Area as part of the Third Amendment. This has occurred for a variety of reasons, including appeals under Proposition 8 and continued depreciation of fixtures and equipment. In total, the 2002-03 assessed value of the parcels was \$149.4 million less than the value in 1992-93, when the base year value of the parcels was established. By removing these parcels from the Project Area, the Agency has eliminated the negative effect on the generation of tax increment revenues arising from the decline in value of these four parcels. Prior to the amendment of the Plan, the total assessed value in Los Medanos III was \$1,510,287,687 with a base value of \$851,754,992. Following the amendment, while the total assessed value in Los Medanos III for 2004-05 was reduced to \$925,367,467 and the base value was reduced to \$47,420,956. Due to this reduction in base value and overall growth in the Los Medanos III Sub-Area, the result has been a net increase of over \$219 million in incremental assessed value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Agency's accounting policies are described below.

A. Basis of Accounting and Measurement Focus

The Agency is an integral part of the City and, accordingly, the accompanying financial statements are included as a component of the basic financial statements prepared by the City. A component unit is a separate governmental unit, agency or nonprofit corporation which, when combined with all other component units, constitutes the reporting entity as defined by the City's basic financial statements.

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 that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government - Wide Financial Statements

The Agency's government-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.

Redevelopment Agency of the City of Pittsburgh
Notes to Basic Component Unit Financial Statements, Continued
For the year ended June 30, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Basis of Accounting and Measurement Focus, Continued

Government - Wide Financial Statements, Continued

The Government-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 accompanying Statement of Net Assets. The Statement of Activities and Changes in Net Assets are presented using the accrual basis of accounting, whereby revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The Agency's program revenues consisted of:

- ♦ Charges for services
- ♦ Capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated. The following interfund activities have been eliminated:

- ♦ Advances to / from other funds
- ♦ Transfers in/out

Fund Financial Statements

The fund financial statements provide information about the Agency's funds. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. The Agency considers all its funds to be major funds.

Redevelopment Agency Special Revenue Fund - This fund accounts for the tax increment revenue received and expenditures to carry out general operation within project areas.

Low-Moderate Income Housing I Special Revenue Fund - This fund accounts for the allocation of the costs of low/moderate income housing programs qualified for the Housing Set-Aside efforts owed to the Agency.

Low-Moderate Income Housing II Special Revenue Fund - This fund accounts for the receipts of the mandated 20% set-aside of tax increment revenue in the Los Medanos II and III Areas and expenses related to the low/moderate income housing programs.

Redevelopment Agency Debt Service Fund - This fund accounts for the accumulation of resources for payment of principal, interest and related costs of the Agency's long-term debt.

Redevelopment Agency Capital Projects Fund - This fund accounts for the funds used to carry out all the operations for capital improvement projects within the Redevelopment Areas, using the tax increments to pay for the project costs.

Redevelopment Agency of the City of Pittsburg
Notes to Basic Component Unit Financial Statements, Continued
For the year ended June 30, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Basis of Accounting and Measurement Focus, Continued

Fund Financial Statements, Continued

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet.

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.

Revenues are recorded when received in cash, except for those revenues that are subject to accrual (generally 60 days after year-end) which are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Agency, are property tax increments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

B. Cash and Investments

The Agency pools cash resources from all funds with the City in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

In accordance with GASB Statement No. 31, highly liquid money market investments with maturities of one year or less are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. Interest earned on investments is allocated to all funds on the basis of monthly cash and investment balances.

The Agency participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pool funds in derivatives and similar transactions. LAIF's investments are subject to credit and market risk.

Cash equivalents are amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the Agency and are presented as part of "Pooled Cash and Investments" in the accompanying basic financial statements.

Redevelopment Agency of the City of Pittsburgh
Notes to Basic Component Unit Financial Statements, Continued
For the year ended June 30, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Restricted Cash and Investments

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt and for acquisition and construction of capital projects.

D. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "Advances to/from other funds" (i.e., the Long-term portion of interfund loans).

E. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if historical cost not available. Donated capital assets are valued at their estimated fair market value on the date donated. The Agency's policy has set the capitalization threshold for General Capital Assets at \$5,000 for reporting capital assets at the following.

Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings and Improvements	45 years
Machinery and Equipment	5 to 10 years

F. Interest Payable

In the Government-Wide Financial Statements, interest payable on long-term debt is recognized as the liability is incurred for governmental activities.

G. Long-Term Debt

Government-Wide Financial Statements

Long-term debt and other long-term obligations are reported as liabilities in the appropriate activities.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Fund Financial Statements

The fund financial statements do not present long-term debt, which is shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

Bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

Redevelopment Agency of the City of Pittsburgh
Notes to Basic Component Unit Financial Statements, Continued
For the year ended June 30, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Net Assets

In the Government-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 is attributed to the acquisition, construction, or improvement of the assets. Since all of the Agency's Capital Assets were fully financed by related debt, this amount was zero in fiscal year 2006-2007.

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other 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."

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.

I. Fund Balances - Reservations and Designations

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The following is a listing of the Agency's reserves:

- **Reserved for Capital Projects** represents amounts reserved for major capital projects per bond covenants.
- **Reserved for Debt Service** represents amounts accumulated in accordance with a bond indenture or similar covenant.
- **Reserved for Special Projects** represents funds received from various State and Federal award programs which have been set aside to fulfill the requirements of the award and special projects.
- **Reserved for Escrow Payables** represents amounts not available for use as current resources.
- **Reserved for Noncurrent Loans Receivable** represents amounts not available for use as current resources.
- **Reserved for Advance to Other Funds** represents the amounts not available for use as current resources.

Redevelopment Agency of the City of Pittsburg
Notes to Basic Component Unit Financial Statements, Continued
For the year ended June 30, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. Property Taxes

Under California law, property taxes are assessed and collected by the County of Contra Costa (County) up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to cities based on complex formulas. The County assesses, bills, and collects property taxes as follows:

Lien Date	March 1
Levy Date	July 1
Due Date	Secured: November 1 and February 1 Unsecured: July 1
Collection Date	Secured: December 10 and April 10 Unsecured: August 31

Property taxes levied are recorded as revenue when received, in the fiscal year of levy, under the Teeter Plan. The Teeter Plan authorizes the Auditor/Controller of the County to allocate 100% of the secured property taxes billed, but not yet paid.

K. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

3. CASH AND INVESTMENTS

A. Classification

The Agency's cash is pooled with other City funds for investment purposes, with interest being allocated on the basis of the Agency's overall percentage participation. Cash and investments are classified in the financial statements, based on whether or not their use is restricted under the terms for Agency debt instruments. Investments are carried at fair value.

Investment policies and associated risk factors applicable to the Agency's funds are those of the City and are included in the City's basic financial statements.

Redevelopment Agency of the City of Pittsburgh
Notes to Basic Component Unit Financial Statements, Continued
For the year ended June 30, 2007

3. CASH AND INVESTMENTS, Continued

A. Classification, Continued

As of June 30, 2007, cash and investments of the Agency were as follows:

Governmental Activities:	
Cash and investments	\$ 65,716,995
Restricted cash and investments with fiscal agents	<u>195,343,768</u>
Total	<u>\$ 261,060,763</u>

The Agency's cash, except restricted cash and investments with fiscal agents, is included in the City's cash and investments pool, the details of which are presented in the City's financial statements. The table presented in the City's financial statements provides the credit ratings of the issuers that are acceptable to the City, and approved percentages and maturities that are not to be exceeded. The table also identifies certain provisions of the California Government Code and the City's Investment Policy is more restrictive.

B. Investments Authorized by Debt Agreements

The Agency must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the Agency fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>
U.S. Treasury Obligations	N/A	None
U.S. Agencies	N/A	AAA
Bankers Acceptances	360 days	A-1/ A-1+
Commercial Paper	270 days	A-1+
Money Market Fund	N/A	AAA
State of California Obligations	N/A	A
Municipal Obligations	N/A	AAA
Pre-refunded Municipal Obligations	N/A	AAA
Certificates of Deposits	N/A	None
Local Agency Investment Fund (LAIF)	N/A	None
California Asset Management Program (CAMP)	N/A	None

Redevelopment Agency of the City of Pittsburg
Notes to Basic Component Unit Financial Statements, Continued
For the year ended June 30, 2007

3. CASH AND INVESTMENTS, Continued

C. 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. The Agency generally manages its interest rate risk by holding investments to maturity.

Investment Type	Remaining maturity			Total
	Less than 1 year	One to Five Years	More than Five Years	
Local Agency Investment Fund	\$ 43,667,537	\$ -	\$ -	\$ 43,667,537
Money Market Funds	10,132,378	-	-	10,132,378
Certificate of Deposit	20,000,000	-	-	20,000,000
U.S. Agency Securities	6,633,577	-	-	6,633,577
Guaranteed Investment Agreements	47,738,038	111,658,687	20,028,332	179,425,057
Total Investments	\$ 128,171,530	\$ 111,658,687	\$ 20,028,332	259,858,549
Cash in Banks and on Hand				1,202,214
Total Cash and Investments				\$ 261,060,763

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 available for withdrawal 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, 2007, these investments matured in an average of 176 days.

Money Market funds are available for withdrawal on demand and at June 30, 2007 matured in an average of 14 days.

Redevelopment Agency of the City of Pittsburgh
Notes to Basic Component Unit Financial Statements, Continued
For the year ended June 30, 2007

3. CASH AND INVESTMENTS, Continued

D. Credit Rate Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by an assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2007 for each investment type as provided by Standard and Poor's investment rating system.

Investment Type	Ratings at Year End	Total
U.S. Government Agencies	AAA	\$ 6,633,577
Money Market Funds	AAA	10,132,378
<i>Not rated:</i>		
Certificate of Deposit		20,000,000
Local Agency Investment Fund		43,667,537
Guaranteed Investment Agreements		179,425,057
Total Investments		259,858,549
<i>Exempt from credit rate disclosure:</i>		
Cash in Banks and on Hand		1,202,214
Total Cash and Investments		<u>\$ 261,060,763</u>

E. Concentration of Credit Risk

Significant investments in the securities of any individual issuers, other than U. S. Treasury securities, mutual funds and external investment pools that represent 5% or more of total Agency's investment are set forth below:

Issuer	Investment Type	Amount
Royal Bank of Canada	Guaranteed Investment Agreements	\$ 111,658,687
AEGON/Transamerica Occ. Life Investment	Guaranteed Investment Agreements	47,738,038
Mechanics Bank	Certificate of Deposit	20,000,000
MBIA INS. Corp. Financial	Guaranteed Investment Agreements	14,491,608
Total Major Funds		<u>\$ 193,888,333</u>

Redevelopment Agency of the City of Pittsburgh
Notes to Basic Component Unit Financial Statements, Continued
For the year ended June 30, 2007

4. INTERFUND TRANSACTIONS

A. Advance to Other Funds

The Agency had an analysis performed of the Los Medanos Redevelopment Project Area Housing set-aside expenditures, to determine the amount of expenditures attributable to the Housing Set-Aside requirement of the California Community Redevelopment Law, in comparison with the amount required to be spent on housing projects. The analyses determined that between the years of 1980 and 1997, the Agency has allocated \$11,482,119, in excess of its requirements.

Pursuant to Section 33334.6 of the California Health and Safety Code, the Agency elected to defer its low and moderate income housing deposit requirements from the Los Medanos I project area, in order to fund existing obligations within the Agency. As required, the Agency has adopted a plan to eliminate the deferred amount. The amount was borrowed from the Redevelopment Special Revenue Fund. As of June 30, 2007, the Agency has an outstanding balance of \$8,100,000.

B. Transfers between Agency Funds

With Board approval, resources may be transferred from one Agency fund to another. The purpose of the majority of transfers is to reimburse a fund, which has made an expenditure on behalf of another fund.

Transfers between Agency funds during fiscal year ended June 30, 2007 were as follows:

FROM FUND:	TO FUND:	AMOUNT
RDA Special Revenue	RDA Debt Service	\$ 13,159,232 (A)
	RDA Capital Projects	7,133,462 (B)
Low/Moderate Income Housing II	RDA Capital Projects	3,285,758 (B)
	RDA Debt Service	1,847,037 (A)
RDA Debt Service	RDA Special Revenue	1,562,182 (D)
	Low/Moderate Income Housing II	2,823,298 (C)
	RDA Capital Projects	26,560,240 (D)
		\$ 56,371,209

The reasons for these transfers are set forth below:

- (A) To fund debt service payments.
- (B) To fund various capital projects.
- (C) To fund affordable housing projects.
- (D) To transfer bond proceeds to fund capital projects.

Redevelopment Agency of the City of Pittsburgh
Notes to Basic Component Unit Financial Statements, Continued
For the year ended June 30, 2007

4. INTERFUND TRANSACTIONS, Continued

C. Transfers Between the City and the Agency

Transfers between the Agency and City during fiscal year ended June 30, 2007 were as follows:

<u>FROM AGENCY:</u>	<u>TO CITY:</u>	<u>AMOUNT</u>
RDA Special Revenue	General Fund	\$ 3,000,000 (A)
RDA Debt Service	General Fund	119,167 (B)
	Capital Improvement Project Fund	5,022,231 (B)
	Traffic Mitigation Capital Projects	2,587,697 (B)
		<u>\$ 10,729,095</u>

The reasons for these transfers are set forth below:

- (A) To fund administrative and general support services.
- (B) To transfer bond proceeds to fund capital projects.

<u>FROM CITY:</u>	<u>TO AGENCY:</u>	<u>AMOUNT</u>
Measure C Tax	RDA Capital Projects	\$ 66,510 (C)
Traffic Mitigation	RDA Capital Projects	371,371 (D)
Park Dedication	RDA Capital Projects	2,441,351 (C)
		<u>\$ 2,879,232</u>

The reasons for these transfers are set forth below:

- (C) To fund capital improvement projects.
- (D) To fund traffic improvement projects.

5. LOANS RECEIVABLE

As of June 30, 2007, loans receivable consisted of the following:

Rehabilitation and construction loans	\$ 15,113,594
Steadfast Marina Heights L.P. Loan	1,400,000
Fairfield Belmont, L.P. Loan	4,876,523
Mercy Housing California Loan	871,537
Low income families Loan	259,440
Pacific Community Loan	382,666
Palm Plaza Group, LLC and Palm Plaza Development	1,834,800
Total loan receivable	<u>\$ 24,738,560</u>

Redevelopment Agency of the City of Pittsburgh
Notes to Basic Component Unit Financial Statements, Continued
For the year ended June 30, 2007

5. LOANS RECEIVABLE, Continued

A. Redevelopment Agency Special Revenue

The various rehabilitation and construction loans of \$15,113,594 include deferred and accrued interest of \$1,404,738 at June 30, 2007. These loans have been made to individual homeowners, businesses and developers within the Redevelopment Area. The terms of these loans are specific to the borrower, and interest rates, as well as usage and repayment requirements, vary according to the loan type. The following are descriptions of the various loans:

- In 2005, a loan agreement was entered with the Mt. Diablo Unified School District (District) in the amount of \$6,147,209 for capital improvements. The funding was provided with the 2003A Bond Proceeds that typically would be passed through to the District. The District will repay the loan from school impact fees collected, until the Agency is fully reimbursed or 35 years, whichever occurs first. The balance outstanding as of June 30, 2007 was \$5,840,607.
- In fiscal year 2005-2006, a Development and Disposition Agreement was entered into with Domus Development LLC (Developer) up to \$8,000,000 for the development of a 28-unit residential rental dwelling and an 8,000 square feet ground floor commercial space at the northeast corner of Railroad Avenue and 10th Street. Of which, \$6,000,000 will be funded by the Housing Set Aside funds and \$2,000,000 by future tax increments. During the fiscal year 2006-2007, \$3,184,360 of the loan was disbursed to the Developer. The Developer will repay the loan by making monthly payments of \$10,168, plus a Public Safety Annual Fee of \$376.19 per dwelling unit, with an increase of 5% every year commencing on October 15, 2008. The balance outstanding as of June 30, 2007 was \$3,954,225.
- The remaining loans receivable of \$5,318,762 as of June 30, 2007 represents a number of small business and property owner rehabilitation and construction loans to eliminate blight by assisting improvements and rehabilitation of properties that are currently vacant or underutilized.

B. Low/Moderate Income Housing II

During fiscal year 2004-2005, the Redevelopment Agency Low/Moderate Income Housing II Special Revenue Fund agreed to loan funds of \$1,400,000 to the Steadfast Marina Heights L.P. for the purchase and renovation of 200 affordable residential units located within the Redevelopment Project Area. The loan bears interest of 7% per year and provides for the Agency to receive 30% of the projects residual receipts annually. The outstanding balance as of June 30, 2007 was \$1,400,000.

During fiscal year 2004-2005, the Redevelopment Agency Low/Moderate Income Housing II Special Revenue Fund to loan funds of \$4,880,000 to the Fairfield Belmont, L.P. for the purchase and renovation of 224 affordable residential units located within the Redevelopment Project Area. The loan bears interest of 1% per year and provides for the Agency to receive 20% of the projects residual receipts annually. The outstanding balance as of June 30, 2007 was \$4,876,523.

Redevelopment Agency of the City of Pittsburg
Notes to Basic Component Unit Financial Statements, Continued
For the year ended June 30, 2007

5. LOANS RECEIVABLE, Continued

B. Low/Moderate Income Housing II, Continued

During fiscal year 2005-2006, the Redevelopment Agency/Low Moderate Income Housing II Special Revenue Fund agreed to loan funds of \$1,052,854 to Mercy Housing California for the development of a 64-unit dwelling and child care center located within the Redevelopment Project Area. The loan bears interest of 1% per year and provides for the Agency to receive 50% of the project's residual receipts annually. The outstanding balance as of June 30, 2007 was \$871,537.

During fiscal year 2006-2007, the Redevelopment Agency/ Low Moderate Income Housing II Special Revenue Fund agreed to loan funds to low income families to purchase homes. The loans bear no interest and are deferred until the property changes title or are refinanced for cash. The outstanding balance as of June 30, 2007 was \$259,440.

During fiscal year 2006-2007, the Redevelopment Agency Low/Moderate Income Housing II Special Revenue Fund agreed to loan funds of \$377,011 to Pacific Community Services for prior construction of 104 units called the Presidio Village Senior Housing. The loan bears interest of 3% per year and provides for the Agency to receive 50% of the projects residual receipts annually. The outstanding balance as of June 30, 2007 was \$382,666. As of June 30, 2007, deferred and accrued interest was \$5,655.

During fiscal year 2006-2007, the Redevelopment Agency Low/Moderate Income Housing II Special Revenue Fund provided \$728,000 and \$940,000 to Palm Plaza Group, LLC and Palm Plaza Development, respectively, for purchase and renovation of residential units located within the Redevelopment Project Area. The outstanding balance as of June 30, 2007 was \$1,834,800. As of June 30, 2007, deferred and accrued interest was \$72,800 and \$94,000 for Palm Plaza Group, LLC and Palm Plaza Development, respectively.

6. CAPITAL ASSETS

Capital assets of the Agency for the year ended June 30, 2007 are presented in the table below.

	Balance July 1, 2006	Additions	Deletions	Prior Period Adjustments	Balance June 30, 2007
Non-depreciable assets:					
Land	\$ 31,321,746	\$ 10,997,176	\$ (2,652,848)	\$ (4,388,726)	\$ 35,277,348
Construction in progress	7,567,493	18,249,642	(215,749)	-	25,601,386
Total non-depreciable assets:	38,889,239	29,246,818	(2,868,597)	(4,388,726)	60,878,734
Depreciable assets:					
Buildings and improvement	624,645	-	-	-	624,645
Machinery and equipment	273,057	50,591	-	-	323,648
Total depreciable assets:	897,702	50,591	-	-	948,293
Less accumulated depreciation for:					
Buildings and improvement	(228,240)	(20,822)	-	(24,823)	(273,885)
Machinery and equipment	(187,776)	(12,417)	-	-	(200,193)
Total accumulated depreciation:	(416,016)	(33,239)	-	(24,823)	(474,078)
Total depreciable assets, net:	481,686	17,352	-	(24,823)	474,215
Total Capital Assets	\$ 39,370,925	\$ 29,264,170	\$ (2,868,597)	\$ (4,413,549)	\$ 61,352,949

Redevelopment Agency of the City of Pittsburg
Notes to Basic Component Unit Financial Statements, Continued
For the year ended June 30, 2007

6. CAPITAL ASSETS, Continued

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Governmental activities:	
Community development and services	\$ 33,239
Total depreciation expense - governmental activities	<u>\$ 33,239</u>

7. LONG-TERM DEBT

Activity in long-term debt for the year ended June 30, 2007, was as follows:

Description	Original Issue Amount	Beginning Balance July 1, 2006	Additions	Retirements	Ending Balance June 30, 2007	Amounts Due Within One Year
Tax Allocation Bonds						
1993B RDA Refunding Bonds	\$ 40,000,000	\$ 39,885,000	\$ -	\$ (39,885,000)	\$ -	\$ -
1999 RDA Bonds	30,106,357	29,851,357	-	(55,000)	29,796,357	60,000
2002A RDA Refunding Bonds	59,970,000	43,605,000	-	(4,330,000)	39,275,000	4,495,000
2003A RDA Bonds	88,375,000	88,085,000	-	(290,000)	87,795,000	1,655,000
2004A RDA Housing Set Aside Bonds	18,270,000	18,005,000	-	(265,000)	17,720,000	295,000
2004B RDA Subordinated Refunding Bonds	10,720,000	10,720,000	-	-	10,720,000	-
2004A RDA Subordinated Bonds	117,615,000	117,615,000	-	-	117,615,000	-
2006A RDA Housing Set Aside Bonds	11,020,000	-	11,020,000	-	11,020,000	360,000
2006C RDA Subordinated Refunding Bonds	46,660,000	-	46,660,000	-	46,660,000	685,000
2006A RDA Subordinated Bonds	75,300,000	-	75,300,000	-	75,300,000	-
2006B RDA Subordinated Bonds	36,840,000	-	36,840,000	-	36,840,000	-
Total Tax Allocation Bonds		<u>347,766,357</u>	<u>169,820,000</u>	<u>(44,845,000)</u>	<u>472,741,357</u>	<u>7,550,000</u>
Unamortized Premium (2003A RDA Bonds)		6,189,259	-	(442,090)	5,747,169	442,090
Deferred amount on refunding on 2006C RDA			(4,333,319)	149,425	(4,183,894)	(149,425)
Total Governmental Activities		<u>\$ 353,955,616</u>	<u>\$ 165,486,681</u>	<u>\$ (45,137,665)</u>	<u>\$ 474,304,632</u>	<u>\$ 7,842,665</u>

1993 Series B Redevelopment Agency Tax Allocation Refunding Bonds

In fiscal year 2007, the 1993 Series B Redevelopment Agency Tax Allocation Refunding Bonds (1993B RDA Bonds) were fully refunded in the amount of \$39,885,000 on an advance basis using 2006 Series C Redevelopment Agency Subordinate Tax Allocation Refunding Bonds. Proceeds from the 1993B RDA Bonds were used to fund certain capital improvements located within the Los Medanos Project Area. Certain direct obligations of the United States of America were purchased and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Refunded Bonds. As a result, the Refunded Bonds were considered to be defeased and the liability for those obligations was removed along with trust assets from the Agency's financial statements.

Redevelopment Agency of the City of Pittsburgh
Notes to Basic Component Unit Financial Statements, Continued
For the year ended June 30, 2007

7. LONG-TERM DEBT, Continued

1999 Redevelopment Agency Tax Allocation Bonds

1999 Redevelopment Agency Tax Allocation Bonds (1999 RDA Bonds) outstanding at June 30, 2007 amounted to \$29,796,354. The bonds bear interest at rates between 4.1% and 6.2% with interest payments made semi-annually on February 1 and August 1. The bonds mature on August 1 of each year. Interest is payable semi-annually on February 1 and August 1 of each year. The bonds are to be paid from Agency tax revenues. The proceeds of the bonds were used to provide money for certain public capital improvements located within the Agency's Project Area, to fund a reserve account, and to pay cost of issuance incurred in connection with the issuance. The bonds are to be repaid from certain tax revenues and other funds as provided in certain resolutions of the Agency.

The annual debt service requirements on the 1999 RDA Bonds outstanding at June 30, 2007, are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 60,000	\$ 523,748	\$ 583,748
2009	65,000	520,653	585,653
2010	580,000	504,383	1,084,383
2011	600,000	474,438	1,074,438
2012	630,000	442,600	1,072,600
2013-2017	4,325,000	1,623,600	5,948,600
2018-2022	7,583,057	14,463,969	22,047,025
2023-2027	9,790,299	34,433,814	44,224,113
2028-2031	6,163,001	26,686,802	32,849,803
Total	<u>\$ 29,796,357</u>	<u>\$ 79,674,004</u>	<u>\$ 109,470,361</u>

2002 Series A Redevelopment Agency Tax Allocation Refunding Bonds

2002 Redevelopment Agency Tax Allocation Refunding Bonds (2002A RDA Bonds) outstanding at June 30, 2007 amounted to \$39,275,000. The 2002A RDA Bonds bear interest at rates between 2.00% and 5.25% with interest payments made semi-annually on February 1 and August 1. The 2002A RDA Bonds mature annually from 2002 to 2015 on August 1 in amounts ranging from \$3,690,000 to \$4,980,000. Proceeds from the 2002A RDA Bonds were used to refund \$58,460,000 of the Agency's 1992 Los Medanos Community Development Project, Tax Allocation Refunding Bonds and to pay costs of issuance incurred in connection with the issuance, sales and delivery of Series 2002A. The bonds are to be repaid from certain tax revenues and other funds as provided in certain resolutions of the Agency.

Redevelopment Agency of the City of Pittsburgh
Notes to Basic Component Unit Financial Statements, Continued
For the year ended June 30, 2007

7. LONG-TERM DEBT, Continued

2002 Series A Redevelopment Agency Tax Allocation Refunding Bonds, Continued

The annual debt service requirements on the 2002A RDA Bonds outstanding at June 30, 2007, are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 4,495,000	\$ 1,840,025	\$ 6,335,025
2009	4,675,000	1,650,781	6,325,781
2010	3,690,000	1,459,188	5,149,188
2011	3,875,000	1,270,063	5,145,063
2012	4,065,000	1,071,563	5,136,563
2013-2016	18,475,000	2,001,956	20,476,956
Total	<u>\$ 39,275,000</u>	<u>\$ 9,293,575</u>	<u>\$ 48,568,575</u>

2003 Series A Redevelopment Agency Tax Allocation Bonds

2003 Series A Redevelopment Agency Tax Allocation Bonds (2003A RDA Bonds) outstanding at June 30, 2007 amounted to \$87,795,000. The 2003A RDA Bonds bear interest at rates between 2.00% and 5.00% with interest payments made semi-annually on February 1 and August 1. The 2003A RDA Bonds mature annually from 2004 to 2021 on August 1 in amounts ranging from \$5,000 to \$8,815,000. Proceeds from the 2003A RDA Bonds were used to fund redevelopment activities of benefit to the Agency's Los Medanos Redevelopment Project, to refund all of the Agency's outstanding Series 1993A Tax Allocation Refunding Bonds (\$36,760,000), to fund a reserve account, to fund capitalized interest on a portion of the Series 2003A Bonds, and to pay costs of issuance incurred in connection with the issuance, sale and delivery of the Series 2003A Bonds. The Bonds were issued at a premium of \$7,515,529 which is to be amortized over the life of the bond using straight-line method with an annual amortization of \$442,090. The bonds are to be repaid from certain tax revenues and other funds as provided in certain resolutions of the Agency.

The annual debt service requirements on the 2003A RDA Bonds outstanding at June 30, 2007, are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 1,655,000	\$ 4,207,763	\$ 5,862,763
2009	1,695,000	4,165,888	5,860,888
2010	2,410,000	4,096,500	6,506,500
2011	2,515,000	3,985,425	6,500,425
2012	2,645,000	3,856,425	6,501,425
2013-2017	19,955,000	16,992,625	36,947,625
2018-2022	35,540,000	9,186,250	44,726,250
2023-2027	13,485,000	3,454,081	16,939,081
2028-2030	7,895,000	574,156	8,469,156
Total	<u>\$ 87,795,000</u>	<u>\$ 50,519,113</u>	<u>\$ 138,314,113</u>

Redevelopment Agency of the City of Pittsburgh
Notes to Basic Component Unit Financial Statements, Continued
For the year ended June 30, 2007

7. LONG-TERM DEBT, Continued

2004 Series A Housing Set Aside Redevelopment Agency Tax Allocation Bonds

2004 Series A Housing Set Aside Tax Allocation Bonds (2004A HSA RDA Bonds) outstanding at June 30, 2007 amounted to \$17,720,000. The Bonds bear interest rates from 3.750%-5.620% with interest payments made semi-annually on February 1 and August 1 each year commencing August 1, 2005 through August 1, 2035. The Bonds were issued to fund the low and moderate income housing within the Agency's Los Medanos Community Development Project Area, to fund a reserve account, and to pay costs of issuance incurred in connection with issuance, sale and delivery of the Series 2004A bonds. The bonds are to be repaid from certain tax revenues and other funds as provided in certain resolutions of the Agency.

The annual debt service requirements on the 2004A HSA RDA Bonds outstanding at June 30, 2007, are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 295,000	\$ 940,821	\$ 1,235,821
2009	305,000	929,571	1,234,571
2010	315,000	916,923	1,231,923
2011	330,000	902,733	1,232,733
2012	345,000	887,883	1,232,883
2013-2017	1,990,000	4,165,924	6,155,924
2018-2022	2,560,000	3,578,945	6,138,945
2023-2027	3,330,000	2,786,757	6,116,757
2028-2032	4,355,000	1,731,448	6,086,448
2033-2036	3,895,000	408,715	4,303,715
Total	<u>\$ 17,720,000</u>	<u>\$ 17,249,718</u>	<u>\$ 34,969,718</u>

2004 Series B Redevelopment Agency Subordinate Tax Allocation Refunding Bonds

2004 Series B Redevelopment Agency Subordinate Tax Allocation Refunding Bonds (2004B STARB Bonds) outstanding at June 30, 2007 amounted to \$10,720,000. The Bonds bear interest rates from 3.810%-4.430% with interest payments made semiannually on March 1 and September 1 each year commencing March 1, 2005 through September 1, 2011. The bonds are to be repaid from Redevelopment Agency tax revenues. Proceeds from the 2004B RDA bonds were used to refund, on an advance basis, a portion of the Agency's outstanding Series 1996 Subordinate Tax Allocation bonds (\$20,000,000), fund a reserve account, and to pay costs of issuance incurred in connection with issuance, sale and delivery of the Series 2004B bonds.

Redevelopment Agency of the City of Pittsburgh
Notes to Basic Component Unit Financial Statements, Continued
For the year ended June 30, 2007

7. LONG-TERM DEBT, Continued

2004 Series B Redevelopment Agency Subordinate Tax Allocation Refunding Bonds, Continued

The annual debt service requirements on the 2004B STARB Bonds outstanding at June 30, 2007, are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ -	\$ 448,811	\$ 448,811
2009	1,990,000	410,901	2,400,901
2010	2,065,000	330,866	2,395,866
2011	3,260,000	219,791	3,479,791
2012	3,405,000	75,421	3,480,421
Total	<u>\$ 10,720,000</u>	<u>\$ 1,485,788</u>	<u>\$ 12,205,788</u>

2004 Series A Redevelopment Agency Subordinate Tax Allocation Bonds

Series A 2004 Redevelopment Agency Subordinate Tax Allocation Bonds (2004A STAB Bonds) outstanding at June 30, 2007 amounted to \$117,615,000. The bonds are repayable from Redevelopment Agency tax revenues. Principal payments are due annually on September 1, commencing in 2012. Proceeds from the 2004A Bonds were to be used to fund redevelopment activities of benefit to the Agency's Los Medanos Redevelopment Project, to refund, on an advance basis, a portion of the Agency's outstanding Series 1996 Subordinate Tax Allocation bonds (\$20,000,000), to fund capitalized interest on a portion of the 2004 A Bonds through September 2007, to fund a reserve account, and to pay costs of issuance incurred in connection with issuance, sale and delivery of the 2004A Bonds. A portion of the proceeds from the 2004A Bonds was placed in an irrevocable trust to provide for all future debt service payments on the defeased 1996 Bonds. As of June 30, 2007, \$20,000,000 of principal remained outstanding on the defeased 1996 bonds.

The 2004A Bonds were issued as variable rate bonds, with interest calculated daily. The rate fluctuates according to market conditions. In order to protect against the potential of rising interest rates associated with the 2004A Bonds, the Agency entered into a pay-fixed, receive-variable interest rate swap. The terms, fair value and credit risk of the swap agreement are disclosed in Interest Rate Swap Agreements section.

Redevelopment Agency of the City of Pittsburgh
Notes to Basic Component Unit Financial Statements, Continued
For the year ended June 30, 2007

7. LONG-TERM DEBT, Continued

2004 Series A Redevelopment Agency Subordinate Tax Allocation Bonds, Continued

The annual debt service requirements on the 2004A Bonds outstanding at June 30, 2007, are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ -	\$ 4,174,156	\$ 4,174,156
2009	-	4,174,156	4,174,156
2010	-	4,174,156	4,174,156
2011	-	4,174,156	4,174,156
2012	-	4,174,156	4,174,156
2013-2017	20,915,000	18,883,120	39,798,120
2018-2022	24,750,000	14,784,513	39,534,513
2023-2027	26,665,000	10,115,049	36,780,049
2028-2032	29,755,000	5,149,910	34,904,910
2033-2036	15,530,000	880,596	16,410,596
Total	<u>\$ 117,615,000</u>	<u>\$ 70,683,969</u>	<u>\$ 188,298,969</u>

2006 Series A Housing Set Aside Redevelopment Agency Tax Allocation Bonds

On November 30, 2006, the City issued \$11,020,000 of Series 2006 Bonds bearing interest at 5.12-5.31% to fund low and moderate income housing of benefit to the Agency's Los Medanos Redevelopment Project, to fund a reserve account, and to pay costs of issuance incurred in connection with issuance, sale and delivery of the Series 2006A bonds. The bonds with interest payments made semi-annually on February 1 and August 1 each year commencing August 1, 2007 through August 1, 2036, are to be repaid from certain tax revenues and other funds as provided in certain resolutions of the Agency.

The annual debt service requirements to mature the Series 2006A Bonds outstanding at June 30, 2007, were as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 360,000	\$ 570,780	\$ 930,780
2009	165,000	557,354	722,354
2010	170,000	548,786	718,786
2011	180,000	539,835	719,835
2012	190,000	530,372	720,372
2013-2017	1,095,000	2,492,911	3,587,911
2018-2022	1,405,000	2,171,492	3,576,492
2023-2027	1,815,000	1,747,983	3,562,983
2028-2032	2,360,000	1,196,834	3,556,834
2033-2037	3,280,000	487,815	3,767,815
Total	<u>\$ 11,020,000</u>	<u>\$ 10,844,162</u>	<u>\$ 21,864,162</u>

Redevelopment Agency of the City of Pittsburgh
Notes to Basic Component Unit Financial Statements, Continued
For the year ended June 30, 2007

7. LONG-TERM DEBT, Continued

2006 Series C Redevelopment Agency Subordinate Tax Allocation Refunding Bonds

On November 29, 2006, the City issued \$46,660,000 of Series 2006C Bonds bearing interest at 3.50-4.50% to refund, on an advance basis, the Agency's outstanding Los Medanos Community Development Project Tax Allocation Bonds, Series 1993B, to make a deposit to a debt service reserve account, and to pay costs of issuance incurred in connection with issuance, sale and delivery of the Series 2006C bonds. The bonds with interest payments made semi-annually on March 1 and September 1 each year commencing March 1, 2007 through September 1, 2034, are to be repaid from certain tax revenues and other funds as provided in certain resolutions of the Agency.

Net proceeds of \$44,218,319 from the 2006C bonds were deposited in irrevocable escrow fund to be held by an escrow agent to provide for all future debt service payments on the defeased 1993B Bonds. The refunding of the 1993B Bonds resulted in a \$4,383,362 decrease of future aggregate debt service and an economic gain of \$3,675,212. The 1993B bonds are considered to be defeased and the liabilities for those bonds have been removed. As of June 30, 2007, \$39,885,000 of principal remained outstanding on the defeased 1993B bonds.

The annual debt service requirements to mature the Series 2006C Bonds outstanding at June 30, 2007, were as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 685,000	\$ 1,998,158	\$ 2,683,158
2009	140,000	1,981,658	2,121,658
2010	145,000	1,975,958	2,120,958
2011	-	1,973,058	1,973,058
2012	150,000	1,969,683	2,119,683
2013-2017	840,000	9,750,500	10,590,500
2018-2022	1,020,000	9,565,338	10,585,338
2023-2027	1,250,000	9,338,266	10,588,266
2028-2032	10,860,000	8,840,931	19,700,931
2033-2035	31,570,000	2,093,231	33,663,231
Total	<u>\$ 46,660,000</u>	<u>\$ 49,486,779</u>	<u>\$ 96,146,779</u>
Deferred amount on refunding	\$ (4,183,894)		
Total	<u>\$ 42,476,106</u>		

2006 Series A Redevelopment Agency Subordinate Tax Allocation Bonds

On December 7, 2006, the City issued \$75,300,000 of Series 2006A Bonds bearing auction rate bond interest rate to finance certain public capital improvements within the Los Medanos Community Development Project, to fund capitalized interest on the 2006A Bonds through September 1, 2009, to make a deposit to a debt service reserve account, and to pay costs of issuance incurred in connection with the issuance, sale and delivery of the 2006A Bonds. The bonds with interest payments made semi-annually on March 1 and September 1 each year commencing September 1, 2007 through September 1, 2036, are to be repaid from certain tax revenues and other funds as provided in certain resolutions of the Agency.

Redevelopment Agency of the City of Pittsburgh
Notes to Basic Component Unit Financial Statements, Continued
For the year ended June 30, 2007

7. LONG-TERM DEBT, Continued

2006 Series A Redevelopment Agency Subordinate Tax Allocation Bonds, Continued

The 2006 A Bonds were issued as auction rate bonds, with interest calculated daily. The rate fluctuates according to market conditions. In order to protect against the potential of rising interest rates associated with the 2006A Bonds, the Agency entered into a pay-fixed, receivable-variable interest rate swap. The terms, fair value and credit risk of the swap agreement are disclosed in Interest Rate Swap Agreements section. The annual debt service requirements to mature the Series 2006A Bonds outstanding at June 30, 2007, were as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ -	\$ 2,783,183	\$ 2,783,183
2009	-	2,750,709	2,750,709
2010	-	2,750,709	2,750,709
2011	-	2,750,709	2,750,709
2012	-	2,750,709	2,750,709
2013-2017	-	13,753,545	13,753,545
2018-2022	4,450,000	13,618,080	18,068,080
2023-2027	28,375,000	10,052,295	38,427,295
2028-2032	28,875,000	4,500,953	33,375,953
2033-2037	13,600,000	1,200,619	14,800,619
Total	<u>\$ 75,300,000</u>	<u>\$ 56,911,510</u>	<u>\$ 132,211,510</u>

2006 Series B Redevelopment Agency Subordinate Tax Allocation Bonds

On November 29, 2006, the City issued \$36,840,000 of Series 2006B Bonds bearing interest at 5.12-5.22% to finance certain public capital improvements within the Los Medanos Community Development Project, to fund capitalized interest on the 2006B Bonds through September 1, 2009, to make a deposit to a debt service reserve account, and to pay costs of issuance incurred in connection with the issuance, sale and delivery of the 2006B Bonds. The bonds with interest payments made semi-annually on March 1 and September 1 each year commencing March 1, 2007 through September 1, 2020, are to be repaid from certain tax revenues and other funds as provided in certain resolutions of the Agency.

Redevelopment Agency of the City of Pittsburgh
Notes to Basic Component Unit Financial Statements, Continued
For the year ended June 30, 2007

7. LONG-TERM DEBT, Continued

2006 Series B Redevelopment Agency Subordinate Tax Allocation Bonds, Continued

The annual debt service requirements to mature the Series 2006B Bonds outstanding at June 30, 2007, were as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ -	\$ 1,902,796	\$ 1,902,796
2009	-	1,902,796	1,902,796
2010	-	1,902,796	1,902,796
2011	-	1,902,796	1,902,796
2012	1,280,000	1,870,060	3,150,060
2013-2017	17,130,000	7,210,696	24,340,696
2018-2021	18,430,000	1,987,176	20,417,176
Total	<u>\$ 36,840,000</u>	<u>\$ 18,679,115</u>	<u>\$ 55,519,115</u>

Interest Rate Swap Agreements

The 2004 Series A Redevelopment Agency Subordinate Tax Allocation Bonds and the 2006 Series A Redevelopment Agency Subordinate Tax Allocation Bonds were issued as variable rate bonds, with interest calculated daily. The rate fluctuates according to market conditions. In order to protect against the potential of rising interest rates associated with the Bonds, the Agency entered into a pay-fixed, receive-variable interest rate swap. The terms, fair value and credit risk of the swap agreement are disclosed below.

Terms - The terms, including the counterparty credit ratings of the outstanding swap, as of June 30, 2007, are included below. The Agency's swap agreement contains scheduled reductions to outstanding notional amounts that are expected to follow scheduled reductions in the associated bonds.

Associated Bonds	2004A RDA Tax Allocation Bonds	2006A RDA Tax Allocation Bonds
Agency Pays	3.5490%	3.6530%
Agency Receives	63% of 1-month USD-LIBOR +0.35%	63% of 1-month USD-LIBOR +0.30%
Maturity Date	9/1/2035	8/25/2036
Initial Notional	\$117,615,000	\$73,300,000
Bank Counterparty	Piper Jaffray Financial Products Inc. with a Guarantee from Morgan Stanley Capital Services	Piper Jaffray Financial Products Inc. with a Guarantee from Morgan Stanley Capital Services
Credit Ratings by Moody's/Fitch/S&P	Aa3/AA-/A+	Aa3/AA-/A+
Total Value	\$4,180,957.70	\$2,390,377.82

Redevelopment Agency of the City of Pittsburgh
Notes to Basic Component Unit Financial Statements, Continued
For the year ended June 30, 2007

7. LONG-TERM DEBT, Continued

Interest Rate Swap Agreements, Continued

On December 16, 2004, the Agency elected to enter into a 63% of 1-month LIBOR plus 35 basis points (0.35%) floating-to-fixed interest rate swap to hedge the issuance of \$117,615,000 of variable-rate Series A 2004 Bonds. The combination of variable rate bonds and a floating-to-fixed swap creates synthetic fixed-rate debt for the Agency. The transaction allowed the Agency to create a synthetic fixed rate on the Bonds, protecting the Agency against increases in short-term interest rates.

On November 10, 2006, the Agency elected to enter into a 63% of 1-month LIBOR plus 30 basis points (0.30%) floating-to-fixed interest rate swap to hedge the issuance of \$73,300,000 of variable-rate Series A 2006 Variable Rate Bonds. The combination of variable rate bonds and a floating-to-fixed swap creates synthetic fixed-rate debt for the Agency. The transaction allowed the Agency to create a synthetic fixed rate on the Bonds, protecting the Agency against increases in short-term interest rates.

Fair value - The Agency's swap had a positive fair value as of June 30, 2007 of \$4,180,958 and \$2,390,378 for 2004A and 2006A RDA Tax Allocation Bonds, respectively. This fair value takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and any upfront payments that may have been received. The fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps.

Credit risk - As of June 30, 2007, the Agency was exposed to credit risk on its outstanding swap because the swap had a positive fair value of \$4,180,958 and \$2,390,378 for 2004A and 2006A RDA Tax Allocation Bonds, respectively. The Agency is exposed to credit risk in the amount of the derivative's fair value. This amount may increase if interest rates increase in the future. However, if interest rates decline and the fair value of the swap were to become negative, the Agency would no longer be exposed to credit risk. The swap counterparty is Piper Jaffray Financial Products, Inc. who is guaranteed by Morgan Stanley Capital Services, Inc. (MSCS), the guarantor for the counterparty is rated Aa3/A+/AA- by Moody's, Standard & Poor's and Fitch respectively. The Agency will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

The swap agreement contains a collateral agreement with MSCS which guarantees Piper Jaffray. The swap requires collateralization of the fair value of the swap should the MSCS credit rating fall below the applicable thresholds.

Basis risk - Basis risk is the risk that the interest rate paid by the Agency on underlying variable rate bonds to bondholders temporarily differs from the variable swap rate received from the applicable counterparty. The Agency bears basis risk on its swap. The Swap has basis risk since the Agency receives a percentage of LIBOR to offset the actual variable bond rate the Agency pays on its bonds. The Agency are exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the Agency pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

Redevelopment Agency of the City of Pittsburgh
Notes to Basic Component Unit Financial Statements, Continued
For the year ended June 30, 2007

7. LONG-TERM DEBT, Continued

Interest Rate Swap Agreements, Continued

Tax risk - Tax risk is a specific type of basis risk. Tax risk is a permanent mismatch between the interest rate paid on the Agency's underlying variable-rate bonds and the rate received on the swap caused by a reduction or elimination in the benefits of the tax exemption for municipal bonds, e.g. a tax cut that results in an increase in the ratio of tax-exempt to taxable yields. The Agency is receiving 63% of 1-month LIBOR (a taxable index) plus 35 and 30 basis points respectively on the swap and would experience a shortfall relative to the rate paid on its bonds if marginal income tax rates decrease relative to expected levels, thus increasing the overall cost of its synthetic fixed rate debt.

Termination risk - The Agency or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the respective contracts. If any of the swaps are terminated, the associated variable-rate bonds would no longer be hedged to a fixed rate. If at the time of termination the swap has a negative fair value, the Agency would be liable to the counterparty for a payment equal to the swap's fair value.

8. DEFICIT FUND BALANCE

At June 30, 2007, the Low/Moderate Income Housing I Special Revenue Fund had a deficit fund balance of \$8,100,000. The Agency plans to reduce the deficit with future tax increment revenues.

9. COMMITMENTS AND CONTINGENCIES

A. Lawsuits

The Agency is presently involved in certain matters of litigation that have arisen in the normal course of conducting Agency business. Agency management believes, based upon consultation with the Agency Attorney, that these cases will not have a material adverse financial impact on the Agency. Additionally, Agency management believes that the Agency's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

B. Pass-Through Agreements

The Agency has agreements with the County of Contra Costa, College District, Education Office, Fire District, Flood Control District, County Library District, East Bay Regional Parks District, Mosquito Abatement District, Antioch Unified School District and Pittsburg Unified School District which requires it to pass through a portion of its property tax increment to these agencies. The Community Redevelopment Law Reform Act of 1993, also known as AB 1290, require the Agency to also pass through tax increments to other taxing agencies not engaged in agreements with the Agency. The tax increment passed through to all agencies amounted to \$7,232,732 for fiscal year 2006-2007.

Redevelopment Agency of the City of Pittsburgh
Notes to Basic Component Unit Financial Statements, Continued
For the year ended June 30, 2007

10. PRIOR PERIOD ADJUSTMENT

A. Government-Wide Financial Statements:

Prior period adjustments were recorded to the governmental activities to adjust capital assets to bring down the values of three City-sold parcels to RDA to their original historical costs, such as:

- \$2,381,369 - Marina Park parcel sold by the City to RDA in FY2003-04 then re-sold to by RDA to a developer (Sales price - \$2,430,000)
- \$2,007,357 - transactions between the City and RDA for the Power Avenue parcel for the County library (\$1,816,881) and the Center Drive parcel (\$283,119)

	Net Assets, as Previously Reported	Prior Period Adjustments Capital Assets	Net Assets, as Restated
Government-Wide Activities:			
Governmental	\$ 133,687,344	\$ 4,413,549	\$ 138,100,893
Total government-wide activities	<u>\$ 133,687,344</u>	<u>\$ 4,413,549</u>	<u>\$ 138,100,893</u>

REQUIRED SUPPLEMENTARY INFORMATION

Redevelopment Agency of the City of Pittsburgh
Required Supplementary Information
For the year ended June 30, 2007

1. BUDGETARY INFORMATION

The Agency follows these procedures in establishing the budgetary data reflected in the financial statements:

- Public hearings are conducted at the City to obtain public comments.
- The Executive Director is authorized to transfer budgetary amounts within a single fund; however, any revisions that alter the total expenditures of any fund must be approved by the Agency Board.
- Legally adopted budgets and formal budgetary integration is employed as a management control device during the year for the RDA Special Revenue Fund, Low/Moderate Income Housing Fund II Special Revenue Fund, and the RDA Capital Projects Fund. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through bond indenture provisions.
- Budgets for the Redevelopment Agency Special Revenue, Low/Moderate Income Housing II Special Revenue and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- Budgeted revenue amounts represent the original budget modified by adjustments authorized during the year. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year which were contingent upon new or additional revenue sources and reappropriated amounts for prior year encumbrances. The Executive Director must approve adjustments to Agency budgets; however, management may amend the budgeted amounts within departmental expenditure classifications.
- Appropriations lapse at the end of the fiscal year and then are rebudgeted for the coming year.
- No budget was adopted for the Low/Moderate Income Housing I Special Revenue Fund because the Agency had no plans to use this fund for the fiscal year 2006-2007.

Budget appropriations for the various governmental funds become effective each July 1st. The Agency Board may amend the budget during the fiscal year. The legal level of budgetary control has been established at the fund level. Appropriations generally lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

Encumbrances - Under encumbrance accounting, purchase orders, contracts and other commitments for expenditures are recorded to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary accounting. Since encumbrances do not yet constitute expenditures or liabilities, encumbrances outstanding at year-end are reported as reservations of fund balances.

Redevelopment Agency of the City of Pittsburgh
Required Supplementary Information, Continued
For the year ended June 30, 2007

1. BUDGETARY INFORMATION, Continued

The following is the budget comparison schedules for all major special revenue funds.

Budgetary Comparison Schedule, RDA Special Revenue Fund

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 38,427,120	\$ 38,427,120	\$ 43,883,972	\$ 5,456,852
Service fees	75,000	75,000	124,712	49,712
Use of money and property	5,525,444	500,000	1,632,365	1,132,365
Other revenues	-	-	441,299	441,299
Total revenues	44,027,564	39,002,120	46,082,348	7,080,228
EXPENDITURES:				
Current:				
General government	11,171,636	12,931,449	11,264,509	1,666,940
Community development and services	1,852,500	14,988,854	5,250,218	9,738,636
Capital outlay and improvements	2,800,000	3,766,858	2,360,870	1,405,988
Total expenditures	15,824,136	31,687,161	18,875,597	12,811,564
REVENUES OVER (UNDER) EXPENDITURES	28,203,428	7,314,959	27,206,751	19,891,792
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	1,300,000	1,800,000	2,309,250	509,250
Transfers in	-	2,092,246	1,562,182	(530,064)
Transfers out	(14,916,963)	(20,806,788)	(20,292,694)	514,094
Transfers out to the City	(3,000,000)	(3,000,000)	(3,000,000)	-
Total other financing sources (uses)	(16,616,963)	(19,914,542)	(19,421,262)	493,280
Net change in fund balances	\$ 11,586,465	\$ (12,599,583)	7,785,489	\$ 20,385,072
FUND BALANCES:				
Beginning of year			50,242,867	
End of year			\$ 58,028,356	

Redevelopment Agency of the City of Pittsburgh
Required Supplementary Information, Continued
For the year ended June 30, 2007

1. BUDGETARY INFORMATION, Continued

Budgetary Comparison Schedule, Low/Moderate Income Housing II – Special Revenue Fund

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 2,786,500	\$ 2,786,500	\$ 3,203,997	\$ 417,497
Use of money and property	60,000	60,000	303,820	243,820
Other revenues	12,000	12,000	3,477	(8,523)
Total revenues	2,858,500	2,858,500	3,511,294	652,794
EXPENDITURES:				
Current:				
General government	-	-	22,062	(22,062)
Community development and services	50,000	12,806,126	3,359,521	9,446,605
Total expenditures	50,000	12,806,126	3,381,583	9,424,543
REVENUES OVER (UNDER) EXPENDITURES	2,808,500	(9,947,626)	129,711	10,077,337
OTHER FINANCING SOURCES (USES):				
Transfers in	-	11,624,892	2,823,298	(8,801,594)
Transfers out	(1,239,196)	(5,859,801)	(5,132,795)	727,006
Total other financing sources (uses)	(1,239,196)	5,765,091	(2,309,497)	(8,074,588)
Net change in fund balances	\$ 1,569,304	\$ (4,182,535)	(2,179,786)	\$ 2,002,749
FUND BALANCES:				
Beginning of year			5,135,334	
End of year			\$ 2,955,548	

SUPPLEMENTARY INFORMATION

Redevelopment Agency of the City of Pittsburg
Supplementary Information
For the year ended June 30, 2007

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
RDA Capital Project Fund

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ 4,398,801	\$ 794,252	\$ (3,604,549)
Other revenues	-	1,400,000	8,923	(1,391,077)
Total revenues	-	5,798,801	803,175	(4,995,626)
EXPENDITURES:				
Current:				
Community development and services	-	1,727,680	870,143	857,537
Capital outlay and improvements	-	136,340,381	40,301,395	96,038,986
Total expenditures	-	138,068,061	41,171,538	96,896,523
REVENUES OVER (UNDER) EXPENDITURES	-	(132,269,260)	(40,368,363)	91,900,897
OTHER FINANCING SOURCES (USES):				
Transfers in	-	95,680,300	36,979,460	(58,700,840)
Capital contribution	-	-	(180,391)	(180,391)
Transfers in from the City	-	6,837,415	2,879,232	(3,958,183)
Total other financing sources (uses)	-	102,517,715	39,678,301	(62,839,414)
Net change in fund balances	\$ -	\$ (29,751,545)	(690,062)	\$ 29,061,483
FUND BALANCES:				
Beginning of year			690,062	
End of year			\$ -	

Redevelopment Agency of the City of Pittsburgh
Supplementary Information, Continued
For the year ended June 30, 2007

ASSESSED PROPERTY VALUATION (Unaudited)

The assessed property valuation in the Redevelopment Area for the fiscal year ended June 30, 2007, was as follows:

	<u>Base Year</u>	<u>Tax Year 2006-07</u>	<u>Incremental Value</u>
Assessed valuation not including property added in the Third Amendment:			
Secured	\$ 220,904,281	\$ 2,906,287,439	\$ 2,685,383,158
Unsecured	2,446,934	505,923,995	503,477,061
Unitary	<u>15,736,730</u>	<u>1,308,903</u>	<u>(14,427,827)</u>
Totals	<u>\$ 239,087,945</u>	<u>\$ 3,413,520,337</u>	<u>\$ 3,174,432,392</u>
Property in the Third Amendment (See Note 1B):			
Secured	\$ 41,389,951	\$ 624,206,415	\$ 582,816,464
Unsecured	5,558,250	49,500,284	43,942,034
Unitary	<u>472,756</u>	<u>439,125,046</u>	<u>438,652,290</u>
Totals	<u>\$ 47,420,957</u>	<u>\$ 1,112,831,745</u>	<u>\$ 1,065,410,788</u>
Total assessed values for 2006-2007 (including Property in the Third Amendment)			
Secured	\$ 262,294,232	\$ 3,530,493,854	\$ 3,268,199,622
Unsecured	8,005,184	555,424,279	547,419,095
Unitary	<u>16,209,486</u>	<u>440,433,949</u>	<u>424,224,463</u>
Totals	<u>\$ 286,508,902</u>	<u>\$ 4,526,352,082</u>	<u>\$ 4,239,843,180</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Directors
of the Redevelopment Agency of the City of Pittsburg
Pittsburg, California

We have audited the basic financial statements of the Redevelopment Agency of the City of Pittsburg (Agency), a component unit of the City of Pittsburg (City), California, as of and for the year ended June 30, 2007, and have issued our report thereon dated Pittsburg, January 24, 2008. We conducted our audit in accordance with generally accepted auditing standards in the United States 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Toll Free Ph: (877) 862-2200

Toll Free Fax: (866) 436-0927

Oakland

180 Grand Ave., Suite 1365
Oakland, California 94612

Orange County

9 Corporate Park, Suite 100
Irvine, California 92606

Sacramento

777 Campus Commons Rd., Suite 200
Sacramento, California 95825

San Diego

4858 Mercury, Suite 106
San Diego, California 92111

The Board of Directors
of the Redevelopment Agency of the City of Pittsburg
Pittsburg, California
Page 2

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. Such provisions included those provisions of laws identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. 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 result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated January 24, 2008.

This report is intended solely for the information and use of management, the Board of Directors of the Agency, others within the entity, and The State Controller and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Capricci & Carson

Oakland, California
January 24, 2008

APPENDIX B

THE CITY OF PITTSBURG

General Description

The City of Pittsburg (the "City") is located in the eastern portion of Contra Costa County (the "County") at the confluence of the San Joaquin and Sacramento Rivers about 40 miles northeast of San Francisco. Originally a coal shipping port, the City was founded in 1849, and incorporated in 1903 as a general law city. In the 1940's and early 1950's, the City was a major commercial and industrial center for the County and the eastern ports of the greater San Francisco Bay Area. During World War II and the Korean War it was a major military embarkation point. Today, the City is part of the second largest industrial center in the County.

Population

The State Department of Finance estimates the 2008 population of the City to be 63,652. The City anticipates that population. The following table summarizes the City's population in 1990 and from 2000 through 2008.

CITY OF PITTSBURG Population Estimates

<u>Calendar Year</u>	<u>City of Pittsburg</u>	<u>County of Contra Costa</u>	<u>State of California</u>
1990	47,250	797,600	29,758,213
2000	56,769	948,816	33,873,086
2001	58,088	966,897	34,441,561
2002	60,056	983,439	35,088,671
2003	61,166	996,159	35,691,472
2004	61,768	1,008,178	36,245,016
2005	62,521	1,019,101	36,728,196
2006	62,979	1,029,377	37,172,015
2007	62,712	1,037,580	37,559,440
2008	63,652	1,051,674	38,049,462

Source: California Department of Finance for January 1.

Employment

The County is included in the Oakland Metropolitan Statistical Area. The following table summarizes the civilian labor force, employment and unemployment in the County for the calendar years 2001 through 2005. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the City.

**OAKLAND METROPOLITAN STATISTICAL AREA
(ALAMEDA AND CONTRA COSTA COUNTIES)
Civilian Labor Force, Employment and Unemployment, Employment by Industry
(Annual Averages)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<u>Civilian Labor Force</u> ⁽¹⁾	1,268,000	1,259,300	1,259,700		1,281,500
Employment	1,188,300	1,186,400	1,196,200		1,220,600
Unemployment	79,700	72,900	63,500		60,900
Unemployment Rate	6.3%	5.8%	5.0%		4.8%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	2,700	1,500	1,500	1,500	1,500
Natural Resources and Mining	800	1,200	1,100	1,200	1,200
Construction	67,200	69,800	74,000	73,300	72,400
Manufacturing	97,400	98,200	95,400	95,800	93,700
Wholesale Trade	51,100	29,200	48,400	48,800	48,800
Retail Trade	110,000	110,500	112,300	113,300	113,100
Trans., Warehousing, Utilities	36,900	34,200	34,400	35,000	36,100
Information	32,300	31,300	30,400	30,100	29,400
Financial and Insurance	49,600	49,500	51,700	49,400	45,400
Real Estate, Rental & Leasing	18,300	18,100	18,800	18,200	16,900
Professional and Business Services	143,400	147,700	150,600	154,900	155,500
Educational and Health Services	117,400	117,200	118,600	121,800	124,700
Leisure and Hospitality	80,600	80,600	82,600	85,600	887,500
Other Services	37,700	36,600	35,800	35,900	36,200
Federal Government	18,300	17,600	17,400	17,300	17,100
State Government	48,800	47,000	46,100	45,800	46,400
Local Government	<u>115,000</u>	<u>115,100</u>	<u>116,500</u>	<u>118,900</u>	<u>123,400</u>
Total All Industries	1,054,800	1,039,800	1,024,700	1,046,900	1,049,100

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: Labor Division of the California State Employment Development Department.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2000 through 2005.

**Effective Buying Income
As of January 1, 2000 through 2005**

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2000	City of Pittsburg	\$ 982,971	\$49,717
	Contra Costa County	24,823,698	60,189
	California	652,190,282	44,464
	United States	5,230,824,904	39,129
2001	City of Pittsburg	\$ 912,806	\$46,909
	Contra Costa County	23,902,953	56,507
	California	650,521,407	43,532
	United States	5,303,481,498	38,365
2002	City of Pittsburg	\$ 892,195	\$44,884
	Contra Costa County	24,571,388	54,448
	California	647,879,427	42,484
	United States	5,340,682,818	38,035
2003	City of Pittsburg	\$ 966,668	\$45,433
	Contra Costa County	25,962,828	54,862
	California	674,721,020	42,924
	United States	5,466,880,008	38,201
2004	City of Pittsburg	\$ 988,830	\$46,396
	Contra Costa County	27,273,658	56,165
	California	705,108,410	43,915
	United States	5,692,919,567	39,324
2005	City of Pittsburg		
	Contra Costa County		
	California	720,798,106	44,681
	United States	5,894,663,364	40,529

Source: Sales & Marketing Management Survey of Buying Power.

Major Employers

The City is part of the second largest industrial center in the County. Most of the industrial plants are located within City limits on contiguous parcels. The leading group classes of products are: power, steel, chemicals, paper, glass, roofing materials, liquid oxygen and oil. The largest employers in the Pittsburg area are as follows.

**CITY OF PITTSBURG
Major Employers
As of May 2006**

<u>Employer</u>	<u>Number of Employees</u>
Pittsburg Unified School District	1400
U.S.S. Posco Industries	1000
Los Medanos Community College	640
City of Pittsburg	400
Dow Chemical Company	380
Wal-Mart	220
Home Depot	180
Target	170
Loctite Aerospace	160
Safeway	150
American Color Graphics	140
Ramar International Corporation	120
Best Buy	100
Redwood Painting	100
Raleys	100
SBC	100
Viking Industrial Corporation	90
Signode Corporation	85
Albertsons	75
Markstein Beverage Company	70
Save Mart	65
Delta Diablo Sanitation District	65
Praxair, Inc.	60
Calpine	60

Source: Pittsburg Chamber of Commerce.

Commercial Activity

During the first two quarters of calendar year 2007, total taxable transactions in the City were reported to be \$341,149,000, or 0.46% higher than total taxable transactions of \$339,590,000 that were reported in the City during the first two quarters of calendar year 2006. A summary of historic taxable sales within the City during the past five years is shown in the following table.

**CITY OF PITTSBURG
Taxable Transactions
(figures in thousands)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Retail Stores					
Apparel Stores	\$ 21,205	\$ 21,035	\$ 20,931	\$17,688	\$16,597
General Merchandise Stores	89,747	83,911	79,693	83,484	84,021
Food Stores	33,150	30,535	31,888	32,518	31,941
Eating and Drinking Places	45,076	49,069	49,481	51,660	55,718
Home Furnishings and Appliances	18,476	28,698	24,208	24,025	22,828
Bldg. Materials and Farm Implmnts.	89,778	89,410	91,895	88,947	74,232
Auto Dealers and Auto Supplies	182,572	99,215	166,425	191,786	172,198
Service Stations	10,898	22,647	30,095	34,712	40,853
Other Retail Stores	<u>101,904</u>	<u>69,718</u>	<u>72,722</u>	<u>76,476</u>	<u>76,520</u>
Retail Store Totals	592,806	494,238	567,338	601,296	574,908
All Other Outlets	<u>114,417</u>	<u>105,081</u>	<u>121,400</u>	<u>146,683</u>	<u>130,449</u>
TOTAL ALL OUTLETS	<u>\$ 707,223</u>	<u>\$ 599,319</u>	<u>\$ 688,738</u>	<u>\$ 747,979</u>	<u>\$ 705,357</u>

Source: State Board of Equalization.

Construction Trends

Provided below are the building permits and valuations for the City of Pittsburg for calendar years 2003 through 2007.

**CITY OF PITTSBURG
Total Building Permit Valuations
(valuations in thousands)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<u>Permit Valuation</u>					
New Single-family	\$92,996.8	\$38,622.6	\$60,847.8	\$27,971.3	\$42,631.0
New Multi-family	15,905.9	709.3	1,123.7	11,630.0	27,621.6
Res. Alterations/Additions	<u>5,195.8</u>	<u>4,925.2</u>	<u>7,125.3</u>	<u>10,587.7</u>	<u>5,787.7</u>
Total Residential	114,098.5	44,257.0	69,096.7	50,189.0	76,040.2
New Commercial	10,364.8	442.0	1,014.2	11,937.5	7,308.1
New Industrial	2,440.7	7,828.3	4,000.0	0.0	4,237.2
New Other	820.0	1,136.5	3,950.3	2,093.8	2,511.7
Com. Alterations/Additions	<u>6,699.4</u>	<u>9,763.6</u>	<u>5,216.0</u>	<u>19,923.8</u>	<u>25,292.7</u>
Total Nonresidential	20,325.0	19,170.4	14,180.5	33,955.1	39,349.7
 <u>New Dwelling Units</u>					
Single Family	482	213	310	156	229
Multiple Family	<u>296</u>	<u>10</u>	<u>24</u>	<u>103</u>	<u>330</u>
TOTAL	778	223	334	259	559

Source: Construction Industry Research Board, *Building Permit Summary*

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APPENDIX C

SUMMARY OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture not previously discussed in this Official Statement. Such summary is not intended to be definitive, and reference is made to the 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 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 will be the amount set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, will 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.

“Adjusted Tax Revenues” means, for any period of time, the Tax Revenues for such period less such amount of Tax Revenues for such period attributable to each taxpayer of *ad valorem* taxes in the Project Area which represents 7.5% or more of the assessed value of the property within the Project Area as shown on the most recent equalized assessment roll of the County of Contra Costa.

“Agency” means the Redevelopment Agency of the City of Pittsburg, 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 Bonds and Parity Obligations Outstanding on such date plus the Additional Parity Obligations proposed to be issued.

“Authorized Denominations” means, with respect to Bonds of any Series, the denomination or denominations designated as such in the Supplemental Indenture authorizing such Bonds.

“Authorized Agency Representative” means the Chair of the Agency, 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 Chair of the Agency.

“Balloon Indebtedness” means, with respect to any Series of Obligations twenty-five percent (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 will 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 will be zero; and provided further that, for any Fiscal Year, if Tax Revenues during the immediately preceding Fiscal Year were not equal to at least 150% of Combined Maximum Adjusted Annual Debt Service on all then Outstanding Parity Obligations and Senior Bonds, the percentage in clause (i) of this definition will be 1.00% per annum.

“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 Redevelopment Agency of the City of Pittsburg Los Medanos Community Development Project Subordinate Tax Allocation Bonds 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 will 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 will 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 Bonds and Parity Obligations.

“Combined Maximum 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 maximum amount of Adjusted Combined Debt Service becoming due on the Applicable Combined Obligations in the then current or any future Fiscal Year, as adjusted as provided in this definition and calculated by the Agency or by a Consultant. For purposes of calculating Combined Maximum Adjusted Annual Debt Service, the determination of Combined Debt Service on the Applicable Combined Obligations coming due in each Fiscal Year will 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 will be nationally recognized within its profession for works of the character required. Such accountants or accounting firm will be Independent Certified Public Accountants licensed to practice in the State of California. Any financial consultant or firm of such consultants will 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 will 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.

“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 will 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 will 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, will 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 Maximum 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 will be, part of a Commercial Paper Program, but which would not constitute Balloon Indebtedness, will 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 Maximum 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 Maximum Adjusted Annual Debt Service or the interest deposit, as applicable, each maturity which constitutes, or upon issuance would constitute, Balloon Indebtedness will 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 will 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, will 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 will 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 Maximum 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 will be Tax-Exempt Variable Rate Indebtedness (except to the extent paragraph (h) below applies), then the interest rate on such Additional Parity Obligations will be assumed to be 110% of the average TBMA Index during the calendar quarter preceding the calendar quarter in which the calculation of Combined Maximum 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 will 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 will 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 Maximum 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 will be determined for purposes of calculating Combined Maximum 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 will 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 will 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 will be deemed to be the rate at which the related Additional Parity Obligations which are to constitute Variable Rate Indebtedness will be assumed to bear interest;

(i) if any of the Applicable Combined Obligations or Parity Obligations, as applicable, are, or upon issuance will be, Paired Obligations, the interest thereon will 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 Maximum 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 will 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 Maximum 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 will 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 will 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 will 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 will 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 will 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.

“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 will include any Nominee of DTC in whose name any Bond is registered.

“Eighth Supplemental Indenture” will mean the Eighth Supplemental Indenture supplementing the Master Indenture, as the same may be amended and supplemented.

“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:

	<u>Valuation Percentage</u>
1. Cash in United States Dollars	100%
2. Negotiable debt obligations issued by the U.S. Treasury Department having a remaining maturity of not more than one (1) year.	100%
3. Negotiable debt obligations issued by the U.S. Treasury Department having a remaining maturity of more than one (1) year but not more than five (5) years.	98.5%
4. Negotiable debt obligations issued by the U.S. Treasury Department having a remaining maturity of more than five (5) years but not more than ten (10) years.	97.5%
5. Negotiable debt obligations issued by the U.S. Treasury Department having a remaining maturity of more than ten (10) years.	96%
6. Agency Securities having a remaining time to maturity as of the Valuation Date of not more than five (5) years.	98.5%
7. Agency Securities having a remaining time to maturity as of the Valuation Date of more than five (5) years but not more than ten (10) years.	97.5%
8. Agency Securities having a remaining time to maturity as of the Valuation Date of more than ten (10) years but not more than thirty (30) years.	96%

For purposes of the foregoing, “Agency Securities” will 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, including Collateralized Mortgage Obligations and Real Estate Mortgage Investment Conduits but excluding interest only and principal only securities.

“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 will 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 will 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 will not, in and of itself, adversely affect the Tax-Exempt status of interest on the Bonds or such portion thereof as will 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.

“Fifth Supplemental Indenture” will mean that certain Fifth Supplemental Indenture of Trust, dated as of December 1, 2006, between the Agency and the Trustee, supplementing the Master Indenture, as the same may be amended and supplemented.

“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 December 1, 2004, 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.

“Fourth Supplemental Indenture” will mean that certain Fourth Supplemental Indenture of Trust, dated as of December 1, 2006, between the Agency and the Trustee, supplementing the Master Indenture, as the same may be amended and supplemented.

“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.

“Indenture” means, the Master Indenture, as supplemented and amended from time to time by Supplemental Indentures.

“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” means, with respect to a Series of Bonds, each date on which interest on Bonds of such Series is scheduled to be paid as set forth in, or determined in accordance with, the Supplemental Indenture authorizing the issuance of such Series.

“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.

“Master Indenture” means the Amended and Restated Indenture of Trust, dated as of December 1, 2004 between the Agency and the Trustee, as the provisions of the Indenture may be modified or amended from time to time in accordance with 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 will be expressed as a positive number and if a Net Payment is receivable by the Agency, it will 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 will 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.

“Original Subordinate Indenture” means the Indenture of Trust, dated as of December 1, 1996, between the Agency and First Trust of California, National Association.

“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” will 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 2004 Series Bonds and the 2004 Swap (excluding any Termination Payments thereunder).

“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.

“Pass-Through Agreements” means (i) the Fiscal Agreement, dated as of July 16, 1993, between the Agency and the of Contra Costa County Office of Education, (ii) the Fiscal Agreement, dated as of July 19, 1993,

between the Agency and the Contra Costa County Mosquito Abatement District, (iii) the Fiscal Agreement, dated as of July 20, 1993, between the Agency and the County of Contra Costa, (iv) the Fiscal Agreement, dated as of August 10, 1993, between the Agency and the Antioch Unified School District and (v) the Fiscal Agreement, dated as of August 10, 1993, between the Agency and the Contra Costa Community College District (vi) the Fiscal Agreement, dated as of August 26, 1993, between the Agency and the Pittsburg Unified School District, (vii) the Fiscal Agreement, dated as of September 7, 1993, between the Agency and the East Bay Regional Park District, and (viii) the Fiscal Agreement, dated as of November 9, 1993, between the Agency and the Mt. Diablo Unified School District, such agreements having been entered into by the Agency pursuant to Section 33401 of the Law, together with any amendments thereof hereafter duly authorized pursuant to the Law.

“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 obligations if and to the extent that they are permissible investments of funds of the Agency as stated in its current investment policy (the Trustee may rely on the investment directions of the Agency that the investment is approved by the Agency’s investment policy) and to the extent then permitted by law:

(a) Federal Securities;

(b) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

—Export-Import Bank

—Rural Economic Community Development Administration

—U.S. Maritime Administration

—Small Business Administration

—U.S. Department of Housing & Urban Development (PHAs)

—Federal Housing Administration

—Federal Financing Bank

(c) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

—Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).

—Obligations of the Resolution Funding Corporation (REFCORP)

—Senior debt obligations of the Federal Home Loan Bank System

—Senior debt obligations of other Government Sponsored Agencies acceptable to each Credit Provider whose acceptance is required by a Supplemental Indenture or a Credit Support Agreement.

(d) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks (including the Trustee and its affiliates) which have a rating on their short term certificates of deposit on the date of purchase of “P-1” by Moody’s and “A-1” or “A-1+” by S&P and maturing not more than 360 calendar days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);

(e) Commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s and “A-1+” by S&P and which matures not more than 270 calendar days after the date of purchase;

(f) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P, including funds for which the Trustee or its affiliates provide investment advisory or other management services;

(g) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Moody’s or S&P or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or Federal Securities, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(h) Municipal obligations rated “Aaa/AAA” or general obligations of States with a rating of “A2/A” or higher by both Moody’s and S&P;

(i) Investment agreements acceptable to each Credit Provider whose acceptance is required by a Supplemental Indenture or a Credit Support Agreement (supported by appropriate opinions of counsel);

(j) 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 in the treasury of the State;

(k) California Asset Management Program (CAMP); and

(l) Other forms of investments (including repurchase agreements) acceptable to each Credit Provider whose acceptance is required by a Supplemental Indenture or a Credit Support Agreement.

The value of the above investments will be determined as follows:

a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund will be valued at fair market value. The Trustee will determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers will include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers.

b) As to certificates of deposit and bankers’ acceptances: the face amount thereof, plus accrued interest thereon; and

c) As to any investment not specified above: the value thereof established by prior agreement among the Agency, the Trustee, and each Credit Provider whose acceptance is required by a Supplemental Indenture or a Credit Support Agreement.

“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 the project area described in the Redevelopment Plan, known as the Los Medanos Community Development Project.

“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 will not be lowered or withdrawn solely as a result of the occurrence of such event.

“Rebate Fund” means the fund designated as the “2008 Series A Rebate Fund” established in the Eighth Supplemental Indenture.

“Rebate Instructions” means those calculations and written directions required to be delivered to the Trustee by the Agency pursuant to the Eighth Supplemental Indenture.

“Rebate Requirement” means the Rebate Requirement as defined in the 2008 Series A Tax Certificate.

“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 Los Medanos Community Development Project Subordinate 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 the Los Medanos Community Development Plan — Amendment II for the Los Medanos Community Development Project Area of the Agency in Pittsburg, California, adopted and approved as the Redevelopment Plan for the Project by Ordinance No. 83 844, adopted by the City Council of the City of Pittsburg, California on November 28, 1983, together with all amendments thereof or supplements thereto hereafter made in accordance with the Law.

“Refunded Bonds” means that portion of the Redevelopment Agency of the City of Pittsburg Los Medanos Community Development Project Tax Allocation Bonds, Series 2006 A issued pursuant to the Fourth Supplemental Indenture, that portion of the Redevelopment Agency of the City of Pittsburg Los Medanos Community Development Project Tax Allocation Bonds, Series 1999 issued pursuant to Resolution 99-695 and that portion of the Redevelopment Agency of the City of Pittsburg Los Medanos Community Development Project Tax Allocation Bonds, Series 2003A issued pursuant to Resolution 03-892, and outstanding as of the date of delivery of the 2008 Series A Bonds.

“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” 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.

“Reserve Financial Guaranty” means a policy of municipal bond insurance or surety bond issued by a municipal bond 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.

“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.

“Second Supplemental Indenture” means that certain Second Supplemental Indenture of Trust, dated as of December 1, 2004, between the Agency and the Trustee, supplementing the Master Indenture, as the same may be amended and supplemented.

“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, collectively, the Redevelopment Agency of the City of Pittsburg Los Medanos Community Development Project Tax Allocation Bonds, Series 1993B, the Redevelopment Agency of the City of Pittsburg Los Medanos Community Development Project Tax Allocation Refunding Bonds, Series 1999, the Redevelopment Agency of the City of Pittsburg Los Medanos Community Development Project Tax Allocation Refunding Bonds, Series 2002A and the Redevelopment Agency of the City of Pittsburg Los Medanos Community Development Project Tax Allocation Bonds, Series 2003A.

“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 Resolution) established under the Senior Resolution with respect to Senior Bonds and any other amounts required to be deposited in the Accounts (as defined in the Senior Resolution) established under the Senior Resolution.

“Senior Resolution” means Resolution No. 86-128 of the Agency adopted on August 14, 1986, which Resolution was supplemented and amended on August 1, 1988, by Resolution No. 88-193 of the Agency, on October 3, 1988 by Resolution No. 88-200 of the Agency, on November 7, 1988 by Resolution No. 88-203 of the Agency, on November 4, 1991 by Resolution No. 91-307 of the Agency, on December 19, 1992 by Resolution No. 92-377 of the Agency, on November 9, 1993 by Resolution No. 93-437 of the Agency, on November 9, 1993 by Resolution No. 93-438 of the Agency, on April 18, 1994 by Resolution No. 94-450 of the Agency, on March 4, 1996 by Resolution No. 96-538 of the Agency, on October 20, 1997 by Resolution No. 97-599, on September 20, 1999 by Resolution No. 99-695, on November 19, 2001 by Resolution No. 01-805, on March 18, 2002 by Resolution No. 02-819, on January 6, 2003 by Resolution No. 03-862, on April 21, 2003 by Resolution No. 03-875 and on May 19, 2003 by Resolution No. 03-892.

“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 1999 Bonds” means the Agency’s Redevelopment Agency of the City of Pittsburg Los Medanos Community Development Project Subordinate Tax Allocation Bonds, Series 1999, pursuant to Resolution 99-695, adopted as of September 20, 1999.

“Series 2003A Bonds” means the Agency’s Redevelopment Agency of the City of Pittsburg Los Medanos Community Development Project Subordinate Tax Allocation Bonds, Series 2003A, pursuant to Resolution 03-892, adopted as of May 19, 2003.

“Series 2006 A Bonds” means the Agency’s Redevelopment Agency of the City of Pittsburg Los Medanos Community Development Project Subordinate Tax Allocation Bonds, Series 2006 A, authorized by Article II of the Fourth Supplemental Indenture.

“Set Aside Revenues” means, for any period of time, the portion of 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 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.

“Seventh Supplemental Indenture” means that certain Seventh Supplemental Indenture of Trust, dated as of May 1, 2008, between the Agency and the Trustee, supplementing the Master Indenture, as the same may be amended and supplemented.

“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.

“Sixth Supplemental Indenture” means that certain Sixth Supplemental Indenture of Trust, dated as of December 1, 2006, between the Agency and the Trustee, supplementing the Master Indenture, as the same may be amended and supplemented.

“Special Fund” means the Los Medanos Community Development Project Subordinate Tax Allocation Bonds 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.

“Subordinate 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 payable during such period, (iii) except to the extent subordinated to Debt Service on Parity Obligations, (A) amounts, if any, payable to a taxing

entity pursuant to Section 33607.5 of the California Health and Safety Code during such period and (B) amounts, if any, payable during such period under any Pass-Through Agreements, 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 Public Finance Contracts entered into in connection with any Bonds.

“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.

“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 California Government Code during such period, (ii) except to the extent subordinated to Senior Debt Service and Debt Service on Parity Obligations, (A) amounts, if any, payable to a taxing entity pursuant to Section 33607.5 of the California Health and Safety Code during such period and (B) amounts, if any, payable during such period under any Pass-Through Agreements, and (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 (b) all receipts and payments made to the Agency pursuant to Public Finance Contracts entered into in connection with any Bonds.

“TBMA Index” means The Bond Market Association Municipal Index as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, Tax-Exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or as otherwise designated by The Bond Market Association; provided, however, that, if such index is no longer produced by Municipal Market Data, Inc. or its successors, then “TBMA Index” will mean such other reasonably comparable index selected by the Agency.

“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.

“Third Supplemental Indenture” means that Third Supplemental Indenture of Trust, dated as of March 1, 2005, between the Agency and the Trustee, supplementing the Master Indenture, as the same may be amended and supplemented in accordance with the provisions of the Master Indenture.

“Trustee” means, The Bank of New York Mellon Trust Company, N.A., as trustee for the Bonds under the Indenture and any successor satisfying the requirements of the Indenture.

“2008 Series A Bonds” means the 2008 Series A Bonds.

“2008 Series A Bonds Continuing Disclosure Certificate” means the Continuing Disclosure Certificate, dated as of November 1, 2008, of the Agency, relating to the 2008 Series A Bonds, as the same may be amended and supplemented.

“2008 Series A Bonds” will mean the Agency’s Redevelopment Agency of the City of Pittsburg Los Medanos Community Development Project Subordinate Tax Allocation Refunding Bonds, 2008 Series A.

“2008 Series A Costs of Issuance Fund” means the 2008 Series A Costs of Issuance Fund established pursuant to Section 2.04 of this Eighth Supplemental Indenture.

“2008 Series A Tax Certificate” will mean 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.

“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.

THE INDENTURE

Authorization of Bonds

The Indenture provides certain terms and conditions upon which Bonds of the Agency to be designated as “Redevelopment Agency of the City of Pittsburg Los Medanos Community Development Project Subordinate Tax Allocation Bonds” 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 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 will not constitute a charge against the general credit of the Agency but will 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 will 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 will be payable from such sources as are specified in the Supplemental Indenture authorizing the issuance of such Series. The provisions of this paragraph will 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 will 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, will be deemed to be and will 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 will be executed by the Agency for issuance under the Indenture and delivered to the Trustee and thereupon will 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 will 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 will 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 will constitute Serial Obligations and which, if any, will 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, will 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 will 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 other than the 2004 Series Bonds, the Trustee will 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 will 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 will 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 will 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 will 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 will 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 paragraph (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 will constitute Parity Obligations, provided (i) the Qualified Swap Agreement will 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 will not exceed the principal amount of the related Parity Obligation or the amount of such investments, as applicable; and (iii) the Agency has received a Rating Confirmation from each Rating Agency with respect to such 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 Maximum Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Bonds, such Refunding Parity Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues is not greater than the Combined Maximum Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Bonds and any unsubordinated loans if such Refunding Bonds were not issued.

(c) Without regard to paragraph (e) below, the Agency may issue the 2004 Series Bonds and may enter into a Qualified Swap Agreement with respect to all or a portion of the Series 2004 Bonds.

(d) Without regard to paragraph (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: (i) 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, except in cases where such reductions are not applicable to payment of Senior Debt Service on Senior Bonds issued prior to December 31, 1993) expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Additional Parity Obligations are Outstanding will be in an amount equal to at least 125% of the Combined Maximum Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Bonds and such Additional Parity Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law; and (ii) the Adjusted 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, except in cases where such reductions are not applicable to payment of Senior Debt Service on Senior Bonds issued prior to December 31, 1993) expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Additional Parity Obligations are Outstanding will be in an amount equal to at least 100% of the Combined Maximum Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Bonds 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 will 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 will provide that: (i) such proceeds will 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 (a) 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, except in cases where such reductions are not applicable to payment of Senior Debt Service on Senior Bonds issued prior to December 31, 1993) will be in an amount equal to at least 125% of the Combined Maximum Adjusted Annual Debt Service on all then Outstanding

Parity Obligations (exclusive of disqualified Bonds described in the Indenture), Senior Bonds 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 (b) Adjusted 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, except in cases where such reductions are not applicable to payment of Senior Debt Service on Senior Bonds issued prior to December 31, 1993) will be in an amount equal to at least 100% of the Combined Maximum Adjusted Annual Debt Service on all then Outstanding Parity Obligations (exclusive of disqualified Bonds described in the Indenture), Senior Bonds 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 will 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 will 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 will 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 will be, and will 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 will contain provisions (which will 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 will 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 will 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, will 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 will 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 will have occurred and be continuing (under circumstances when the provisions of (1) above will not be applicable), the owners of all Outstanding Parity Obligations will 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 will 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 will 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 will 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 will 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 will have terms and conditions, including terms of maturity, payment, prepayment and interest rate, as will 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 will not issue any additional (including any refunding) Senior Bonds under the Senior Resolution 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 will 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, will 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 Los Medanos Community Development Project Subordinate Tax Allocation Bonds 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 Los Medanos Community Development Project Subordinate Tax Allocation Bonds 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 Resolution) established under the Senior Resolution, the Agency will 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 will 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, will be released from the pledge and lien under the Indenture and may be used for any lawful purposes of the Agency. There will 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, will 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 will have no beneficial right or interest in any of such money, except only as provided in the Indenture. All such Subordinate Pledged Tax Revenues will nevertheless be disbursed, allocated and applied solely to the uses and purposes in the Indenture set forth, and will 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 will 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 the 2004 Swap, 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 will immediately upon receipt thereof be deposited in the Interest Account. All moneys in each of such accounts will be held in trust by the Trustee and will be applied, used and withdrawn only for the purposes in the Indenture after authorized in the Indenture.

(1) Interest Account. The Trustee will 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 will 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 will deposit in the Interest Account all receipts and payments made to the Agency pursuant to the 2004 Swap, 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 will 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 will 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 will 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 will become due and payable.

(2) Principal Account. The Trustee will 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 will 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 will become due and payable.

(3) Sinking Fund Account. The Trustee will 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 will 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 will 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 will be cancelled and will 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 will be satisfied.

(4) Debt Service Reserve Account.

(i) The Trustee will 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 will 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 will be replenished in the following priority: (i) principal and interest on Reserve Financial Guaranties will 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 will 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 will 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 will 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 will exceed the Debt Service Reserve Requirement, such excess will 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 will 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 will be transferred to the Special Fund.

(iv) In the event of the refunding of one or more Bonds (or portions thereof), the Trustee will, 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 will not be made unless (a) immediately thereafter the Bonds (or portions thereof) being refunded will 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, will 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 will 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 will 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 will 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, will 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 will no longer maintain the required ratings set forth in the definition of "Reserve Financial Guaranty," the Agency will 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 will 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 will 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 will 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, will 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.

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, will 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 will, 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 will be set aside in said Fund and will 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, will 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, will 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 will be transferred to the Interest Account; provided, however, that if said moneys are part of the proceeds of Refunding Obligations said moneys will be applied as provided in the Issuing Instrument authorizing the issuance of such Refunding Obligations.

Depositories. The Trustee will 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 will be held in trust and applied only in accordance with the provisions of the Indenture, and each of the Funds established by the Indenture will 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 will permit the moneys so held to be available for use at the time when reasonably expected to be needed. No Fiduciary will 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 will 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 will 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 will 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 will be represented by obligations or certificates of deposit purchased as an investment of such moneys.

All moneys deposited with a Fiduciary will be credited to the particular Fund to which such moneys belong.

Investment of Certain Funds. Moneys held in the Special Fund will be invested and reinvested by the Trustee to the fullest extent practicable in “Permitted Investments” which mature not later than such times as will 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 will be invested and reinvested by the Trustee to the fullest extent practicable in securities described in clauses (a), (b), (c), (d), (f) and (g) of the definition of “Permitted Investments” which mature, or which may be drawn upon, not later than such times as will 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 will make all such investments of moneys held by it and will 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 will 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 will be promptly confirmed in writing by such Authorized Agency Representative. In the absence of any such written investment directions, the Trustee will, 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.”

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 will 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 will be separately accounted for. The Trustee may act as principal or agent in the acquisition or disposition of investments.

Nothing in the Indenture will 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 will be deemed at all times to be a part of such Fund and any profit realized from the liquidation of such investment will be credited to such Fund and any loss resulting from the liquidation of such investment will 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 will be directed by the Agency so to do or whenever it will 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 will 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 will 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 will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Indenture required to be observed and performed by it, and will 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 will be extended or funded, whether or not with the consent of the Agency, such claim for interest so extended or funded will 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 will 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 will require the Agency to make any such payments so long as the Agency in good faith will 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 will 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 will become due; provided that nothing in the Indenture contained will require the Agency to make any such payments so long as the Agency in good faith will 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 will be assessed and taxed in the same manner as privately-owned property (in accordance with the Law), and the lease or contract will provide (1) that the lessee will 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 will 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 will 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 will 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, will cause (i) 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 one hundred twenty-five percent (125%) of the Combined Maximum Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law, or (ii) the amount of projected Adjusted 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 one hundred percent (100%) of the Combined Maximum Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Bonds 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 will 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 and Adjusted Tax Revenues is such that the Combined Maximum Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Bonds 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 and Adjusted Tax Revenues is such that the Combined Maximum Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Bonds 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 will not adopt such proposed amendment. The Trustee will be entitled to rely upon any said Consultant's Report and will have no duty to verify the information or statements set forth therein.

Subordinate Pledged Tax Revenues. The Agency will 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 will 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 will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the 2008 Series A Bonds under Section 103 of the Code. The Agency will not directly or indirectly use or permit the use of any proceeds of the 2008 Series A Bonds in such a manner as would adversely affect the exclusion of interest on any 2008 Series A Bonds from gross income under Section 103 of the Code. The Agency will not directly or indirectly use or permit the use of any proceeds of any 2008 Series A Bonds, or of any facilities financed thereby, or other funds of the Agency, or take or omit to take any action, that would cause any 2008 Series A Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code. To that end, the Agency will comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the 2008 Series A Bonds. In the event that at any time the Agency is of the opinion that for purposes of this Section it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the Indenture, the Agency will so instruct the Trustee in writing, and the Trustee will take such action as may be directed in such instructions.

(a) The Agency specifically covenants that:

Except as approved in a Favorable Opinion of Bond Counsel, the Agency will not allow the amount of Gross Proceeds of the 2008 Series A Bonds invested during any Bond Year in Nonpurpose Investments with a Yield in excess of the Yield on the 2008 Series A Bonds to exceed the lesser of (a) one hundred fifty percent (150%) of the scheduled debt service on the 2008 Series A Bonds for that Bond Year or (b) the amounts on deposit in the Debt Service Reserve Fund and attributed to the 2008 Series A Bonds (provided that such amounts do not exceed ten percent (10%) of the proceeds of the 2008 Series A Bonds) plus \$100,000.

The Agency will pay or cause to be paid the Rebate Requirement as provided in the 2008 Series A Tax Certificate.

The Agency will determine the amount of and cause to be deposited in the Rebate Fund the Rebate Requirement as provided in the 2008 Series A Tax Certificate (which is incorporated herein by reference as if set forth in full herein). Subject to the provisions of this Section, moneys held in the Rebate Fund are hereby pledged to secure payments to the United States of America, and the Agency and the Owners of the 2008 Series A Bonds will have no rights in or claim to such moneys. The Trustee will invest all amounts held in the Rebate Fund as directed in writing by an Authorized Agency Representative.

Upon receipt of the Rebate Instructions required to be delivered to the Trustee, the Trustee will remit part or all of the balance held in the Rebate Fund, together with any completed forms to be filed therewith prepared by the Agency and delivered with such Rebate Instructions, to the United States of America to the extent so directed, including rebate due in connection with any Series of 2008 Series A Bonds. In addition, if the Rebate Instructions so direct, the Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such Accounts or Funds as the Rebate Instructions direct.

The Trustee will conclusively be deemed to have complied with the provisions of this Section if it follows the directions of the Agency set forth in the Rebate Instructions and will not be required to take any actions thereunder in the absence of Rebate Instructions from an Authorized Agency Representative.

(b) For purposes of this Section, capitalized terms not defined pursuant to Indenture will have the meanings ascribed to such terms in the 2008 Series A Tax Certificate.

Agreements with Other Taxing Agencies. So long as any Bonds or other Parity Obligations are Outstanding, the Agency will 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 (as it existed on December 31, 1993) 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 hereby 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 will annually, not later than November 1 (commencing November 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 Indenture, 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 will 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 will, 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 will not be required and such Bonds will 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 will (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 will not be necessary for the consent of the Owners to approve the particular form of any Supplemental Indenture, but it will be sufficient if such consent will 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 will 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 will briefly set

forth the nature of the proposed Supplemental Indenture and will 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 will 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 will refer to the proposed Supplemental Indenture described in the notice of the proposed Supplemental Indenture and will 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 will 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 will 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 will 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 will 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 will be deemed to be to the applicable Credit Provider.

(f) For purposes of this caption “Amendments to Indenture,” it will not be necessary that consents of the Owners of any particular percentage of Outstanding Bonds of any affected Series be obtained but it will 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 will 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 will 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 will 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 will 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 will 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, will 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 will 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 will 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 will 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 will 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 will 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 will 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 will 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 will take effect; provided that no such resignation will take effect until a successor will 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 will be effective until 30 days have lapsed from the filing of such instrument with the Trustee and until a successor will have been appointed in accordance with the Indenture.

Defeasance

Payment of Bonds. (a) If the Agency will pay, or cause to be paid, or there will 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, will cease and terminate and will be completely discharged and satisfied and the Agency will be released therefrom and the Trustee will 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 will 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, will remain in effect and will be binding upon the Agency, the Trustee and the Owners and the Trustee will 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 will remain in effect and will 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 will 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 will remain in effect and will 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 will have been set aside and will 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, will 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 will be in an Authorized Denomination) will 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 will continue) if (1) in case said Bond (or portion thereof) is to be redeemed on any date prior to maturity, the Agency will 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 will have been deposited with an Escrow Agent either moneys in an amount which will be sufficient, or Federal Securities, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, held by such Escrow Agent for such purpose, will 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 will 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 will 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 will specify the principal amount of such Bond which will 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 will 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 will 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, will be withdrawn or used for any purpose other than, and will 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 will not be required at any time for such payment, as evidenced by an Accountant's Certificate, will 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 will be required for such payment at a later date, will, 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, will 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 will 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, will 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 will deliver to the Escrow Agent a Favorable Opinion of Bond Counsel with respect to such substitution.

Defeasance of Portion of Bond. If there will be deemed paid pursuant to the Indenture less than all of the full principal amount of a Bond, the Agency will execute and the Trustee will 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 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 will have been given as in the Indenture provided or provision satisfactory to the Trustee will have been made for giving such notice), all liability of the Agency in respect of such Bonds will cease, terminate and be completely discharged, except that the Agency will remain liable for such payment but only from, and the Bondowners will 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 will 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 will constitute an Event of Default under the Indenture:

(i) if default will 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 will become due and payable, whether on an Interest Payment Date, at maturity, by call for redemption, or otherwise;

(ii) if default will 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 will 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 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 will not constitute an Event of Default if corrective action is instituted by the Agency within thirty (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 will 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 will have happened and will not have been remedied, the books of record and accounts of the Agency will 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 will have happened and will not have been remedied, the Agency, upon demand of the Trustee, will 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 will 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 will happen and will not have been remedied, the Agency, upon the demand of the Trustee, will 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 will 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 will 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 will 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 will equal the Debt Service Reserve Requirement and the amount in each debt service reserve fund for other Outstanding Parity Obligations will 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 will 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 will 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 will then be payable, will be paid for by the account of the Agency, or provision satisfactory to the Trustee will be made for such payment, and all defaults under the Indenture, the Outstanding Bonds and the Outstanding Parity Obligation will be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate will be made therefor, the Trustee will 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 will 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 will 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 will, 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 will, without further action, become and be immediately due and payable.

Appointment of Receiver. If an Event of Default will happen and will 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 will 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 will confer.

Enforcement Proceedings.

(a) If an Event of Default will happen and will 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, will 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, will 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 will 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 will 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 will 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, will be under no obligation to, institute and maintain such suits and proceedings as it may be advised will 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 will 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 will, 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 will continue as though no such proceeding had been instituted.

Restriction on Owner's Action.

(a) Except as otherwise provided in paragraph (b) below, no Owner of any Bond will 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 will 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 will have filed a written request with the Trustee, and will 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 will have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee will 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 will 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 will 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 will 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 will be cumulative and will 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, will 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 will impair any right or power or will 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 will 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 will, 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, will be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and will 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 will at any time for any reason cease to be valid and binding on the Credit Provider, or will 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 will continue in full force and effect. The foregoing will not affect any other rights of a Credit Provider.

(c) All provisions in the Indenture relating to the rights of a Credit Provider will 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, will be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and will 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 will at any time for any reason cease to be valid and binding on the Reserve Financial Guaranty Provider, or will 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 will continue in full force and effect. The foregoing will 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 will 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 will 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, will, 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 will thereupon be released and discharged with respect thereto and the Owners of such Bonds will 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, will, 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 will be not less than 30 days after the date of the mailing of such notice, the balance of such moneys then unclaimed will be returned to the Agency.

Governing Law. The Indenture and each Bond will 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.

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Date of Delivery]

Redevelopment Agency of the
City of Pittsburg
Pittsburg, California

Redevelopment Agency of the City of Pittsburg
Los Medanos Community Development Project
Subordinate Tax Allocation Refunding Bonds
2008 Series A

 (Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Redevelopment Agency of the City of Pittsburg (the “Agency”) in connection with issuance of \$61,660,856.25 aggregate principal amount of Redevelopment Agency of the City of Pittsburg Los Medanos Community Development Project Subordinate Tax Allocation Refunding Bonds, 2008 Series A (the “Bonds”), issued pursuant to an Amended and Restated Indenture of Trust, dated as of December 1, 2004, by and between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), as previously supplemented and amended (the “Master Subordinate Indenture”), and as supplemented by the Eighth Supplemental Indenture of Trust, dated as of November 1, 2008 (the “Eighth 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. 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, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. We also express no opinion regarding the accreted value table or calculation set forth or referred to in any of the Bonds or in the Indenture. 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 the valid and binding limited obligations of the Agency.
2. The Indenture has been duly executed and delivered by, and constitutes 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 (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 on 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 Pittsburg 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

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and

dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has 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 and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$61,660,856.25
REDEVELOPMENT AGENCY OF THE CITY OF PITTSBURG
LOS MEDAONS COMMUNITY DEVELOPMENT PROJECT
SUBORDINATE TAX ALLOCATION REFUNDING BONDS
2008 SERIES A

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Redevelopment Agency of the City of Pittsburgh (the "Agency") in connection with the issuance by the Agency of the bonds captioned above (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust dated as of December 1, 2004 (the "Master Indenture") by and between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as supplemented by a First Supplemental Indenture of Trust dated as of December 1, 2004, a Second Supplemental Indenture of Trust dated as of December 1, 2004, a Third Supplemental Indenture of Trust dated as of March 1, 2005, a Fourth Supplemental Indenture of Trust dated as of December 1, 2006, a Fifth Supplemental Indenture of Trust dated as of December 1, 2006, a Sixth Supplemental Indenture of Trust dated as of December 1, 2006, a Seventh Supplemental Indenture of Trust dated as of May 1, 2008 and an Eighth Supplemental Indenture of Trust dated as of November 1, 2008 (collectively, the "Indenture"), each by and between the Agency and the Trustee. The Agency hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, 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 Certificate.

"*Bond Insurer*" shall have the meaning given such term in the Official Statement.

"*CPO*" means the Internet-based filing system currently located at www.DisclosureUSA.org, or such other similar filing system approved by the Securities and Exchange Commission.

"*Dissemination Agent*" shall mean The Bank of New York Mellon Trust Company, N.A., or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency a written acceptance of such designation.

"*Listed Events*" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"*National Repository*" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information on the National Repositories as of a particular date is available on the Internet at www.sec.gov/info/municipal/nrmsir.htm.

"*Official Statement*" shall mean the Official Statements relating to the Bonds.

"*Participating Underwriter*" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Repository*" shall mean each National Repository and each State Repository.

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

"*Bond Insurer*" shall have the meaning given such term in the Official Statement.

"*State Repository*" shall mean 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 Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The Agency shall, or shall cause the Dissemination Agent to, not later than eight months after the end of the Agency's fiscal year (which currently would be March 1 based upon the Agency's current June 30 fiscal year), commencing with the report for the 2007-08 Fiscal Year, provide to the Bond Insurer and to each Repository (or, in lieu of providing to each Repository, provide to the CPO) an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). 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 Certificate; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the Agency is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Agency shall send a notice to (i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository, if any, and the Bond Insurer, if any, in substantially the form attached as Exhibit A. In lieu of filing the notice with each Repository, the Agency or the Dissemination Agent may file such notice with the CPO.

(c) With respect to the Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) if the Dissemination Agent is other than the Agency, file a report with the Agency certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, 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:

(a) Audited Financial Statements of the Agency 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. If such audited 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 audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Financial information and operating data with respect to the Agency for the prior fiscal year of the type included in the Official Statement in the following categories (to the extent not included in the Agency's audited financial statements): (i) aggregate assessed values of the Redevelopment Project Area; (ii) list of top ten largest local secured property taxpayers in the Redevelopment Project Area; (iii) calculation of pro forma coverage ratio calculated in the same manner as provided in the Official Statement under the section entitled "ESTIMATED REVENUES AND BOND RETIREMENT- Debt Service and Estimated Coverage; (iv) information concerning significant events or transactions affecting the Project Area; (v) information concerning significant events or transactions affecting the amount of Tax Revenues available to pay the Bonds; and (vi) description of outstanding indebtedness other than the Bonds payable from Tax Revenues.

Any or all of the items listed 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.

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

Any or all of the items listed above may be 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) Contingent or unscheduled bond calls.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities.
- (11) Rating changes.

(b) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, the Agency shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Agency determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Agency shall promptly file a notice of such occurrence with (i) each National Repository or the Municipal Securities Rulemaking Board, (ii) each appropriate State Repository, if any, and (iii) the Bond Insurer, if any. 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 holders of affected Bonds pursuant to the Indenture.

In lieu of filing the notice of Listed Event with each Repository in accordance with the preceding paragraph, the Agency or the Dissemination Agent may file such notice of a Listed Event with the CPO.

Section 6. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Certificate 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(c).

Section 7. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and the Agency may discharge any such Agent, or such Agent may resign, in either case upon 5 days' prior written notice, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be The Bank of New York Mellon Trust Company, N.A.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made 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, would, in the opinion of nationally recognized bond counsel, 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) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories and the Bond Insurer, if any, in the same manner as for a Listed Event under Section 5(c).

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate 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 Certificate. 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 Certificate, the Agency shall have no obligation under this Disclosure Certificate 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 to comply with any provision of this Disclosure Certificate, the Trustee may (and, at the request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, accompanied by indemnification satisfactory to it, 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 Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in

the event of any failure of the Agency or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

The Agency shall pay compensation to the Dissemination Agent for its services as agreed by the Agency and the Dissemination Agent from time to time, and its reasonable out-of-pocket expenses, which fees and expenses shall be in addition to its fees and expenses payable to it as Trustee, if applicable. The Dissemination Agent shall have no duty to review any information provided to it hereunder and shall not be deemed to be acting in a fiduciary capacity. All information provided to the Dissemination Agent shall be in form suitable for filing.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: November 19, 2008

REDEVELOPMENT AGENCY OF THE
CITY OF PITTSBURG

By: _____
Title: _____

Acceptance of Dissemination Agent:

AGREED AND ACCEPTED:

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,
as Dissemination Agent

By: _____
Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Redevelopment Agency of the City of Pittsburgh

Name of Bond
Issue: \$61,660,856.25 Redevelopment Agency of the City of Pittsburgh Los
 Medanos Community Development Project Subordinate Tax Allocation
 Refunding Bonds, 2008 Series A

Date of Issuance: November 19, 2008

NOTICE IS HEREBY GIVEN to [(i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository] [the CPO and the Municipal Securities Rulemaking Board] that the Redevelopment Agency of the City of Pittsburgh (the "Agency") has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture of Trust dated as of December 1, 2004 by and between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as supplemented by a First Supplemental Indenture of Trust dated as of December 1, 2004, a Second Supplemental Indenture of Trust dated as of December 1, 2004, a Third Supplemental Indenture of Trust dated as of March 1, 2005, a Fourth Supplemental Indenture of Trust dated as of December 1, 2006, a Fifth Supplemental Indenture of Trust dated as of December 1, 2006 and a Sixth Supplemental Indenture of Trust dated as of December 1, 2006, a Seventh Supplemental Indenture of Trust dated as of May 1, 2008 and an Eighth Supplemental Indenture of Trust dated as of November 1, 2008, each by and between the Agency and the Trustee.

Dated: _____

REDEVELOPMENT AGENCY OF THE
CITY OF PITTSBURG

By _____

cc: Trustee

APPENDIX G
TABLE OF ACCRETED VALUES

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BOND ACCRETED VALUE TABLE

REDEVELOPMENT AGENCY OF THE CITY OF PITTSBURG
Los Medanos Community Development Project
Tax Allocation Refunding Bonds
2008 Series A

Date	CAB Bond 09/01/2029 7.54%
11/19/2008	1,073.75
03/01/2009	1,096.50
09/01/2009	1,137.85
03/01/2010	1,180.75
09/01/2010	1,225.25
03/01/2011	1,271.45
09/01/2011	1,319.40
03/01/2012	1,369.15
09/01/2012	1,420.75
03/01/2013	1,474.30
09/01/2013	1,529.90
03/01/2014	1,587.60
09/01/2014	1,647.45
03/01/2015	1,709.55
09/01/2015	1,774.00
03/01/2016	1,840.90
09/01/2016	1,910.30
03/01/2017	1,982.30
09/01/2017	2,057.05
03/01/2018	2,134.60
09/01/2018	2,215.05
03/01/2019	2,298.55
09/01/2019	2,385.20
03/01/2020	2,475.15
09/01/2020	2,568.45
03/01/2021	2,665.30
09/01/2021	2,765.80
03/01/2022	2,870.05
09/01/2022	2,978.25
03/01/2023	3,090.55
09/01/2023	3,207.05
03/01/2024	3,327.95
09/01/2024	3,453.40
03/01/2025	3,583.60
09/01/2025	3,718.70
03/01/2026	3,858.90
09/01/2026	4,004.40
03/01/2027	4,155.35
09/01/2027	4,312.00
03/01/2028	4,474.60
09/01/2028	4,643.25
03/01/2029	4,818.30
09/01/2029	5,000.00

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