

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Successor Agency to the Redevelopment Agency of the City of San Pablo, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2014 Refunding 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 Series 2014 Refunding 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 amount, accrual or receipt of interest on the Series 2014 Refunding Bonds. See "TAX MATTERS" herein.*

**\$47,595,000**  
**SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY  
OF THE CITY OF SAN PABLO  
TAX ALLOCATION REFUNDING BONDS,  
SERIES 2014A**

**\$6,970,000**  
**SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY  
OF THE CITY OF SAN PABLO  
TAX ALLOCATION REFUNDING BONDS,  
SERIES 2014B**

**Dated: Delivery Date**

**Due: June 15, as shown on the inside front cover**

The above-captioned bonds (the "Series 2014A Refunding Bonds" and the "Series 2014B Refunding Bonds" and, together, the "Series 2014 Refunding Bonds") are being issued by the Successor Agency to the Redevelopment Agency of the City of San Pablo (the "Successor Agency"). The Series 2014 Refunding Bonds are being issued to refund and defease all or a portion of six series of bonds (the "Prior Bonds") previously issued by the Redevelopment Agency of the City of San Pablo (the "Predecessor Agency"), as identified and described herein. Series 2014 Refunding Bond proceeds will also be used to pay the swap termination payment relating to a series of Prior Bonds, and to pay costs of issuance. See "INTRODUCTORY STATEMENT- Authority and Purpose."

The Series 2014 Refunding Bonds will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the Series 2014 Refunding Bonds. Interest on the Series 2014 Refunding Bonds is due June 15 and December 15 of each year, commencing December 15, 2014, as shown on the inside cover page, payable by Wells Fargo Bank, National Association, as Trustee, to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Series 2014 Refunding Bonds (see "THE BONDS—Book-Entry System" herein).

The Series 2014 Refunding Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See "THE SERIES 2014 REFUNDING BONDS" herein.

The Series 2014 Refunding Bonds are payable from and secured by the Subordinate Pledged Tax Revenues, as defined herein, to be derived from the Tenth Township Redevelopment Project Area and the Legacy Redevelopment Project Area (together, the "Project Areas") as further described herein. See "SECURITY FOR THE BONDS" herein.

The scheduled payment of principal and interest on the Series 2014A Refunding Bonds will be guaranteed by an insurance policy to be issued by ASSURED GUARANTY MUNICIPAL CORP ("AGM") concurrent with the delivery of the Series 2014A Refunding Bonds. The scheduled payment of principal and interest on the Series 2014B Refunding Bonds will be guaranteed by an insurance policy to be issued concurrent with the delivery of the Series 2014B Refunding Bonds.



This cover page of the Official Statement contains information for quick reference only. It is not a complete summary of the Series 2014 Refunding Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Attention is hereby directed to certain Risk Factors more fully described herein.

The Series 2014 Refunding Bonds are special obligations of the Successor Agency, secured by an irrevocable pledge of, and payable as to principal, interest and premium, if any, from Subordinate Pledged Tax Revenues and other funds. The Series 2014 Refunding Bonds, interest and premium, if any, thereon are not a debt of the City of San Pablo (the "City"), the County of Contra Costa (the "County"), the State of California (the "State") or any of its political subdivisions (except the Successor Agency), and none of the City, the County, the State nor any of its political subdivisions (except the Successor Agency) is liable thereon. The Series 2014 Refunding Bonds, interest thereon and premium, if any, are not payable from any funds or properties other than those set forth in the Indenture. None of the members of the Successor Agency Board, the Oversight Board, the City Council of the City of San Pablo, or any employee or officer of the City, or any persons executing the Series 2014 Refunding Bonds is liable personally on the Series 2014 Refunding Bonds by reason of their issuance.

The Series 2014 Refunding Bonds are offered, when, as and if issued, subject to the approval of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the Successor Agency. Certain legal matters will be passed on for the Successor Agency by Jones Hall, A Professional Law Corporation, San Francisco, California, Disclosure Counsel. Certain legal matters will be passed on for the Successor Agency by Murphy & Associates PC, Sacramento, California, Successor Agency Special Counsel, and for the Underwriter by Stradling Yocca Carlson and Rauth, A Professional Corporation, Newport Beach, California, Underwriter's Counsel. It is anticipated that the Series 2014A Refunding Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about June 12, 2014. It is anticipated that the Series 2014B Refunding Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about September 4, 2014 pursuant to a forward delivery arrangement. See "FORWARD DELIVERY" herein.

**Morgan Stanley**

## MATURITY SCHEDULES

**\$47,595,000**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY OF THE CITY OF SAN PABLO**  
**TAX ALLOCATION REFUNDING BONDS, SERIES 2014A**

**Base CUSIP<sup>†</sup> 799147**

Maturity Date June 15	Principal Amount	Interest Rate	Yield	Price	CUSIP <sup>†</sup>
2015	\$ 1,275,000	2.000%	0.380%	101.628	AA1
2016	850,000	3.000	0.620	104.742	AB9
2017	1,805,000	4.000	0.980	108.930	AC7
2018	2,955,000	4.000	1.380	110.182	AD5
2019	840,000	4.000	1.740	110.794	AE3
2020	4,045,000	5.000	2.050	116.596	AF0
2021	2,480,000	5.000	2.360	116.960	AG8
2022	2,610,000	5.000	2.610	117.171	AH6
2023	2,730,000	5.000	2.840	117.061	AJ2
2024	3,855,000	5.000	3.010	117.086	AK9
2025	3,260,000	5.000	3.170	115.589 <sup>C</sup>	AL7
2026	3,425,000	5.000	3.280	114.573 <sup>C</sup>	AM5
2027	3,540,000	5.000	3.370	113.749 <sup>C</sup>	AN3
2028	3,725,000	5.000	3.460	112.933 <sup>C</sup>	AP8
2029	3,915,000	5.000	3.550	112.124 <sup>C</sup>	AQ6
2030	3,625,000	5.000	3.630	111.410 <sup>C</sup>	AR4
2031	2,660,000	5.000	3.700	110.790 <sup>C</sup>	AS2

**\$6,970,000**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY OF THE CITY OF SAN PABLO**  
**TAX ALLOCATION REFUNDING BONDS, SERIES 2014B**

**Base CUSIP<sup>†</sup> 799147**

Maturity Date June 15	Principal Amount	Interest Rate	Yield	Price	CUSIP <sup>†</sup>
2015	\$1,385,000	2.000%	0.550%	101.127	AW3
2021	1,775,000	5.000	2.540	115.230	AV5
2022	1,865,000	5.000	2.790	115.356	AT0
2023	1,945,000	5.000	3.070	114.751	AU7

<sup>†</sup> CUSIP numbers have been assigned to these issues by CUSIP Global Services, managed by Standard & Poor's Services LLC on behalf of The American Bankers Association, and are included solely for the convenience of the owners of the Series 2014 Refunding Bonds. Neither the Successor Agency nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2014 Refunding Bonds as a result of various subsequent actions, including but not limited to, a refunding in whole or in part of such maturity, or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Series 2014 Refunding Bonds.

C = Priced to first optional par call date of June 15, 2024.

**SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY OF THE CITY OF SAN PABLO  
SAN PABLO, CALIFORNIA**

**GOVERNING BOARD**

Paul Morris, *Chair*  
Kathy Chao Rothberg, *Vice Chair*  
Rich Kinney, *Board Member*  
Cecelia Valdez, *Board Member*  
Genoveva Garcia Calloway, *Board Member*

**SUCCESSOR AGENCY STAFF**

Matt Rodriguez, *Executive Director*  
Kelsey D. Worthy, MPA, *Assistant Executive Director*  
Brian M. Libow, *General Counsel*  
Bradley Ward, *Finance Advisor*  
J. Kelly Sessions, *Finance Manager*  
Ted J. Denney, *Board Clerk*  
Viviana Toledo, *Board Treasurer*

**SPECIAL SERVICES**

**Financial Advisor**

Steven Gortler  
San Francisco, California

**Bond Counsel**

Orrick, Herrington & Sutcliffe LLP

**Disclosure Counsel**

Jones Hall, A Professional Law Corporation  
San Francisco, California

**Successor Agency Special Counsel**

Murphy & Associates, PC  
Sacramento, California

**Fiscal Consultant**

Fraser & Associates  
Roseville, California

**Trustee**

Wells Fargo Bank, National Association  
San Francisco, California

**Verification Agent**

Causey Demgen & Moore P.C.  
Denver, Colorado

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**Use of Official Statement.** This Official Statement is submitted in connection with the sale of the Series 2014 Refunding 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 a contract between any bond owner and the Successor Agency.

**No Offering Except by This Official Statement.** No dealer, broker, salesperson or other person has been authorized by the Successor Agency or the Underwriters to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the Successor Agency.

**No Unlawful Offers or Solicitations.** This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Series 2014 Refunding Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

**Information in Official Statement.** The information set forth in this Official Statement has been furnished by the Successor Agency and other sources that are believed to be reliable.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement, in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

**Estimates and Forecasts.** When used in this Official Statement and in any continuing disclosure by the Successor Agency in any press release and in any oral statement made with the approval of an authorized officer of the Successor 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 Successor Agency or any other entity described or referenced herein since the date hereof.

**Bond Insurance.** Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Series 2014 Refunding Bonds or the advisability of investing in the Series 2014 Refunding Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “Bond Insurance” and “Appendix I - Specimen Municipal Bond Insurance Policy”.

**Document Summaries.** All summaries of the Indenture or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents and the law, and do not purport to be complete statements of any or all of such provisions.

**Effective Date.** This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Series 2014 Refunding Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the Successor Agency, the County, the California Department of Finance or the other entities described in this Official Statement, or the condition of the property within the Project Area since the date of this Official Statement.

**Website.** This Official Statement, including any supplement or amendment hereto, is intended to be deposited with Municipal Securities Rule Making Board through the Electronic Municipal Market Access (“EMMA”) website. The City of San Pablo maintains a website. However, the information maintained on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2014 Refunding Bonds.

## TABLE OF CONTENTS

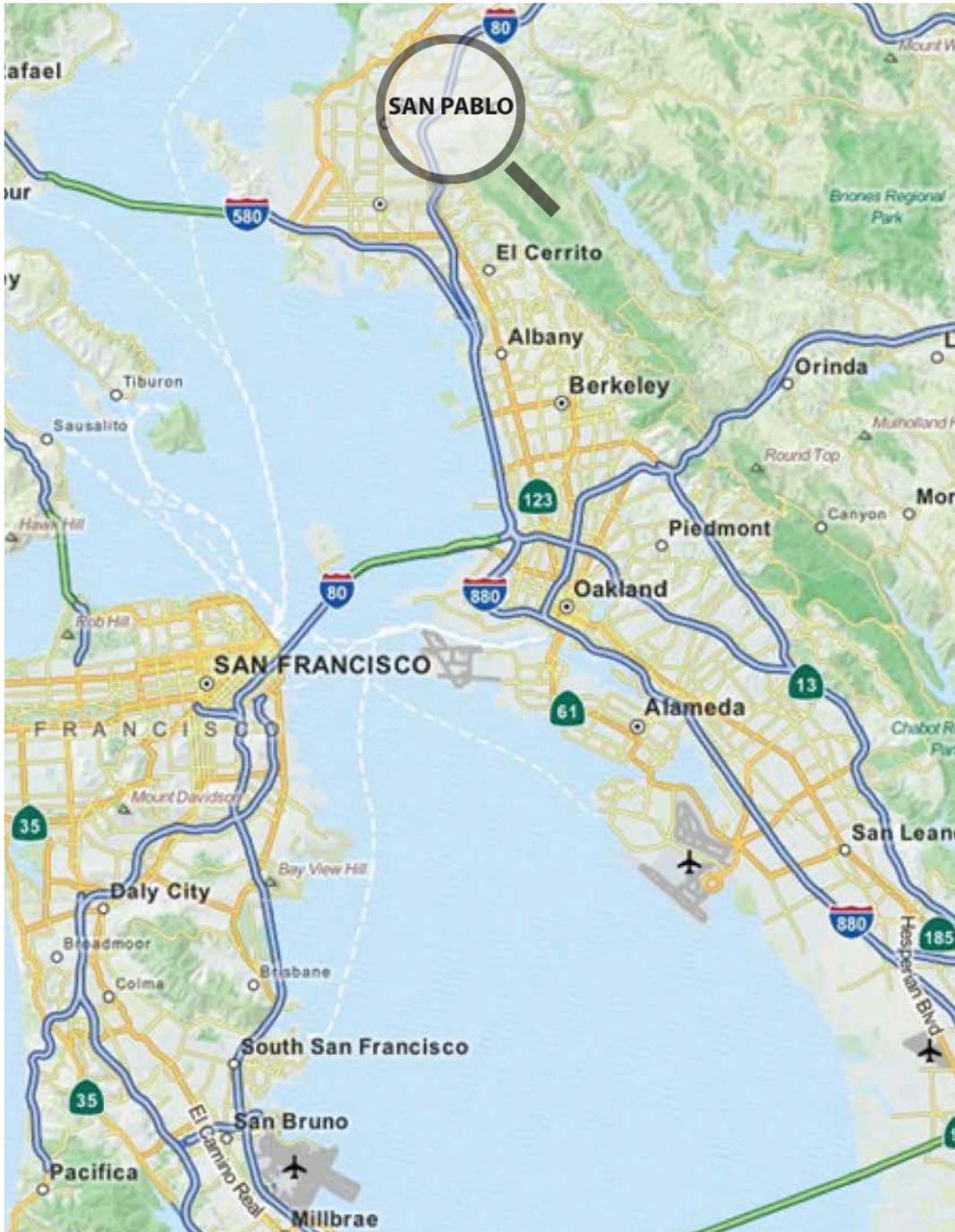
	<u>Page</u>
INTRODUCTORY STATEMENT .....	1
Authority and Purpose .....	1
The City and the Predecessor Agency ....	1
The Successor Agency .....	2
Tax Allocation Financing .....	3
Security for the Series 2014 Refunding	
Bonds .....	3
Reserve Account .....	4
The County Auditor-Controller .....	4
Custody Agreement .....	4
Special Obligations .....	5
Professionals Involved in the Offering .....	5
Further Information .....	5
PLAN OF REFUNDING .....	6
SOURCES AND USES OF FUNDS .....	8
DEBT SERVICE SCHEDULES .....	9
THE SERIES 2014 REFUNDING BONDS	10
Authority for Issuance .....	10
Description of the Series 2014 Refunding	
Bonds .....	10
Redemption of Series 2014 Refunding	
Bonds .....	10
THE DISSOLUTION ACT .....	12
SECURITY FOR THE BONDS .....	13
Subordinate Pledged Tax Revenues ....	13
Master Senior Indenture .....	14
Funds and Accounts .....	15
Additional Bonds .....	18
Recognized Obligation Payment	
Schedules or “ROPS” .....	18
Custody Agreement .....	21
Pledge of Former Housing Set-Aside .....	22
Tax Sharing Agreement .....	22
Statutory Pass-Through Payments .....	22
Santa Ana Decision .....	23
Tax Increment Cap .....	24
BOND INSURANCE .....	24
Bond Insurance Policy .....	24
Assured Guaranty Municipal Corp. ....	25
CONTRA COSTA COUNTY AUDITOR- CONTROLLER .....	27
FLOW OF FUNDS SUMMARY .....	27
CERTAIN COVENANTS OF THE SUCCESSOR AGENCY .....	29
THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN PABLO .....	31
Members and Officers .....	32
Successor Agency Powers .....	32
Status of Compliance with Dissolution Act	
.....	32
Successor Agency Fiduciary Fund .....	33
THE TENTH TOWNSHIP PROJECT AREA	33
.....	33
Background .....	33
Present Development .....	34
Casino San Pablo .....	34
THE LEGACY PROJECT AREA .....	35
Background; Overlap of Legacy and Tenth	
Township Areas .....	35
TAX REVENUES OF THE PROJECT	
AREAS .....	37
General .....	37
Assessed Valuation of the Project Areas	37
Fiscal Year 2013-14 Assessed Valuation	
.....	40
Major Taxpayers in the Project Areas ...	42
SUBORDINATE PLEDGED TAX	
REVENUES AND DEBT SERVICE .....	45
Composition of 2013-14 Total Revenue	45
Projected Pledged Revenue and Debt	
Service Coverage .....	46
Appeals .....	49
RISK FACTORS .....	51
Recognized Obligation Payment Schedule	
.....	51
Challenges to Dissolution Act .....	53
Reduction in Taxable Value .....	53
Risks to Real Estate Market .....	54
Reduction in Inflationary Rate .....	54
Payment of the Series 2014 Refunding	
Bonds is Subordinate to Debt Service on	
the Senior Obligations .....	55
Development Risks .....	55
Levy and Collection of Taxes .....	55
Bankruptcy and Foreclosure .....	56
Estimated Revenues .....	56
Hazardous Substances .....	56
Natural Disasters .....	57
Changes in the Law .....	58
Investment Risk .....	58
Secondary Market .....	58
PROPERTY TAXATION IN CALIFORNIA	59
Property Tax Collection Procedures .....	59
Teeter Plan .....	60
Unitary Property .....	61

Article XIII A of the State Constitution .... 61  
 Appropriations Limitation - Article XIII B. 62  
 Articles XIII C and XIII D of the State  
 Constitution..... 63  
 Proposition 87 ..... 63  
 Appeals of Assessed Values..... 63  
 Proposition 8 ..... 64  
 Propositions 218 and 26 ..... 64  
 Future Initiatives ..... 64  
 Certain Delayed Delivery Considerations  
 ..... 65  
 Settlement ..... 65

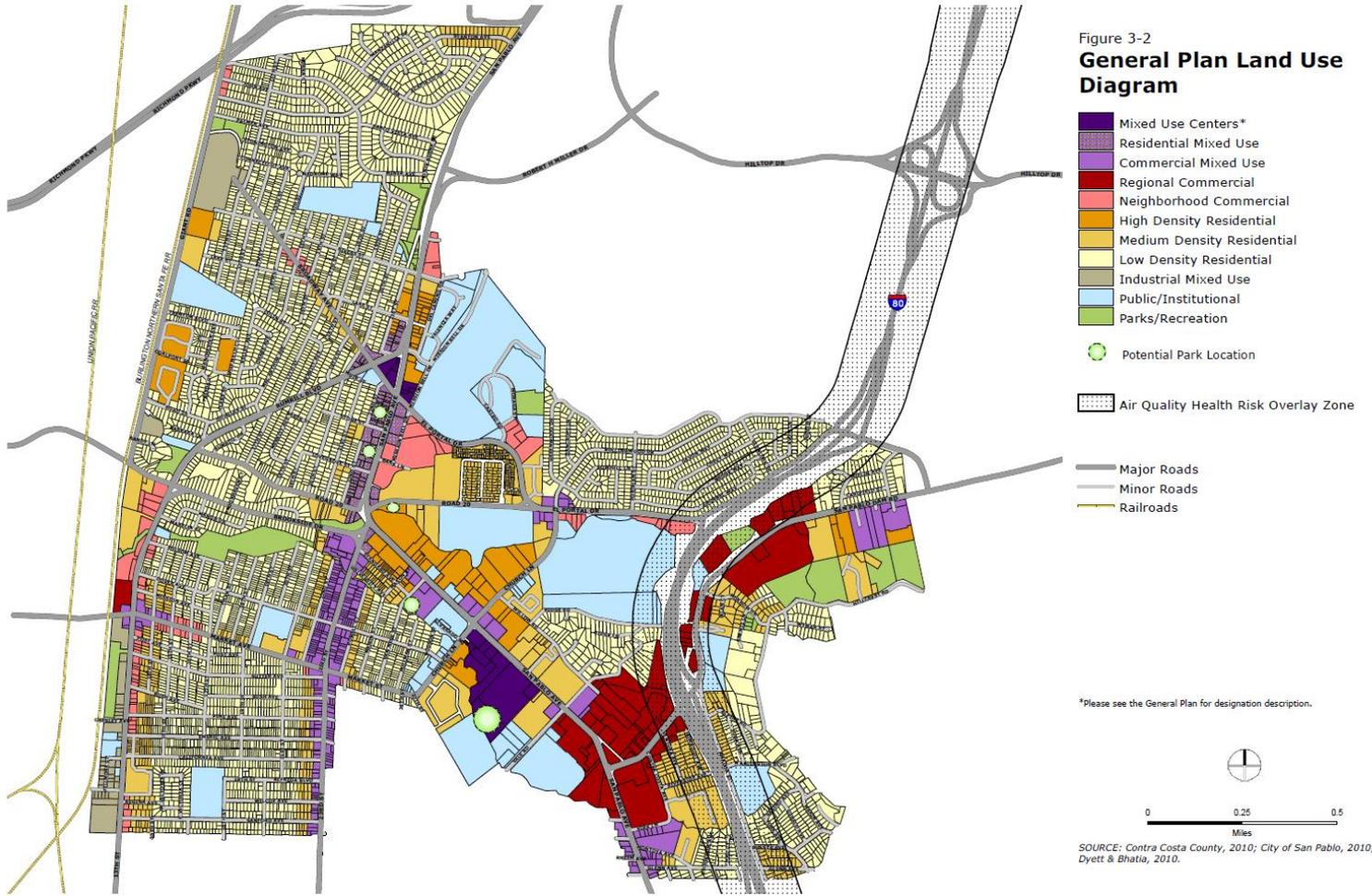
Risks Relating to the Delayed Delivery  
 Period ..... 67  
 TAX MATTERS ..... 69  
 VERIFICATION OF MATHEMATICAL  
 COMPUTATIONS ..... 71  
 CONCLUDING INFORMATION..... 71  
 Underwriting ..... 71  
 Legal Opinions ..... 71  
 Litigation ..... 72  
 Ratings ..... 72  
 Continuing Disclosure ..... 72  
 Miscellaneous..... 74

APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE ..... A-1  
 APPENDIX B – FORM OF BOND COUNSEL OPINIONS..... B-1  
 APPENDIX C – BOOK-ENTRY ONLY SYSTEM ..... C-1  
 APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE ..... D-1  
 APPENDIX E – STATE DEPARTMENT OF FINANCE APPROVAL LETTER ..... E-1  
 APPENDIX F – SUCCESSOR AGENCY FIDUCIARY FUND ..... F-1  
 APPENDIX G – SUPPLEMENTAL INFORMATION-CITY OF SAN PABLO ..... G-1  
 APPENDIX H – FORM OF DELAYED DELIVERY CONTRACT ..... H-1  
 APPENDIX I -- SPECIMEN MUNICIPAL BOND INSURANCE POLICY ..... I-1

# San Pablo Region



# City of San Pablo



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## OFFICIAL STATEMENT

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**\$47,595,000**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY**  
**OF THE CITY OF SAN PABLO**  
**TAX ALLOCATION REFUNDING BONDS,**  
**SERIES 2014A**

**\$6,970,000**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY**  
**OF THE CITY OF SAN PABLO**  
**TAX ALLOCATION REFUNDING BONDS,**  
**SERIES 2014B**

### INTRODUCTORY STATEMENT

This Official Statement, including the cover page, is provided to furnish information in connection with the sale by the Successor Agency to the Redevelopment Agency of the City of San Pablo (the "**Successor Agency**") of its \$47,595,000 Tax Allocation Refunding Bonds, Series 2014A (the "**Series 2014A Refunding Bonds**") and its \$6,970,000 Tax Allocation Refunding Bonds, Series 2014B (the "**Series 2014B Refunding Bonds**"). The Series 2014A Refunding Bonds and the Series 2014B Refunding Bonds are, together, the "**Series 2014 Refunding Bonds**".

It is anticipated that the Series 2014A Refunding Bonds will be executed and delivered on or about June 12, 2014 (the "**Series 2014A Refunding Bonds Delivery Date**") and that the Series 2014B Refunding Bonds will be executed and delivered on or about September 4, 2014 pursuant to a forward delivery arrangement (the "**Series 2014B Refunding Bonds Delivery Date**"). See "FORWARD DELIVERY" herein.

### Authority and Purpose

The Series 2014 Refunding Bonds are being issued pursuant to the Constitution and laws of the State of California (the "**State**"), including the Community Redevelopment Law, Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California (the "**Redevelopment Law**"), the Dissolution Act (as hereinafter defined), and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "**Bond Law**") and an Indenture dated as of June 1, 2014 (the "**Indenture**") by and between the Successor Agency and Wells Fargo Bank, National Association, as trustee (the "**Trustee**"). See "THE BONDS – Authority for Issuance."

The Series 2014 Refunding Bonds are being issued to refund and defease all or a portion of the Prior Bonds as further described in the section herein entitled "Plan of Refunding."

### The City and the Predecessor Agency

The City of San Pablo (the "**City**") is located in northwest Contra Costa County (the "**County**"), approximately 20 miles northeast of San Francisco. In 1969, the City Council of the City pursuant to the Redevelopment Law activated the Redevelopment Agency of the City of San Pablo (the "**Predecessor Agency**"). The City Council thereafter established five project areas: the South Entrance Redevelopment Project (formed in 1969), the El Portal Community Redevelopment Project

(formed in 1971), the Oak Park Project (formed in 1973), the Bayview Community Redevelopment Project (formed in 1976), and the Sheffield Project Area (formed in 1976).

In 1987, the City Council adopted amended redevelopment plans merging four of the five redevelopment project areas (all except the Sheffield Project Area) into a single project area, the Merged Project Area.

In 1997, the City Council adopted an amended Redevelopment Plan (the "**Tenth Township Redevelopment Plan**") that merged the Merged Project Area with the Sheffield Project Area thereby creating the Tenth Township Redevelopment Project (the "**Tenth Township Project Area**"). The Tenth Township Project Area encompasses a total of 1,209 acres, or approximately 72% of the land area of the City of San Pablo.

Also in 1997, the City Council adopted a new redevelopment plan (the "Legacy Redevelopment Plan") establishing the Legacy Redevelopment Project (the "**Legacy Project Area**"). The Legacy Project Area encompasses a total of 1,542 acres, including all 1,209 acres that comprise the Tenth Township Project Area, plus an additional 333 acres that lie outside of and are adjacent to the Tenth Township Project Area. The 333-acre portion lying outside of the Tenth Township Project Area is referred to herein as the "**Legacy Additional Area**," while the portion of the Legacy Project Area that overlaps the Tenth Township Project Area is referred to herein as the "Legacy Overlap Area." Altogether, the Tenth Township Project Area and Legacy Project Area encompass 91.5% of the land area that comprise the City of San Pablo. All of the property taxes (formerly tax increment) collected from within both the Tenth Township Project Area and the Legacy Project Area are pledged to the payment of the Senior Obligations (as defined herein) and the Series 2014 Refunding Bonds.

## **The Successor Agency**

On June 29, 2011, Assembly Bill No. 26 ("**AB X1 26**") was enacted together with a companion bill, Assembly Bill No. 27 ("**AB X1 27**"). The provisions of AB X1 26 provided for the dissolution of all redevelopment agencies. The provisions of AB X1 27 permitted redevelopment agencies to avoid such dissolution by the payment of certain amounts. A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al., v. Matosantos, et al.*, 53 Cal. 4<sup>th</sup> 231 (Cal. Dec. 29, 2011), challenging the constitutionality of AB X1 26 and AB X1 27. The California Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the California Supreme Court in the California Redevelopment Association case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Predecessor Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

The primary provisions enacted by AB X1 26 relating to the dissolution and wind down of former redevelopment agency affairs are Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484 ("**AB 1484**"), enacted as Chapter 26, Statutes of 2012. Part 1.85 (Section 34170 *et seq*) of Division 24 of the Health and Safety Code of the State is referred to herein as the "**Dissolution Act**".

Pursuant to Section 34173 of the Dissolution Act, the City is the successor agency (the “**Successor Agency**”) to the Predecessor Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Successor Agency is a separate public entity and legal entity from the City, that the two entities shall not merge, and that the liabilities of the Predecessor Agency will not be transferred to the City nor will the assets of the Predecessor Agency become assets of the City.

### **Tax Allocation Financing**

Prior to the enactment of AB X1 26 on June 29, 2011, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies receiving property taxes thereafter received only that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion of property taxes produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of redevelopment agency obligations.

Section 34177.5 of the Dissolution Act authorizes the issuance of refunding bonds, including the Series 2014 Refunding Bonds, to be secured by a pledge of, and lien on, property tax revenues (the “**Subordinate Pledged Tax Revenues**”) created by the Indenture. For a definition of “Subordinate Pledged Tax Revenues”, see “SECURITY FOR THE BONDS-Subordinate Pledged Tax Revenues”. Pursuant to Section 34177.5(g) of the Dissolution Act, the Series 2014 Refunding Bonds are further secured by a pledge of and lien on monies deposited from time to time in the Redevelopment Property Tax Trust Fund (the “**Redevelopment Property Tax Trust Fund**”) administered by the Auditor-Controller of Contra Costa County (the “**County Auditor-Controller**”).

Provided the Successor Agency has complied with certain of its Indenture covenants relating to the timely submission of a Recognized Obligation Payment Schedule, and that each such Recognized Obligation Payment Schedule shall have been approved by the State Department of Finance, the County Auditor-Controller is required pursuant to the Custody Agreement, to transfer directly to the Custodian on January 2 and June 1 of each year from monies on deposit in the Redevelopment Property Tax Trust Fund, all amounts which the Successor Agency is entitled to receive pursuant to the Dissolution Act, including all Subordinate Pledged Tax Revenues. See “CERTAIN COVENANTS OF THE SUCCESSOR AGENCY-Filing of Recognized Obligation Payment Schedules and Subordinate Pledged Tax Revenues” herein for additional information. See also “SECURITY FOR THE BONDS – Recognized Obligation Payment Schedules or “ROPS”.

Successor agencies have no power to levy property taxes and must rely on the allocation of taxes as described above. See “RISK FACTORS.”

### **Security for the Series 2014 Refunding Bonds**

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes (formerly tax increment) that would have been allocated to the Predecessor Agency had the Predecessor Agency not been dissolved pursuant to AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and administered by the County

Auditor-Controller pursuant to the Dissolution Act. The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved Predecessor Agency, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency's Recognized Obligation Payment Schedule (see "APPENDIX A – Definitions" and "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule").

The Dissolution Act further provides that bonds authorized thereunder to be issued by the Successor Agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized under the Dissolution Act, such as the Series 2014 Refunding Bonds, are taxes allocated to the Successor Agency pursuant to the provisions of the Redevelopment Law and the State Constitution which provided for the allocation of tax increment revenues under the Redevelopment Law, as described in the foregoing paragraph.

### **Reserve Account**

In order to further secure the payment of the principal of and interest on the Series 2014 Refunding Bonds, a Reserve Account is established by the Indenture to be funded by a Municipal Bond Debt Service Reserve Insurance Policy issued by AGM in an amount equal to the Series 2014 Reserve Requirement as defined in the Indenture (the "Reserve Requirement"). So long as the Reserve Requirement is funded solely by a reserve fund surety policy or letter of credit, the Reserve Requirement equals the amount of Maximum Annual Debt Service as defined in the Indenture. See "FUNDS AND ACCOUNTS -Revenue Fund" and "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE-THE INDENTURE-Reserve Fund-Series 2014 Debt Service Reserve Account."

### **The County Auditor-Controller**

Pursuant to the Dissolution Act, the County Auditor-Controller is required to establish, maintain and administer the San Pablo Redevelopment Property Tax Trust Fund on behalf of the Successor Agency and on behalf of holders of Successor Agency Enforceable Obligations (e.g. bondholders). In its capacity as administrator of the Redevelopment Property Tax Trust Fund, the County Auditor-Controller is required to deposit into the Redevelopment Property Tax Trust Fund all amounts to which the Successor Agency is entitled pursuant to the Dissolution Act, and to disburse from the Redevelopment Property Tax Trust Fund all amounts authorized pursuant to a Recognized Obligation Payment Schedule approved by the State Department of Finance (e.g. debt service on the Series 2014 Refunding Bonds). As such, the County Auditor-Controller plays an important role in ensuring the full and timely payment of debt service on the Series 2014 Refunding Bonds.

### **Custody Agreement**

In order to enhance the security for the Series 2014 Refunding Bonds, the Successor Agency has entered into a Custody Agreement (the "**Custody Agreement**") by and among the Successor Agency, the County Auditor-Controller and the Trustee, as custodian (the "**Custodian**"), dated as of June 1, 2014, pursuant to which the County Auditor-Controller is obligated to transfer all amounts to which the Successor Agency is entitled pursuant to the Dissolution Act and pursuant to an approved Recognized Obligation Payment Schedule, directly to the Custodian for application by the Trustee pursuant to the bond indentures for the Senior Obligations and the Series 2014 Refunding Bonds. See "SECURITY FOR THE BONDS- Custody Agreement".

## Special Obligations

The Series 2014 Refunding Bonds are special obligations of the Successor Agency and are secured by an irrevocable pledge of, and are payable as to principal, interest and premium, if any, solely from Subordinate Pledged Tax Revenues. The Series 2014 Refunding Bonds, interest and premium, if any, thereon are not a debt of the City, the County, the State or any of its political subdivisions (except the Successor Agency), and none of the City, the County, the State nor any of its political subdivisions (except the Successor Agency) is liable thereon. The Series 2014 Refunding Bonds, interest thereon and premium, if any, are not payable out of any funds or properties other than those set forth in the Indenture. None of the members of the Successor Agency Board, the Oversight Board, the City Council of the City, or any employee or officer of the City, or any persons executing the Series 2014 Refunding Bonds is liable personally on the Series 2014 Refunding Bonds by reason of their issuance.

## Professionals Involved in the Offering

Steven Gortler, San Francisco, California, has served as financial advisor to the Successor Agency and has advised the Successor Agency with respect to the bond structure and other aspects of the transaction. *Payment of the fees and expenses of the financial advisor is contingent upon the sale and delivery of the Series 2014 Refunding Bonds.*

Fraser & Associates, Roseville, California, has acted as fiscal consultant to the Successor Agency (the “**Fiscal Consultant**”) and has advised the Successor Agency with respect to the Subordinate Pledged Tax Revenues projected to be available to pay debt service on the Series 2014 Refunding Bonds as referenced in this Official Statement.

Wells Fargo Bank, National Association, San Francisco, California, will act as trustee with respect to the Series 2014 Refunding Bonds (the “**Trustee**”).

All proceedings in connection with the issuance of the Series 2014 Refunding Bonds are subject to the approval of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the Successor Agency. Jones Hall, A Professional Law Corporation, San Francisco, California is acting as Disclosure Counsel to the Successor Agency. Certain legal matters will be passed on for the Successor Agency by Murphy & Associates PC, Sacramento, California, Successor Agency Special Counsel, and for the Underwriters by Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California. *Payment of the fees and expenses of Bond Counsel, Disclosure Counsel and Underwriters’ Counsel is contingent upon the sale and delivery of the Series 2014 Refunding Bonds.*

## Further Information

Brief descriptions of the Redevelopment Law, the Bond Law, the Dissolution Act, the Series 2014 Refunding Bonds, the Indenture, the Successor Agency, the Predecessor Agency, the County and the City are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Redevelopment Law, the Bond Law, the Dissolution Act, the Series 2014 Refunding Bonds, the Indenture, the Constitution and the laws of the State as well as the proceedings of the Predecessor Agency, the Successor Agency, the County and the City are qualified in their entirety by reference to such documents and laws. References herein to the Series 2014 Refunding Bonds are qualified in their entirety by the form thereof included in the Indenture and the information with respect thereto included herein.

## PLAN OF REFUNDING

All or a portion of the following four series of outstanding bonds, previously issued by the Predecessor Agency (Series 1999A and Series 2006) and by the City of San Pablo Joint Powers Financing Authority (Series 2001 and Series 2004) will be refunded with the proceeds of the Series 2014 Refunding Bonds and other available funds:

- All \$3,380,000 of currently outstanding Redevelopment Agency of the City of San Pablo Tenth Township Redevelopment Project Subordinate Tax Allocation Bonds, Series 1999A, dated June 22, 1999, originally issued in the principal amount of \$9,850,000 will be refunded and defeased on the Settlement Date;
- A portion of the outstanding City of San Pablo Joint Powers Financing Authority (JPFA) Tax Allocation Revenue Bonds, Series 2001, dated April 5, 2001, originally issued in the principal amount of \$12,997,670.10 will refunded and defeased on the applicable redemption date;
- A portion of the outstanding City of San Pablo Joint Powers Financing Authority (JPFA) Tax Allocation Revenue Bonds, Series 2004, dated March 18, 2004, originally issued in the principal amount of \$37,755,000 will refunded and defeased on the applicable redemption date; and
- All \$29,960,000 of currently outstanding Redevelopment Agency of the City of San Pablo Tenth Township Redevelopment Project Subordinate Tax Allocation Bonds, Series 2006, dated October 5, 2006, originally issued in the principal amount of \$36,000,000 will be refunded and defeased on the Closing Date.

The Series 2001 JPFA Bonds and the Series 2004 JPFA Bonds listed above (together, the "**JPFA Bonds**") are payable from and secured by "Local Obligations" of the Predecessor Agency, which consist of certain tax allocation bonds that were issued by the Predecessor Agency concurrently with the issuance of the applicable JPFA Bonds. These Local Obligations were purchased by the Trustee with proceeds of the JPFA Bonds, and are held in trust by the Trustee for the benefit of holders of the JPFA Bonds. The JPFA Bonds are payable from and secured by the repayment of these Local Obligations by the Predecessor Agency.

The Series 2001 JPFA Bonds are secured by the following two Local Obligations of the Predecessor Agency:

- Redevelopment Agency of the City of San Pablo Tenth Township Redevelopment Project Tax Allocation Bonds, Series 2001, dated March 1, 2001, originally issued in the principal amount of \$11,732,670.10;
- Redevelopment Agency of the City of San Pablo Tenth Township Redevelopment Project Tax Allocation Bonds, Series 2004B, dated March 1, 2004, originally issued in the principal amount of \$1,265,000

The Series 2004 JPFA Bonds are secured by the following two Local Obligations of the Predecessor Agency:

- Redevelopment Agency of the City of San Pablo Legacy Project Area Tax Allocation Bonds, Series 2004, dated March 1, 2004, originally issued in the principal amount of \$5,795,000
- Redevelopment Agency of the City of San Pablo Tenth Township Redevelopment Project Tax Allocation Bonds, Series 2004A, dated March 1, 2004, originally issued in the principal amount of \$31,960,000

A portion of the proceeds of the Series 2014 Refunding Bonds will be used to refund and defease a portion of the above-listed Local Obligations, which in turn will be used to refund and defease on the date of redemption of the Local Obligations applicable portions of the JPFA Bonds.

Proceeds of the Series 2014 Refunding Bonds, together with other available funds, in the total amount of \$63,701,559.15, will be deposited into Refunding Escrows (the “**Refunding Escrows**”) created pursuant to two separate Refunding Escrow Agreements relating to the Series 2014A Refunding Bonds and Series 2014B Refunding Bonds, respectively, and dated as of June 1, 2014, and the hereinafter defined Settlement Date, respectively, and each by and between the Successor Agency and Wells Fargo Bank, N.A., as Escrow Agent (the “**Escrow Agreements**”); which, together with other available moneys, will be sufficient to pay all accrued but unpaid interest and to redeem all or the applicable portions of the above-listed bonds, (the “**Refunded Bonds**”).

The sufficiency of the deposits for the foregoing described purposes will be verified by Causey Demgen & Moore, P.C. (the “**Verification Agent**”). See “VERIFICATION OF MATHEMATICAL ACCURACY.” Assuming the accuracy of the Verification Agent’s computations, as a result of the deposit and application of funds as provided in the Escrow Agreements, the Successor Agency’s obligations with respect to the Refunded Bonds will be discharged.

*The amounts held and invested by the Escrow Agent in the subaccounts of the Refunding Escrow are pledged solely to the payment of amounts payable by the Successor Agency with respect to the corresponding series of Refunded Bonds. Neither the funds deposited in the Refunding Escrows nor any interest on the invested funds will be available for the payment of debt service with respect to the Series 2014 Refunding Bonds.*

On the Series 2014A Refunding Bonds Closing Date, proceeds of the Series 2014A Refunding Bonds will be used pursuant to the Escrow Agreement relating to the Series 2014A Refunding Bonds to refund and redeem a portion of the Refunded Bonds so that the following Senior Obligations (as such term is hereinafter defined-See “SECURITY FOR THE BONDS”) will remain outstanding:

- All of the 1999A Tenth Township Bonds: \$3,380,000.00;
- Unrefunded 2001 Tenth Township Bonds: \$1,021,113.80;
- Unrefunded 2004A Tenth Township Bonds: \$14,630,000.00; and
- Unrefunded 2004 Legacy Bonds: \$60,000.00.

On the Series 2014B Refunding Bonds Settlement Date, proceeds of the Series 2014B Refunding Bonds will be used pursuant to the Escrow Agreement relating to the Series 2014B Refunding Bonds to redeem and defease the remaining portion of the Refunded Bonds so that the following Senior Obligations will remain outstanding:

- Unrefunded 2001 Tenth Township Bonds: \$1,021,113.80;
- Unrefunded 2004A Tenth Township Bonds: \$9,150,000.00; and
- Unrefunded 2004 Legacy Bonds: \$60,000.00.

In addition, upon completion of the redemption and defeasance of the Refunded Bonds, the following principal amounts of the JPFA Bonds will remain outstanding:

- Unrefunded Tax Allocation Revenue Bonds, Series 2001: \$1,021,113.80; and
- Unrefunded Tax Allocation Revenue Bonds, Series 2004: \$9,210,000.00.

### **SOURCES AND USES OF FUNDS**

The estimated sources and uses of funds is summarized as follows.

	<u>Series 2014A</u>	<u>Series 2014B</u>	<u>Total Series 2014</u>
<b>Sources:</b>			
Principal Amount of Bonds	\$47,595,000.00	\$6,970,000.00	\$54,565,000.00
<i>Plus:</i> Net Original Issue Premium	6,429,384.70	859,237.80	7,288,622.50
<i>Plus:</i> Transfer From Prior Debt Service Reserve Accounts	4,946,494.86	574,400.00	5,520,894.86
<i>Plus:</i> Transfer from Prior Debt Service Funds	1,537,906.10	860,081.25	2,397,987.35
<b>Total Sources</b>	<b>\$60,508,785.66</b>	<b>\$9,263,719.05</b>	<b>\$69,772,504.71</b>
<b>Uses:</b>			
Deposits to Escrow Accounts	\$54,623,297.90	\$9,078,261.25	\$63,701,559.15
2006 Swap Termination Payment	4,018,000.00	--	4,018,000.00
Costs of Issuance Fund <sup>(1)</sup>	1,867,487.76	185,457.80	2,052,945.56
<b>Total Uses</b>	<b>\$60,508,785.66</b>	<b>\$9,263,719.05</b>	<b>\$69,772,504.71</b>

(1) Costs of Issuance include fees and expenses for Bond Counsel, Disclosure Counsel, Special Counsel, Financial Advisor, Fiscal Consultant, Trustee, Underwriter's Counsel, premium for bond insurance and for debt service reserve fund surety, printing, rating fee, underwriter's discount, and other fees and expenses related to the issuance of the Series 2014 Refunding Bonds.

## DEBT SERVICE SCHEDULES

The following table shows the semi-annual and annual debt service schedule for the Series 2014A and Series 2014B Refunding Bonds, assuming no early redemptions.

	Series 2014A Refunding Bonds			Series 2014B Refunding Bonds			Semi-Annual Combined Total			Bond Year Combined Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
12/15/2014	\$0	\$1,153,154	\$1,153,154	\$0	\$86,117	\$86,117	\$0	\$1,239,271	\$1,239,271	\$0	\$1,239,271	\$1,239,271
06/15/2015	1,275,000	1,134,250	2,409,250	1,385,000	153,475	1,538,475	2,660,000	1,287,725	3,947,725			
12/15/2015	0	1,121,500	1,121,500	0	139,625	139,625	0	1,261,125	1,261,125	2,660,000	2,548,850	5,208,850
06/15/2016	850,000	1,121,500	1,971,500	0	139,625	139,625	850,000	1,261,125	2,111,125			
12/15/2016	0	1,108,750	1,108,750	0	139,625	139,625	0	1,248,375	1,248,375	850,000	2,509,500	3,359,500
06/15/2017	1,805,000	1,108,750	2,913,750	0	139,625	139,625	1,805,000	1,248,375	3,053,375			
12/15/2017	0	1,072,650	1,072,650	0	139,625	139,625	0	1,212,275	1,212,275	1,805,000	2,460,650	4,265,650
06/15/2018	2,955,000	1,072,650	4,027,650	0	139,625	139,625	2,955,000	1,212,275	4,167,275			
12/15/2018	0	1,013,550	1,013,550	0	139,625	139,625	0	1,153,175	1,153,175	2,955,000	2,365,450	5,320,450
06/15/2019	840,000	1,013,550	1,853,550	0	139,625	139,625	840,000	1,153,175	1,993,175			
12/15/2019	0	996,750	996,750	0	139,625	139,625	0	1,136,375	1,136,375	840,000	2,289,550	3,129,550
06/15/2020	4,045,000	996,750	5,041,750	0	139,625	139,625	4,045,000	1,136,375	5,181,375			
12/15/2020	0	895,625	895,625	0	139,625	139,625	0	1,035,250	1,035,250	4,045,000	2,171,625	6,216,625
06/15/2021	2,480,000	895,625	3,375,625	1,775,000	139,625	1,914,625	4,255,000	1,035,250	5,290,250			
12/15/2021	0	833,625	833,625	0	95,250	95,250	0	928,875	928,875	4,255,000	1,964,125	6,219,125
06/15/2022	2,610,000	833,625	3,443,625	1,865,000	95,250	1,960,250	4,475,000	928,875	5,403,875			
12/15/2022	0	768,375	768,375	0	48,625	48,625	0	817,000	817,000	4,475,000	1,745,875	6,220,875
06/15/2023	2,730,000	768,375	3,498,375	1,945,000	48,625	1,993,625	4,675,000	817,000	5,492,000			
12/15/2023	0	700,125	700,125	0	0	0	0	700,125	700,125	4,675,000	1,517,125	6,192,125
06/15/2024	3,855,000	700,125	4,555,125	0	0	0	3,855,000	700,125	4,555,125			
12/15/2024	0	603,750	603,750	0	0	0	0	603,750	603,750	3,855,000	1,303,875	5,158,875
06/15/2025	3,260,000	603,750	3,863,750	0	0	0	3,260,000	603,750	3,863,750			
12/15/2025	0	522,250	522,250	0	0	0	0	522,250	522,250	3,260,000	1,126,000	4,386,000
06/15/2026	3,425,000	522,250	3,947,250	0	0	0	3,425,000	522,250	3,947,250			
12/15/2026	0	436,625	436,625	0	0	0	0	436,625	436,625	3,425,000	958,875	4,383,875
06/15/2027	3,540,000	436,625	3,976,625	0	0	0	3,540,000	436,625	3,976,625			
12/15/2027	0	348,125	348,125	0	0	0	0	348,125	348,125	3,540,000	784,750	4,324,750
06/15/2028	3,725,000	348,125	4,073,125	0	0	0	3,725,000	348,125	4,073,125			
12/15/2028	0	255,000	255,000	0	0	0	0	255,000	255,000	3,725,000	603,125	4,328,125
06/15/2029	3,915,000	255,000	4,170,000	0	0	0	3,915,000	255,000	4,170,000			
12/15/2029	0	157,125	157,125	0	0	0	0	157,125	157,125	3,915,000	412,125	4,327,125
06/15/2030	3,625,000	157,125	3,782,125	0	0	0	3,625,000	157,125	3,782,125			
12/15/2030	0	66,500	66,500	0	0	0	0	66,500	66,500	3,625,000	223,625	3,848,625
06/15/2031	2,660,000	66,500	2,726,500	0	0	0	2,660,000	66,500	2,726,500			
12/15/2031	0	0	0	0	0	0	0	0	0	2,660,000	66,500	2,726,500
<b>Total</b>	<b>\$47,595,000</b>	<b>\$24,088,054</b>	<b>\$71,683,054</b>	<b>\$6,970,000</b>	<b>\$2,202,842</b>	<b>\$9,172,842</b>	<b>\$54,565,000</b>	<b>\$26,290,896</b>	<b>\$80,855,896</b>	<b>\$54,565,000</b>	<b>\$26,290,896</b>	<b>\$80,855,896</b>

## THE SERIES 2014 REFUNDING BONDS

### Authority for Issuance

The Series 2014 Refunding Bonds were authorized for issuance pursuant to the Indenture, the Redevelopment Law, the Bond Law, and the Dissolution Act. The issuance of the Series 2014 Refunding Bonds and the execution and delivery of the Indenture were authorized by the Successor Agency pursuant to Resolution No. LSA2014-001, adopted on February 18, 2014 (the “**Resolution**”), and approved by the Oversight Board for the Successor Agency (the “**Oversight Board**”) pursuant to Resolution No. OB2014-001, adopted on February 19, 2014 (the “**Oversight Board Resolution**”).

On March 14, 2014, the State Department of Finance (“**DOF**”) provided a letter to the Successor Agency stating that, based on its review and application of the law, the issuance of the Series 2014 Refunding Bonds is approved by DOF. See “APPENDIX E – State Department of Finance Approval Letter.”

### Description of the Series 2014 Refunding Bonds

The Series 2014 Refunding Bonds will be issued and delivered as fully-registered Bonds in the denominations of \$5,000 or any integral multiple thereof (an “Authorized Denomination”) for each maturity, initially in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York, as registered owner of all Series 2014 Refunding Bonds (the “**Owners**”). The initially executed and delivered Series 2014 Refunding Bonds will be dated the applicable date of delivery (the “**Delivery Date**”) and mature on June 15 in the years and in the amounts shown on the inside cover page of this Official Statement. Interest on the Series 2014 Refunding Bonds will be calculated at the rates shown on the inside cover page of this Official Statement, payable semiannually on June 15 and December 15 in each year, commencing on December 15, 2014, by check mailed to the registered owners thereof or upon the request of the Owners of \$1,000,000 or more in principal amount of Series 2014 Refunding Bonds, by wire transfer to an account in the United States which shall be designated in written instructions by such Owner to the Trustee on or before the Record Date preceding the Interest Payment Date. Payment of the principal of the Refunding Bonds shall be made upon the surrender thereof at maturity or on redemption prior to maturity at the corporate trust office of the Trustee in San Francisco, California.

One fully-registered certificate will be issued for each maturity of the Series 2014 Refunding Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See “APPENDIX C – Book-Entry Only System.”

### Redemption of Series 2014 Refunding Bonds

**Optional Redemption of Series 2014A Refunding Bonds.** The Series 2014A Refunding Bonds maturing on or after June 15, 2025, shall be subject to redemption, as a whole or in part in such maturities as are selected by the Successor Agency, prior to their respective maturity dates (or in the absence of such direction, pro rata by maturity and randomly within a maturity), at the option of the Successor Agency, on any date on or after June 15, 2024 at a redemption price equal to the principal amount of Series 2014A Refunding Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

**No Optional Redemption of Series 2014B Refunding Bonds.** The Series 2014B Refunding Bonds are not subject to optional redemption by the Successor Agency prior to maturity.

**Mandatory Sinking Fund Redemption of Series 2014 Refunding Bonds.** The Series 2014 Refunding Bonds are not subject to mandatory sinking fund redemption prior to maturity.

**Partial Redemption of Bonds.** If less than all outstanding Refunding Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the Refunding Bonds of such maturity date to be redeemed, randomly in any manner that it deems appropriate and fair and shall promptly notify the Successor Agency in writing of the numbers of the Refunding Bonds so selected for redemption. For purposes of such selection, Refunding Bonds shall be deemed to be composed of \$5,000 multiples and any such multiple may be separately redeemed.

**Notice of Redemption.** Notice of redemption shall be mailed by first-class mail by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the redemption date to (i) the respective Owners of the Refunding Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, (ii) the Depository Trust Company and (iii) the Electronic Municipal Market Access website of the Municipal Securities Rule Making board ("EMMA"). Notice of redemption to the Depository Trust Company and EMMA shall be given by registered mail or overnight delivery or facsimile transmission. Each notice of redemption shall state the date of such notice, the redemption price, if any, (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Refunding Bonds of such maturity, to be redeemed and, in the case of Refunding Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Refunding Bonds the redemption price, if any, thereof and in the case of a Refunding Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Refunding Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice or any defect therein shall not invalidate any of the proceedings taken in connection with such redemption.

If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the Refunding Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice Refunding Bonds so called for redemption shall become due and payable, and from and after the date so designated interest on such Refunding Bonds shall cease to accrue, and the Owners of such Refunding Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

The written direction of the Successor Agency to the Trustee to send out a conditional optional notice of redemption shall be given at least 15 days prior to the date notice of redemption is provided to the Holder of the Refunding Bonds.

**Conditional Notice, Rescission.** The Trustee may (at the direction of the Successor Agency) give a conditional notice of redemption prior to the receipt of all funds or satisfaction of all conditions necessary to effect the redemption, provided that redemption shall not occur unless and until all conditions have been satisfied and the Trustee has on deposit and available or, if applicable, has received, all of the funds necessary to effect the redemption; otherwise, such redemption shall be cancelled by the Trustee and the Trustee shall mail notice of such cancellation to the recipients of the notice of redemption being cancelled. The Trustee (at the direction of the Successor Agency) shall have the right to rescind any optional redemption by written notice of rescission. Any notice of redemption shall be automatically cancelled and annulled if for any reason funds are not available

on the date fixed for redemption for the payment in full of the Refunding Bonds then called for redemption, and such cancellation shall not constitute an event of default hereunder. The Trustee shall mail notice of rescission of such redemption in the same manner as the original notice of redemption was sent.

***Purchase in Lieu of Redemption.*** In lieu of redemption of any Refunding Bond, amounts on deposit in the Principal Account of the applicable Revenue Fund may also be used and withdrawn by the Trustee at any time, upon the request of the Successor Agency, for the purchase of such Refunding Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the applicable Interest Account) as the Successor Agency may in its discretion determine, but not in excess of the principal amount thereof plus accrued interest to the purchase date; provided, however, that no Refunding Bonds shall be purchased by the Trustee under the Indenture with a settlement date more than 75 days prior to the redemption date. The principal amount of any Term Refunding Bonds so purchased by the Trustee in any twelve-month period ending 60 days prior to the June 15 in any year shall be credited towards and shall reduce the principal amount of such Term Refunding Bonds required to be redeemed on such June 15. Any purchase in lieu of redemption shall require the prior written approval of the Bond Insurer if any Series 2014 Refunding Bond so purchased is not cancelled upon purchase.

## **THE DISSOLUTION ACT**

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes (formerly tax increment) that would have been allocated to the Predecessor Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution), subdivision (b) of Section 33670 of the Redevelopment Law, and the Tenth Township and Legacy Redevelopment Plans) had the Predecessor Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund established and administered by the County Auditor-Controller on behalf of the Successor Agency for the benefit of the holders of enforceable obligations. The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the Predecessor Agency, with the same lien priority and legal effect as if the bonds had been issued prior to the effective date of AB X1 26, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date.

The Dissolution Act further provides that bonds authorized thereunder to be issued by the Successor Agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized to be issued by the Successor Agency under the Dissolution Act, including the Series 2014 Refunding Bonds, are taxes allocated to the Successor Agency pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and subdivision (b) of Section 16 of Article XVI of the State Constitution.

Pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and subdivision (b) of Section 16 of Article XVI of the State Constitution and as provided in the Tenth Township and Legacy Redevelopment Plans, taxes levied upon taxable property in the Tenth Township and Legacy Project Areas each year by or for the benefit of the State, any city, county, city and county, district, or other public corporation (herein sometimes collectively called “**taxing agencies**”) after the effective dates of the ordinances approving the original redevelopment plans, or the respective

effective dates of ordinances approving amendments that added territory to the Project Areas, as applicable, are to be divided as follows:

(a) To Taxing Agencies: 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 the taxing agencies upon the total sum of the assessed value of the taxable property in the Project Area 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 adopting the Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the Redevelopment Plan that added territory to the Project Area, as applicable (each, a "base year valuation"), will be allocated to, and when collected will be paid into, the funds of the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid; and

(b) To the Predecessor Agency/Successor Agency: Except for that portion of the taxes in excess of the amount identified in (a) above which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989 for the acquisition or improvement of real property, which portion shall be allocated to, and when collected shall be paid into, the fund of that taxing agency, that portion of the levied taxes each year in excess of such amount, annually allocated within the Plan Limit following the Delivery Date, when collected will be paid into a special fund of the Successor Agency. Section 34172 of the Dissolution Act provides that, for purposes of Section 16 of Article XVI of the State Constitution, the Redevelopment Property Tax Trust Fund shall be deemed to be a special fund of the Successor Agency to pay the debt service on indebtedness incurred by the Predecessor Agency or the Successor Agency to finance or refinance the redevelopment projects of the Predecessor Agency.

That portion of the levied taxes described in paragraph (b) above, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the County Auditor-Controller, constitute the amounts required under the Dissolution Act to be deposited by the County Auditor-Controller into the Redevelopment Property Tax Trust Fund. In addition, Section 34183 of the Dissolution Act effectively eliminates the January 1, 1989 date from paragraph (b) above.

## **SECURITY FOR THE BONDS**

### **Subordinate Pledged Tax Revenues**

Pursuant to California Health and Safety Code Section 34177.5(g) and subject to the provisions of the Indenture permitting application thereof for the purposes therein and on the terms and conditions set forth in the Indenture, to secure the payment of all the Series 2014 Refunding Bonds and any Additional Bonds, and the interest payments thereon becoming due, and to secure the performance and observance of all of the covenants, agreements and conditions contained in the Series 2014 Refunding Bonds and any Additional Bonds and the Indenture, the Successor Agency irrevocably grants a lien on and a security interest in, and pledges, the Subordinate Pledged Tax Revenues and all money in the Revenue Fund and in the funds or accounts so specified and provided for in the Indenture, whether held by the Successor Agency or the Trustee, to the Trustee

for the benefit of the Owners of the Series 2014 Refunding Bonds and any Additional Bonds, but excluding all moneys in the Costs of Issuance Fund established pursuant to the Indenture, and Rebate Fund established pursuant to the Tax Certificate (as such term is defined in the Indenture). The lien on and security interest in and pledge of the Subordinate Pledged Tax Revenues and such money in the Revenue Fund and in the funds or accounts so specified and provided for in the Indenture constitutes a first pledge of and charge and lien upon the Subordinate Pledged Tax Revenues and such money in the Revenue Fund and in the funds or accounts so specified and provided for in the Indenture, shall immediately attach and be effective, binding, and enforceable against the Successor Agency, its successors, purchasers of any of the Successor Agency Series 2014 Refunding Bonds and any Additional Bonds or such money in the Revenue Fund or 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.

The term “**Subordinate Pledged Tax Revenues**” is defined in the Indenture to mean, for any period of time, moneys deposited from time to time in the Redevelopment Property Tax Trust Fund and payable to the Successor Agency pursuant to Section 34183 of the Law, excluding an amount equal to the scheduled interest that is due and payable on all Senior Obligations during such period plus an amount equal to the scheduled principal and scheduled sinking fund redemption payments that are due and payable on all Senior Obligations during such period, plus an amount, if any, required to cure any deficiency in any of the Senior Bond Reserve Accounts pursuant to the Senior Indentures.

If, and to the extent, that the provisions of Health & Safety Code Section 34172 or paragraph (2) of subdivision (a) of Section 34183 are invalidated by judicial decision, then Subordinate Pledged Tax Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution; excluding moneys required to pay Senior Obligations payable during such period.

The term “**Senior Obligations**” means obligations previously issued by the Predecessor Agency which will remain outstanding after the issuance of the Series 2014 Refunding Bonds and after the refunding and defeasance of the Refunded Bonds.

The term “**Additional Bonds**” is defined in the Indenture to mean bonds issued on a parity with the Series 2014 Refunding Bonds pursuant to the Indenture for the purpose of refunding Senior Obligations, the Series 2014 Refunding Bonds, or to refund bonds issued on a parity basis with the Series 2014 Refunding Bonds.

The Successor Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Subordinate Pledged Tax Revenues available to pay debt service on the Bonds (see “SECURITY FOR THE BONDS” and “RISK FACTORS”).

### **Master Senior Indenture**

All Senior Obligations were issued pursuant to an Indenture of Trust, dated as of December 1, 1993, by and between the Predecessor Agency and First Trust of California, National Association, as amended and supplemented or an Indenture, dated March 1, 2004, by and between the Predecessor Agency and the Trustee, as amended and supplemented (together, the “**Master Senior Indenture**”).

For a description of the flow of funds under the Master Senior Indenture so long as any Senior Obligations are outstanding, see “FLOW OF FUNDS SUMMARY.”

### **Funds and Accounts**

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 Series 2014 Refunding Bonds and any Additional Bonds, the Indenture establishes 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 Refunding Bonds are Outstanding, namely, the Successor Agency to the Redevelopment Agency of the City of San Pablo Refunding Bonds Revenue Fund (the “**Revenue Fund**”), comprised of an Interest Account, a Principal Account, a Sinking Fund Account, and a Series 2014 Debt Service Reserve Account; and the Successor Agency to the Redevelopment Agency of the City of San Pablo Refunding Bonds Redemption Fund (the “**Redemption Fund**”).

Subject to the provisions of the Master Senior Indenture, the Successor Agency covenants and agrees in the Indenture that, promptly upon its receipt of Subordinate Pledged Tax Revenues, all such amounts shall be deposited in the Revenue Fund; provided that the Successor Agency shall not be obligated to deposit in the Revenue Fund in any Bond Year an amount of Subordinate Pledged Tax Revenues which, together with other available amounts therein, exceed the amounts required to be deposited in the Interest Account, the Principal Account, the Sinking Fund Account, the Series 2014 Debt Service Reserve Account in such Bond Year pursuant to the Indenture. Any Subordinate Pledged Tax Revenues received during any Fiscal Year (and any other Reserve Accounts established to secure one or more series of Additional Bonds) following deposit in the Revenue 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 Series 2014 Debt Service Reserve Account in such Fiscal Year pursuant to the Indenture, shall be retained in the Revenue Fund pending transfer to the Successor Agency as provided in Section 5.04(5) of the Indenture.

The Successor Agency further covenants and agrees in the Indenture that all Subordinate Pledged Tax Revenues shall be deposited in the Revenue Fund and accounted for through, and held in trust in the Revenue Fund, and the Successor Agency shall have no beneficial right or interest in any of such money, except only as provided in the Indenture. All such Subordinate Pledged Tax Revenues shall nevertheless be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the Successor Agency.

Revenue Fund. All moneys in the Revenue Fund shall be set aside by the Trustee when and as received in the following respective special accounts within the Revenue Fund. All moneys in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized in the Indenture.

Interest Account. Within three business days of June 2 of each year the Trustee shall set aside from the Revenue 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 Refunding Bonds on the next two succeeding Interest Payment Dates.

All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Refunding Bonds as the same shall become due and payable.

Principal Account Within three business days of June 2 of each year the Trustee shall set aside from the Revenue 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 Refunding Bonds on the next succeeding June 15. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the outstanding Refunding Bonds as they shall become due and payable.

Sinking Fund Account. Within three business days of June 2 of each year the Trustee shall set aside from the Revenue 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 Refunding Bonds which are Term Obligations on the next succeeding June 15. All moneys in the Sinking Fund Account shall be used by the Trustee to redeem the outstanding Refunding Bonds in accordance with the Indenture.

Series 2014 Debt Service Reserve Account. Within three business days of June 2 of each year the Trustee shall set aside from the Revenue Fund and deposit in the Series 2014 Debt Service Reserve Account an amount of money (or other authorized deposit of security, as described in paragraph (vi) below) equal to the Series 2014 Reserve Account Requirement for the Series 2014 Refunding Bonds then outstanding.

Series 2014 Reserve Account Requirement. The Series 2014 Reserve Account Requirement is defined in the Indenture to mean as of any date of calculation, an amount equal to the least of (i) 10% of the initial offering price to the public of the outstanding Series 2014 Refunding Bonds as determined under the Internal Revenue Code of 1986, as amended (the "Code"), (ii) the greatest amount of debt service due on the outstanding Series 2014 Refunding Bonds in any Bond Year during the period commencing with the Bond Year in which the determination is being made and terminating with the last Bond Year in which any outstanding Series 2014 Refunding Bond is due ("MADS") (defined below), or (iii) 125% of the sum of the debt service due on the outstanding Series 2014 Refunding Bonds for all Bond Years during the period commencing with the Bond Year in which such calculation is made and terminating with the last Bond Year in which any debt service is due on outstanding Series 2014 Refunding Bonds, divided by the number of such Bond Years, all as computed and determined by the Successor Agency and specified in writing to the Trustee.

If the Series 2014 Reserve Account Requirement is satisfied with a Reserve Account Credit Facility, the term "Series 2014 Reserve Account Requirement" shall mean MADS. The Reserve Account will be initially funded by the deposit of a Municipal Bond Debt Service Reserve Insurance Policy issued by AGM in an amount equal to the Series 2014 Reserve Account Requirement.

If the Series 2014 Reserve Account Requirement is satisfied by both cash and a Reserve Account Credit Facility, then the term "Series 2014 Reserve Account Requirement" shall mean MADS, provided that the amount of cash in the Series 2014 Reserve Account shall not be more than the least of (i) 10% of the initial offering price to the public of the outstanding Series 2014 Refunding Bonds as determined under the Code, (ii) the greatest amount of debt service due on the outstanding Series 2014 Refunding Bonds in any Bond Year during the period commencing with the Bond Year in which the determination is being made and terminating with the last Bond Year in which any outstanding Series 2014 Refunding Bond is due ("MADS"), or (iii) 125% of the sum of the debt service due on the outstanding Series 2014 Refunding Bonds for all Bond Years during the period commencing with the Bond Year in which such calculation is made and terminating with the last Bond Year in which any debt service is due on outstanding Series 2014 Refunding Bonds,

divided by the number of such Bond Years, all as computed and determined by the Successor Agency and specified in writing to the Trustee.

No deposit need be made in the Series 2014 Debt Service Reserve Account so long as there shall be on deposit therein an amount equal to the Series 2014 Reserve Account Requirement of the Series 2014 Refunding Bonds then outstanding. If on any date on which the principal or Redemption Price of, or interest on, the Series 2014 Refunding Bonds is due, the amount in the applicable account in the Revenue Fund available for each such payment is less than the amount of the principal and Redemption Price of and interest on the Series 2014 Refunding Bonds due on such date, the Trustee shall apply amounts from the Series 2014 Debt Service Reserve Account to the extent necessary to cure the deficiency.

Except as described below, if on the last Business Day of any month the amount on deposit in the Series 2014 Debt Service Reserve Account shall exceed the Series 2014 Reserve Account Requirement, as applicable, such excess shall be applied to the reimbursement of each drawing on a Reserve Account Credit Facility deposited in or credited to such Accounts and to the payment of interest or other amounts due with respect to such a Reserve Account Credit Facility and any remaining moneys shall be deposited in the Interest Account.

Whenever the amount in the Series 2014 Debt Service Reserve Account (excluding Reserve Account Credit Facility, as defined below), together with the amount in the Revenue Fund, is sufficient to pay in full all of the outstanding Series 2014 Refunding Bonds in accordance with their terms (including principal or Redemption Price and interest thereon), the funds on deposit in the Series 2014 Debt Service Reserve Account shall be transferred to the Redemption Fund.

In lieu of the deposits and transfers to the Series 2014 Debt Service Reserve Account described above, the Successor Agency may cause to be deposited in the Series 2014 Debt Service Reserve Account, a Reserve Account Credit Facility or Reserve Account Credit Facilities, in an amount equal to the difference between the respective Series 2014 Reserve Account Requirement and the sums, if any, then on deposit in the Series 2014 Debt Service Reserve Account or being deposited in such Account concurrently with such Reserve Account Credit Facility. The term "**Reserve Account Credit Facility**" is defined in the Indenture to mean a policy of municipal bond insurance or surety bond issued by a financial guaranty insurer or a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit in one of the two highest rating categories (without regard to qualifiers) by Standard & Poor's and, if rated by A.M. Best & Company, also in one of the two highest rating categories (without regard to qualifiers) by A.M. Best & Company. See APPENDIX A-SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE- THE INDENTURE-Reserve Fund-Series 2014 Debt Service Reserve Account" for a further description of a Reserve Account Credit Facility.

Additional Bonds-Reserve Account. The Successor Agency may at its sole discretion at the time of issuance of any Additional Bonds or at any time thereafter by Supplemental Indenture provide for the establishment of a debt service reserve account as additional security for Additional Bonds. Any debt service reserve account so established by the Successor Agency shall be available to secure Additional Bonds as the Successor Agency shall determine and shall specify in the Supplemental Indenture establishing such debt service reserve account or, if the Supplemental Agreement establishes a pooled Reserve Account Requirement that is applicable to an initial series of Refunding Bonds, including the Series 2014 Refunding Bonds, together with any one or more subsequently issued eligible series of Additional Bonds with the same pooled Reserve Account Requirement, as shall be set forth in subsequent Supplemental Indentures. Any Reserve Account

Requirement established by the Successor Agency shall be held by the Trustee and shall comply with the requirements set forth in the Indenture.

Surplus. Within three business days of June 2 of each year, any amounts remaining in the Revenue Fund after making the deposits required pursuant to the Indenture, shall be released from the lien of the Indenture and shall be transferred to the Successor Agency.

Redemption Fund. From the moneys paid by the Successor Agency, the Trustee shall, on or before each date fixed for redemption, deposit in the Redemption Fund an amount equal to the redemption price of the Refunding Bonds to be redeemed. Said moneys shall be set aside in said Fund and shall be applied on or after the redemption date to the payment of the redemption price of the Refunding Bonds to be redeemed and, except as otherwise provided in the Indenture, shall be used only for that purpose.

### **Additional Bonds**

The Successor Agency covenants that it will not issue any bonds, notes, or other obligations that are secured by a lien on Subordinate Pledged Tax Revenues that is superior to the lien on Subordinate Pledged Tax Revenues under the Indenture.

The Successor Agency may issue one or more series of Additional Bonds, secured by a lien on Subordinate Pledged Tax Revenues that is on parity with the lien on Subordinate Pledged Tax Revenues under the Indenture, for the sole purpose of refunding any of the following: Senior Obligations, the Series 2014 Refunding Bonds, or refunding bonds subsequently issued on a parity basis with the Series 2014 Refunding Bonds, subject to the following conditions: (i) Annual Debt Service (as defined in the Indenture) on any Additional Bonds must be lower than or equal to Annual Debt Service on the obligations to be refunded; (ii) Additional Bonds must have Interest Payment Dates of June 15 and December 15 and Principal Payment Dates of June 15; (iii) the Successor Agency shall cause the amount in the Debt Service Reserve Account to be increased, if required, to the Reserve Account Requirement taking into account the issuance of the Additional Bonds; (iv) Additional Bonds shall only be issued as fixed rate bonds; and (v) prior to issuance of any Additional Bonds, the Successor Agency shall subordinate all amounts, if any, payable to a taxing entity pursuant to Section 33607.5, 33607.7 and 33676 to the payment of debt service payments on the Additional Bonds. The Successor Agency may issue one or more series of bonds, notes or obligations that are payable from, and secured by a lien on Subordinate Pledged Tax Revenues that is subordinate to the lien thereon created by the Indenture.

Notwithstanding satisfaction of the other conditions to the issuance of Additional Bonds set forth herein, no such issuance may occur (1) if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such default shall be cured upon such issuance and (2) unless the Series 2014 Debt Service Reserve Account is fully funded at the Series 2014 Reserve Account Requirement (including the proposed issue) upon the issuance of such Additional Bonds, in either case unless otherwise permitted by the Bond Insurer.

### **Recognized Obligation Payment Schedules or “ROPS”**

The Dissolution Act provides that only “enforceable obligations” listed on a Recognized Obligation Payment Schedule approved by the State Department of Finance may be paid by a successor agency. The Dissolution Act defines “enforceable obligations” as bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or

similar documents governing the issuance of the outstanding bonds of the former redevelopment agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and amounts borrowed from the former Low and Moderate Income Housing Fund.

The Dissolution Act defines "Recognized Obligation Payment Schedule" as the document setting forth the minimum payment amounts and due dates of payments required by enforceable obligations for each six-month fiscal period as provided in subdivisions (l) and (m) of Section 34177.

In order to ensure the full and timely payment of all enforceable obligations, including the payment of all amounts required under the Indenture, the Dissolution Act requires each successor agency to submit a Recognized Obligation Payment Schedule to the successor agency's oversight board and the State Department of Finance not less than 90 days prior to each January 2 and June 1 pursuant to which all enforceable obligations of the successor agency are listed, together with the source of funds to be used to pay such obligations.

Under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, a county auditor-controller is to distribute funds for each six-month period in the following order specified in Section 34183 of the Dissolution Act:

(i) first, subject to certain adjustments for subordinations to the extent permitted under the Dissolution Act and no later than each January 2 and June 1, to each local agency and school entity, to the extent applicable, amounts required for pass-through payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including negotiated pass-through agreements and statutory pass-through obligations (see "THE REDEVELOPMENT PROJECT AREA - Tax Sharing Agreements-Tax Sharing Statutes");

(ii) second, on each January 2 and June 1, to the successor agency for payments listed in its Recognized Obligation Payment Schedule, with debt service payments scheduled to be made for tax allocation bonds, such as the Series 2014 Refunding Bonds, having the highest priority over payments scheduled for other debts and obligations listed on the Recognized Obligation Payment Schedule;

(iii) third, on each January 2 and June 1, to the successor agency for the administrative cost allowance, as defined in the Dissolution Act; and

(iv) fourth, on each January 2 and June 1, to taxing entities any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii), in an amount proportionate to such taxing entity's share of property tax revenues in the tax rate area in that fiscal year (without giving effect to any pass-through obligations that were established under the Redevelopment Law).

If negotiated pass-through payments or statutory pass-through obligations are subordinate to debt service payments required for enforceable obligations, funds for serving bond debt may be deducted from the amounts for pass-through payments under paragraph (i), but only to the extent that the amounts remaining to be distributed to taxing entities pursuant to paragraph (iv) and the amounts available for distribution for administrative costs in paragraph (iii) have all been exhausted.

The Successor Agency covenants in the Indenture that it will duly and punctually pay or cause to be paid the principal of and interest on the Bonds on the date, at the place and in the manner provided in the Bonds. The Successor Agency covenants in Section 6.08 of the Indenture that not fewer than 90 days prior to each January 2, commencing with January 2, 2015, the Successor Agency shall submit an Oversight Board-approved Recognized Obligation Payment Schedule to the Department of Finance and to the County Auditor-Controller which shall include the following (collectively, the "Required Amount"): (i) all scheduled interest payments on all then outstanding bonds of the Successor Agency (the "**Outstanding Bonds**") that are due and payable during the next calendar year, (ii) all scheduled principal and mandatory sinking fund redemption payments on all Outstanding Bonds of the Successor Agency that are due and payable during the next calendar year, (iii) any amount required to cure any deficiency in the Senior Bond Reserve Account pursuant to the Senior Indentures, and (iv) any amount required to cure any deficiency in the Reserve Account pursuant to the Indenture (including any amounts required due to a downgrade of the Reserve Account Credit Facility Provider).

If on January 2 of any year, the amount transferred to the Custodian by the County Auditor-Controller is less than the Required Amount, then not less than 90 days prior to June 1 of such calendar year, the Successor Agency shall submit an Oversight-Board approved Recognized Obligation Payment Schedule to the Department of Finance and to the County Auditor-Controller which includes the amount by which such transfer was deficient.

The Successor Agency covenants in the Indenture that it shall, on or before December 1 of each year, file a Notice of Insufficiency with the County Auditor-Controller if the amount of Subordinate Pledged Tax Revenues available to the Successor Agency from the Redevelopment Property Tax Trust Fund on the upcoming January 2 is insufficient to fully fund the Required Amount. The Successor Agency covenants that on or before May 1 of each year, it shall file a Notice of Insufficiency with the County Auditor-Controller if the amount of Subordinate Pledged Tax Revenues available to the Successor Agency from the Redevelopment Property Tax Trust Fund on the upcoming June 1 is insufficient to fully fund the Required Amount.

The term "Notice of Insufficiency" is defined in the Indenture as the report described in Section 34183(b) of the Dissolution Act, which report relates to the periodic notice that the Successor Agency is required to provide to the County Auditor-Controller with respect to the subordination of pass-through payments to the payment of debt service on the Successor Agency's Outstanding Bonds.

The Successor Agency has a proven track record of submitting its Recognized Obligation Payment Schedules on time, except during the initial period immediately after implementation of the Dissolution Act, as follows.

	<b>Funding Period</b>	<b>ROPS Approved by Oversight Board</b>	<b>Approved ROPS Submitted to DOF</b>	<b>Deadline to Submit ROPS to DOF</b>	<b>ROPS Submitted On Time</b>
<b>ROPS I</b>	Jan-Jun 2012	Apr 30, 2012	May 1, 2012	Apr 15, 2012	no
<b>ROPS II</b>	Jul-Dec 2012	Aug 10, 2012	Aug 13, 2012	Jun 1, 2012	no
<b>ROPS III</b>	Jan-Jun 2013	Aug 10, 2012	Aug 13, 2012	Sep 1, 2012	yes
<b>ROPS 2013-14A</b>	Jul-Dec 2013	Feb 27, 2013	Mar 1, 2013	Mar 1, 2013	yes
<b>ROPS 2013-14B</b>	Jan-Jun 2014	Sep 25, 2013	Sep 25, 2013	Oct 1, 2013	yes
<b>ROPS 2014-15A</b>	Jul-Dec 2014	Feb 19, 2014	Feb 28, 2014	Mar 1, 2014	yes

Further, there are strong incentives for the Successor Agency to submit its Recognized Obligation Payment Schedules on time. If the Successor Agency does not submit a Recognized Obligation Payment Schedule to the Oversight Board and the State Department of Finance at least

90-days prior to each January 2 and June 1, then, pursuant to the Dissolution Act, the City of San Pablo will be subject to a \$10,000 per day civil penalty for every day the schedule is late. Additionally, if the Successor Agency does not submit a Recognized Obligation Payment Schedule to the Oversight Board and the State Department of Finance at least 80-days prior to each January 2 and June 1, then the Successor Agency's administrative cost allowance may be reduced by up to 25%. For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications thereof on the Bonds, see "RISK FACTORS – Recognized Obligation Payment Schedule."

### **Custody Agreement**

In order to enhance the security for the Series 2014 Refunding Bonds, the Successor Agency has entered into the Custody Agreement pursuant to which the County Auditor-Controller is required, subject to certain conditions, to transfer all amounts to which the Successor Agency is entitled pursuant to the Dissolution Act, directly to the Custodian for application by the Trustee to pay debt service on all outstanding Successor Agency bonds, including the Senior Obligations and the Series 2014 Refunding Bonds, pursuant to the applicable bond indentures of the Successor Agency, including the Indenture.

*So long as any Series 2014 Refunding Bonds or Additional Bonds remain outstanding, the Custody Agreement may not be amended or terminated if such amendment or termination would have a material adverse effect on the holders of such Bonds.*

Pursuant to the Custody Agreement, the County Auditor-Controller shall, on January 2 and June 1 of each year, transfer directly to the Custody Account held by the Custodian, from amounts on deposit in the Redevelopment Property Tax Trust Fund, all amounts to which the Successor Agency is entitled pursuant to the Dissolution Act and pursuant to a Recognized Obligation Payment Schedule approved by the Department of Finance.

Immediately upon receipt thereof, the Custodian shall transfer all such amounts as follows:

- (i) First, to satisfy the requirements for deposits to the funds and accounts under the Master Senior Indenture securing the Senior Obligations.
- (ii) Second, to satisfy the requirements for deposits to the funds and accounts described in the Indenture securing the Series 2014 Refunding Bonds.

Nothing in the Custody Agreement shall require the County Auditor-Controller to make any transfer not otherwise permitted under the Dissolution Act. The Successor Agency, the Custodian and the County Auditor-Controller acknowledge and agree that the Custody Agreement is made for the benefit of the holders of the Successor Agency's bonds to provide additional security therefor and the Custodian, acting as trustee under the Master Senior Indenture and the Indenture, shall be deemed a third-party beneficiary of the Custody Agreement entitled to enforce its terms under applicable law.

Further, the Successor Agency covenants in the Indenture that, upon any default or failure of the County Auditor-Controller to perform its duties and obligations under the Custody Agreement, the Successor Agency shall, and the Trustee may, take such actions and commence such proceedings, including an action in mandamus, as may be necessary to compel the County Auditor-Controller to perform its duties and obligations under the Custody Agreement. The Successor Agency also covenants not to consent to any amendment or termination of the Custody Agreement

if such amendment or termination would have a material adverse effect on the holders of the Series 2014 Refunding Bonds or any Additional Bonds.

### **Pledge of Former Housing Set-Aside**

The Dissolution Act eliminated the requirement that twenty percent (20%) of tax increment revenue be set aside and used exclusively for purposes of providing low and moderate income housing. Accordingly, Subordinate Pledged Tax Revenues are not subject to such set aside requirement and amounts formerly required to be set aside for such purpose are included in Subordinate Pledged Tax Revenues pledged to the payment of debt service on the Series 2014 Refunding Bonds. There are no outstanding bonds or other obligations of the Predecessor Agency secured by a pledge of housing set aside monies. Consequently all of the former twenty percent set aside deposited into the Redevelopment Property Tax Trust Fund will be available as Subordinate Pledged Tax Revenues.

### **Tax Sharing Agreement**

The Redevelopment Law authorized redevelopment agencies to enter into agreements (a "**Tax-Sharing Agreement**") with taxing agencies whose territory was located within a redevelopment project area, whereby the redevelopment agency would pay tax increment revenues to such taxing agencies to alleviate the financial burden or detriment caused by a redevelopment project. The Predecessor Agency entered into such a Tax Sharing Agreement, dated September 8, 1987, entitled "Agreement Among the Redevelopment Agency of the City of San Pablo, the City of San Pablo, the County of Contra Costa, and Related Entities Regarding Pass Through of Tax Increment Pursuant to Health and Safety Code Section 33401" (the "**County Taxing Agencies Reimbursement Agreement**"), which generally provides that the Successor Agency pay a certain portion of annual tax increments from the Merged Project Area (Tenth Township excluding the Sheffield sub-area) to the entities named in the original agreement (County of Contra Costa, Contra Costa County Library District, the Contra Costa County Flood Control District, the West County Fire Protection District, Contra Costa County Water Agency, Flood Control District Z-7, Storm Drain Maintenance District 4). Pursuant to the County Taxing Agencies Reimbursement Agreement, commencing in fiscal year 2012-13 and continuing until the termination of the Tenth Township Redevelopment Plan as to the respective identified component subareas, the Taxing Agencies are to annually receive an amount of tax increment equal to the amount they would have received had the Tenth Township Redevelopment Plan never been adopted for those component subareas.

Pursuant to the Fourth Amendment to Subordination Agreement (the "**Fourth Amendment**"), dated as of June 1, 2014, by and among the Successor Agency and the County of Contra Costa (including the Library), the Contra Costa County Flood Control and Water Conservation District and the Contra Costa County Fire Protection District (the "**Taxing Agencies**") the obligation to annually pay tax increment to the Taxing Agencies pursuant to the County Taxing Agencies Reimbursement Agreement is subordinate to the payment of debt service on the Successor Agency's Senior Obligations and the Series 2014 Refunding Bonds. The Board of Supervisors of the County of Contra Costa approved the Fourth Amendment at its meeting on April 1, 2014.

### **Statutory Pass-Through Payments**

Sections 33607.5, 33607.7 and 33676 of the Redevelopment Law require the Successor Agency to make payments (the "Statutory Pass-Through Payments") to taxing agencies whose territory is located within the applicable Project Area, to alleviate the financial burden or detriment

caused by the Redevelopment Project. The Dissolution Act establishes procedures whereby the Successor Agency may subordinate the payment of such Statutory Pass-Through Payments to the payment of debt service on its bonds. These procedures include, among other things, providing each affected taxing agency with 45-day written notice of such subordination. Such notice was provided to each affected taxing entity on February 26, 2014.

All of the statutory requirements necessary to subordinate the payment of all Statutory Pass-Through Payments, including all past-due amounts, to the payment of debt service on all of the Successor Agency's bonds have been fully satisfied.

### **Santa Ana Decision**

The State Court of Appeals upheld a Superior Court decision which held that the Santa Ana School District had the right to receive payments from the Orange County Redevelopment Agency pursuant to a resolution adopted by the School District in 1999 under former Section 33676(a) of the Redevelopment Law (Santa Ana Unified School District v. Orange County Redevelopment Agency; App. 4 Dist. 2001 108 Cal. Rptr.2d 770, 90 Cal. App 4th 404, review denied). Former Section 33676(a)(2) provided that, unless a negotiated tax sharing agreement had been entered into, upon passage of a resolution prior to adoption of a redevelopment plan, affected taxing agencies and every school and community college district could elect to be allocated increases in the assessed value of taxable property in the project area based on inflation growth (the 2% Property Tax Increase). Former Section 33676(a)(2) was repealed as part of major revisions made to the Redevelopment Law pursuant to the Reform Act of 1993 (AB 1290). The changes to the Redevelopment Law contained in AB 1290 were effective as of January 1, 1994. The Court of Appeals affirmed the lower court ruling that due to an amendment to former Section 33676(a) that was adopted in 1984 and became effective on January 1, 1985, school and community college districts were to automatically receive the 2% Property Tax Increase even without adopting the appropriate resolution prior to the adoption of a redevelopment plan.

Since the constituent project areas of the Tenth Township Project were adopted prior to the 1984 amendment of Section 33676(a), there was no impact on the Tenth Township Project Area as a result of that decision. The Legacy Project Area was adopted after Section 33676(a)(2) was repealed.

## Tax Increment Cap

California Health and Safety Code Section 33333.4(g) reads in part, as follows: “A redevelopment plan adopted on or after October 1, 1976, and prior to January 1, 1994 (which includes the Tenth Township Redevelopment Plan, but not the Legacy Redevelopment Plan) ... shall contain ... a limitation on the number of dollars of taxes that may be divided and allocated to the agency pursuant to the plan.” This provision is commonly referred to as the “**Tax Increment Cap**.” The ostensible purpose of the Tax Increment Cap is to limit the financial burden or detriment borne by local taxing agencies (cities, counties, special districts and school and community college districts) whose territory is located within a redevelopment project area. Pursuant to Section 33333.4(g), the Tenth Township Redevelopment Plan contains a Tax Increment Cap of \$550 million. As of June 30, 2013, cumulative tax increment revenues (now property tax revenues) of \$193.2 million have been allocated to the Predecessor Agency and, the Successor Agency with respect to this Tax Increment Cap. Future growth of assessed values in the Tenth Township Area would need to average approximately 11% per year before the Successor Agency would reach the \$550 million tax increment cap prior to Fiscal Year 2031-32, the year of final maturity of the Series 2014 Refunding Bonds. Accordingly, the Successor Agency does not expect that the Tax Increment Cap will have an adverse affect upon the ability of the Successor Agency to pay scheduled debt service on its bonds.

Further, the Successor Agency covenants and agrees in the Indenture that it has not and will not incur any loans, obligations or indebtedness repayable from Tax Revenues (defined in the Indenture as amounts deposited in the Redevelopment Property Tax Trust Fund) such that the total aggregate debt service on said loans, obligations or indebtedness incurred from and after the date of adoption of the original redevelopment plans establishing the component subareas included in the Tenth Township Project Area, when added to the total aggregate debt service on the Outstanding Bonds, will exceed the Tax Increment Cap. The Successor Agency also covenants that on or before September 1 of each year beginning in 2014, it will review the total amount of tax increment remaining available to be received by the Successor Agency under the Tax Increment Cap, as well as future cumulative debt service on all Outstanding Bonds. If the allocation of tax increment revenues to the Successor Agency in any year will cause the amount remaining under the Tax Increment Cap to fall below 110% of the aggregate amount of remaining debt service on all Outstanding Bonds secured by tax increment allocable to the Successor Agency, then the Successor Agency shall deposit an amount of such revenues equal to the amount by which 110% of the aggregate amount of remaining debt service on all Outstanding Bonds secured by tax increment allocable to the Successor Agency exceeds the Tax Increment Cap in a special escrow established with the Trustee and pledged solely for the payment of interest on and principal of and redemption premiums, if any, on the Outstanding Bonds.

## BOND INSURANCE

### Bond Insurance Policy

Concurrently with the issuance of the Series 2014A Refunding Bonds, Assured Guaranty Municipal Corp. (“**AGM**”) will issue its Municipal Bond Insurance Policy for the Series 2014A Refunding Bonds (the “**Series 2014A Policy**”). Concurrently with the issuance of the Series 2014B Refunding Bonds, AGM will issue its Municipal Bond Insurance Policy for the Series 2014B Refunding Bonds (the “**Series 2014B Policy**”, and together with the Series 2014A Policy, the “**Policy**”). The Policy guarantees the scheduled payment of principal of and interest on the Series 2014 Refunding Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

#### *Current Financial Strength Ratings*

On March 18, 2014, S&P published a Research Update report in which it upgraded AGM’s financial strength rating to “AA” (stable outlook) from “AA-“ (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On February 10, 2014, Moody’s issued a press release stating that it had affirmed AGM’s insurance financial strength rating of “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

#### *Capitalization of AGM*

At March 31, 2014, AGM’s policyholders’ surplus and contingency reserve were approximately \$3,621 million and its net unearned premium reserve was approximately \$1,869 million. Such amounts represent the combined surplus, contingency reserve and net unearned

premium reserve of AGM, of AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd., and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; after giving effect to certain intercompany eliminations; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

#### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (filed by AGL with the SEC on February 28, 2014); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014 (filed by AGL with the SEC on May 9, 2014).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52<sup>nd</sup> Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

#### *Miscellaneous Matters*

AGM or one of its affiliates may purchase a portion of the Series 2014 Refunding Bonds or any uninsured bonds offered under this Official Statement and such purchases may constitute a significant proportion of the bonds offered. AGM or such affiliate may hold such Series 2014 Refunding Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Series 2014 Refunding Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Series 2014 Refunding Bonds or the advisability of investing in the Series 2014 Refunding Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

## **CONTRA COSTA COUNTY AUDITOR-CONTROLLER**

The County Auditor-Controller is an elected official of Contra Costa County. The County Auditor-Controller is the Chief Accounting Officer of the County and administers the Office of County Auditor-Controller which is organized into five Divisions.

Pursuant to the Dissolution Act, the County Auditor-Controller is required to deposit all property taxes (formerly tax increment) that would have been allocated to the Predecessor Agency had the Predecessor Agency not been dissolved into the Redevelopment Property Tax Trust Fund, which is established, maintained and administered for the Successor Agency by the County Auditor-Controller. Pursuant to the Dissolution Act, the County Auditor-Controller disburses funds from the Redevelopment Property Tax Trust Fund twice annually, on each January 2 and June 1, pursuant to a Recognized Obligation Payment Schedule approved by the State Department of Finance. Amounts so disbursed include all payments required by the Indenture, the payment of all other enforceable obligations, pass-through payments to affected taxing entities, and various administrative fees and allowances. Remaining balances are distributed to affected taxing entities under a prescribed method that accounts for pass-through payments. The County Auditor-Controller is also responsible for distributing other moneys received from the Successor Agency (the proceeds of asset sales) to the taxing entities.

In order to enhance the security for the Series 2014 Refunding Bonds, the Successor Agency has entered into a Custody Agreement (the "**Custody Agreement**") by and among the Successor Agency, the County Auditor-Controller and the Trustee, as custodian (the "**Custodian**"), dated as of June 1, 2014, pursuant to which the County Auditor-Controller must transfer all amounts to which the Successor Agency is entitled pursuant to the Dissolution Act, directly to the Custodian for application by the Trustee pursuant to the bond indentures for the Senior Obligations and the Series 2014 Refunding Bonds. See "SECURITY FOR THE BONDS- Custody Agreement."

## **FLOW OF FUNDS SUMMARY**

Pursuant to applicable State law, the Master Senior Indenture, the Indenture and the Custody Agreement, the flow of funds is as follows:

1. Pursuant to Section 2052 of the Revenue and Taxation Code, using assessed values on the August 20 equalized roll, the County Auditor-Controller shall determine the amount of Property Taxes (formerly tax increment) that would have been allocated to the Predecessor Agency had the Predecessor Agency not been dissolved pursuant to AB x1 26, and shall deposit all such amounts in the Redevelopment Property Tax Trust Fund established, maintained and administered by the County Auditor-Controller on behalf of the Successor Agency for the benefit of holders of enforceable obligations.

2a. Pursuant to the Indenture, not less than 90-days prior to each January 2, the Successor Agency shall submit an Oversight Board-approved Recognized Obligation Payment Schedule (ROPS) to the State Department of Finance and to the County Auditor-Controller, which shall include all scheduled interest, principal and mandatory sinking fund payments that are due and payable on all Outstanding Senior Obligations, the Series 2014 Refunding Bonds and any Additional Bonds of the Successor Agency during the next ensuing calendar year, together with any amount required to replenish the Senior Obligation Reserve Fund and/or the Series 2014 Debt Service Reserve Account.

2b. Pursuant to the Indenture, if, on January 2 of any year, the amount remitted by the County Auditor-Controller to the Custodian is less than the full amount specified in '2a' above, then not less than 90-days prior to June 1 of such year, the Successor Agency shall submit an Oversight Board-approved Recognized Obligation Payment Schedule to the State Department of Finance and to the County Auditor-Controller, which shall include the balance due.

3. Pursuant to the Custody Agreement, as long as the Series 2014 Refunding Bonds or any Additional Bonds are outstanding, on January 2 and June 1 of each year, the County Auditor-Controller shall remit directly to the Custodian from amounts on deposit in the Redevelopment Property Tax Trust Fund, all amounts payable to the Successor Agency pursuant to the approved Recognized Obligation Payment Schedule for the applicable period; and, upon the receipt thereof, the Custodian shall credit all such amounts to the Successor Agency Redevelopment Obligation Retirement Fund.

4. As long as any Senior Obligations are Outstanding, then upon the receipt of any monies pursuant to '3' above, the Custodian acting in its capacity as Trustee shall deposit all such amounts in the Senior Obligation Special Fund pursuant to Section 5.02 of the Master Senior Indenture. Alternatively, if **no** Senior Obligations are outstanding, then upon the receipt of any monies pursuant to '3' above, the Custodian acting in its capacity as Trustee shall deposit all such amounts in the Series 2014 Revenue Fund for application pursuant to the Indenture.

5. Pursuant to the Master Senior Indenture, on June 2 and December 2 of each year, all amounts in the Senior Obligation Surplus Fund shall be transferred to the Series 2014 Revenue Fund for application pursuant to the Indenture.

6. Pursuant to the Indenture, on or about June 2 of each year, the Trustee shall transfer from the Revenue Fund to the Interest Account, an amount which, together with any amount contained therein, is equal to the aggregate amount of the interest becoming due and payable on the next occurring June 15 and December 15 interest payment dates.

7. Pursuant to the Indenture, on or about June 2 of each year, the Trustee shall transfer from the Revenue Fund to the Principal Account an amount which, together with any money contained therein, is equal to the aggregate amount of principal or sinking fund installment becoming due and payable on the next occurring June 15 principal payment date.

8. Pursuant to the Indenture, on or about June 2 of each year, after making the transfers specified in "6" and "7" above, the Trustee shall transfer to the Successor Agency, all surplus amounts in the Revenue Fund; provided however, that any such monies shall first be applied to make up any deficiency in the Series 2014 Debt Service Reserve Account.

## **CERTAIN COVENANTS OF THE SUCCESSOR AGENCY**

The Successor Agency covenants with the Owners of the Refunding Bonds that each of the following covenants shall remain in full force and effect so long as any of the Bonds shall be outstanding and unpaid.

Compliance with Indenture. The Successor Agency shall punctually pay the Series 2014 Refunding Bonds in strict conformity with the terms of the Indenture and the Bonds, and shall faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Indenture required to be observed and performed by it, and shall not fail to make any payment required by the Indenture for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of any party to observe or perform any agreement, condition, covenant or term contained in any contract or agreement required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with any such contract or agreement or the insolvency, or deemed insolvency, or bankruptcy or liquidation of any party or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

Filing of Recognized Obligation Payment Schedules and Subordinate Pledged Tax Revenues. Not fewer than 90 days prior to each January 2, commencing January 2, 2015, the Successor Agency shall submit an Oversight Board-approved Recognized Obligation Payment Schedule to the State Department of Finance and to the County Auditor-Controller which shall include the following: (i) all scheduled interest payments on all Senior Obligations and outstanding Refunding Bonds of the Successor Agency that are due and payable during the next calendar year, (ii) all scheduled principal and mandatory sinking fund redemption payments on all Senior Obligations and outstanding Refunding Bonds of the Successor Agency that are due and payable during the next calendar year, (iii) any amount required to cure any deficiency in the Senior Bond Reserve Account pursuant to the Senior Indentures, and (iv) any amount required to cure any deficiency in the Reserve Account pursuant to the Indenture (including any amounts required due to a downgrade of the Reserve Account Credit Facility Provider).

If on January 2 of any year, the amount transferred to the Custody Account (as defined in the Custody Agreement) by the County Auditor-Controller pursuant to the Custody Agreement is less than the sum of (i), (ii), (iii), and (iv) above, then not less than 90 days prior to June 1 of such calendar year, the Successor Agency shall submit an Oversight-Board approved Recognized Obligation Payment Schedule to the State Department of Finance and to the County Auditor-Controller which includes the amounts by which such transfer was deficient.

Petition for Final and Conclusive Determination. The Successor Agency covenants that it will use its best efforts to obtain at the earliest possible date following issuance of the Bonds a final and conclusive letter of determination from the State Department of Finance pursuant to Section 34177.5(i) of the Health and Safety Code.

Proceedings to Enforce Custody Agreement. Upon any default or failure to perform thereunder on the part of the County, the Successor Agency shall, and the Trustee may, take such actions and commence such proceedings, including an action in mandamus, as may be necessary

to compel the County Auditor-Controller to perform its duties and obligations under the Custody Agreement.

Adverse Change in State Law. If, due to an Adverse Change in State Law, the Successor Agency determines that it cannot comply with its obligations with respect to filing Recognized Obligation Payment Schedules, as provided in the Indenture, then the Successor Agency shall immediately notify the County Auditor-Controller and the Trustee in writing of such determination. The Successor Agency shall immediately seek a declaratory judgment or take other appropriate action in a Court of competent jurisdiction to determine the duties of all parties to the Indenture, including the County Auditor-Controller and the Successor Agency, with regard to the performance of its obligations with respect to filing Recognized Obligation Payment Schedules. The Trustee may, but shall not be obligated to, participate in the process of seeking any such declaratory judgment. The term "Adverse Change in State Law" is defined in the Indenture to mean a change in State law, including any judicial decision, that materially adversely affects the ability of the Successor Agency to comply with or perform its obligations set forth in Section 6.08 of the Indenture.

Continuing Disclosure. The Successor Agency and the Trustee covenant and agree that they will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Successor Agency or the Trustee to comply with the Continuing Disclosure Certificate shall not be considered an event of default; provided, however, the Trustee may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Owners of at least 25% aggregate principal amount of Outstanding Refunding Bonds, shall) or any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Successor Agency to comply with its obligations under this section and the Continuing Disclosure Certificate or to cause the Trustee to comply with its obligations with respect thereto under the Indenture. For purposes of this covenant, "Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Refunding Bonds (including persons holding Refunding Bonds through nominees, depositories or other intermediaries). All information furnished pursuant to the Continuing Disclosure Certificate shall also be provided to the Bond Insurer, simultaneously with the furnishing of such information.

Against Encumbrances. The Successor 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) in any manner prior or superior to the lien on, pledge of and security interest in the Subordinate Pledged Tax Revenues securing the Outstanding Refunding Bonds pursuant to the Indenture; or (ii) except for Additional Bonds 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 Refunding Bonds pursuant to the Indenture.

Books and Accounts; Financial Statements. The Successor Agency will keep proper books of record and accounts, separate from all other records and accounts of the Successor Agency. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Trustee or of the Owners of not less than ten per cent (10%) of the aggregate principal amount of the Refunding Bonds then Outstanding or their respective representatives authorized in writing.

Protection of Security and Rights of Owners. The Successor Agency will preserve and protect the security of the Refunding Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Refunding Bonds by the Successor Agency, such Refunding Bonds shall be incontestable by the Successor Agency.

Tax Covenants. The Successor Agency hereby covenants it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the tax-exempt status of interest on any Refunding Bond under Section 103 of the Code. Without limiting the generality of the foregoing, the Successor Agency shall comply with the requirements of the Tax Certificate (as defined in the Indenture) delivered in connection with the issuance of the Refunding Bonds. The tax covenants shall survive payment in full or discharge of the Refunding Bonds.

Further Assurances. The Successor Agency shall adopt, make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the Refunding Bonds of the rights and benefits provided in the Indenture.

### **THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN PABLO**

Pursuant to the Redevelopment Law, the Predecessor Agency was activated by the City Council of the City of San Pablo in 1969. Subsequently, pursuant to AB X1 26, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Predecessor Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

Pursuant to Section 34173 of the Dissolution Act, the City Council of the City became the Successor Agency to the Predecessor Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Successor Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Predecessor Agency will not be transferred to the City nor will the assets of the Predecessor Agency become assets of the City.

The Successor Agency is governed by a five member Governing Board (the “**Board**”) which consists of the members of the City Council of the City of San Pablo. The Mayor acts as the Chair of the Board, the City Manager as the Executive Director of the Successor Agency, the City Clerk as its Secretary and the City Finance Manager as the Treasurer of the Successor Agency.

## Members and Officers

The members and officers of the Board and the expiration dates of their terms are as follows:

<u>Name and Office</u>	<u>Expiration of Term</u>
Paul Morris, Chair	November 2014
Kathy Chao Rothberg, Vice Chair	November 2016
Rich Kinney, Board Member	November 2016
Cecelia Valdez, Board Member	November 2016
Genoveva Garcia Calloway, Board Member	November 2014

## Successor Agency Powers

All powers of the Successor Agency are vested in its five members of the Board who are elected members of the City Council. Pursuant to the Dissolution Act, the Successor Agency is a separate public body from the City and succeeds to the organizational status of the Predecessor Agency but without any legal authority to participate in redevelopment activities, except to complete any work related to an approved enforceable obligation. The Successor Agency is tasked with expeditiously winding down the affairs of the Predecessor Agency, pursuant to the procedures and provisions of the Dissolution Act. Under the Dissolution Act, many Successor Agency actions are subject to approval by the Oversight Board, as well as review by the State Department of Finance and, in some cases, by the State Controller. California has strict laws regarding public meetings (known as the Ralph M. Brown Act) which generally make all Successor Agency and Oversight Board meetings open to the public in similar manner as City Council meetings.

## Status of Compliance with Dissolution Act

The Dissolution Act requires a due diligence review to determine the unobligated balances of each successor agency that are available for transfer to taxing entities. The due diligence review involves separate reviews of each successor agency's low and moderate income housing fund and of all other funds and accounts. Once a successor agency completes the due diligence review and any transfers to taxing entities, the Department of Finance will issue a finding of completion that expands the authority of each successor agency in carrying out the wind down process. A finding of completion allows a successor agency to, among other things, retain real property assets of the dissolved RDA and utilize proceeds derived from bonds issued prior to January 1, 2011.

The Successor Agency has completed the due diligence process and received its Finding of Completion by letter dated September 16, 2013.

After receiving a finding of completion, each successor agency is required to submit a Long Range Property Management Plan detailing what it intends to do with its inventory of properties. Successor agencies are not required to immediately dispose of their properties but are limited in terms of what they can do with the retained properties. Permissible uses include: sale of the property, use of the property to fulfill an enforceable obligation, retention of the property for future redevelopment, and retention of the property for governmental use. These plans must be filed by successor agencies with the Department of Finance within six months of receiving a finding of completion; the State Department of Finance reviews these plans as submitted on a rolling basis.

The Successor Agency submitted its Long Range Property Management Plan and is waiting for approval by the Department of Finance.

## **Successor Agency Fiduciary Fund**

Set forth in APPENDIX F is the Fiscal Year 2012-13 financial statement and related notes with respect to the Successor Agency Fiduciary Fund which are excerpted from the audited City of San Pablo, California, Year End June 30, 2013 Comprehensive Annual Financial Report.

### **THE TENTH TOWNSHIP PROJECT AREA**

#### **Background**

The City Council of the City established five redevelopment project areas from 1969 to 1986, and in August 1987, merged four of those five areas into a single project area named the Merged Project Area.

The Merged Project Area included the following:

- The 39-acre South Entrance Redevelopment Project ("South Entrance") adopted in July 1970,
- The 748-acre El Portal Community Redevelopment Project ("El Portal") comprised of the 218-acre original area that was adopted in June 1971, a 310-acre area that was added in April 1979, and a 220-acre area that was added in June 1979, altogether which comprise the City's central business district, civic center complex and a majority of the retail establishments in San Pablo,
- The 134-acre Oak Park Project Area, comprised of the 132-acre original area that was adopted in November 1973 and a 2-acre area that was added in July 1980, and
- The 256-acre Bayview Community Redevelopment Project, comprised of the 242-acre original area that was adopted in November 1976 and a 14-acre area that was added in December 1980.

Excluded from the Merged Project Area was the 32-acre Sheffield Project Area, established in November 1976, which includes a six-block area south of Lake Elementary School, west of MacArthur Villa Tract, north of San Pablo Creek and east of Grant Road.

Subsequently, in March 1997 the City Council merged the Merged Project Area and the Sheffield Project Area, thereby creating the 1,209 acre Tenth Township Redevelopment Project (herein, the "Tenth Township Project Area").

**Table 1**  
**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN PABLO**  
**TENTH TOWNSHIP REDEVELOPMENT PROJECT AREA**

Sub-Area	Acres	2013-14 Assessed Value	Base Year	Base Value	Incremental Value	Last Day to Receive Tax Increment
South Entrance	39	\$38,663,936	1969-70	\$2,401,596	\$36,262,340	7/28/23
<b>EI Portal:</b>						
Original Area	218	207,299,828	1970-71	15,575,231	191,724,597	6/1/24
Apr. 1979 Amendment	310	276,237,649	1978-79	46,698,600	229,539,049	4/2/32
Jun. 1979 Amendment	220	126,196,844	1978-79	17,817,596	108,379,248	6/27/32
<b>Oak Park:</b>						
Original Area	132	85,818,978	1973-74	3,888,180	81,930,798	11/19/26
Jul. 1980 Amendment	2	5,427,517	1979-80	61,640	5,365,877	7/1/33
<b>Bayview:</b>						
Original Area	242	165,774,515	1976-77	24,771,100	141,003,415	11/23/29
Dec. 1980 Amendment	14	14,024,694	1980-81	1,049,556	12,975,138	12/1/33
Sheffield	32	29,922,476	1976-77	2,520,360	27,402,116	11/11/29
<b>TOTAL</b>	<b>1,209</b>	<b>\$949,366,437</b>		<b>\$114,783,859</b>	<b>\$834,582,578</b>	

Source: Fraser & Associates

### Location and Surrounding Areas

The City of San Pablo is located in northwest Contra Costa County along Interstate 80, approximately 20 miles northeast of San Francisco. Incorporated in 1948, the City is approximately 2.6 square miles in size and, as of January 1, 2013 had a population of approximately 29,266. The Tenth Township Project Area is located in the central portion of the City and covers an area of 1,209 acres or approximately 72% percent of the City.

### Present Development

The Tenth Township Project Area is developed with a mixture of residential, commercial and industrial land uses. While the Tenth Township Project Area is mostly built out, there remain some infill development opportunities.

### Casino San Pablo

Located within the Project Area is a casino, known as Casino San Pablo (the "**Casino**"). The Casino and the underlying real estate (the "**Property**") were purchased by the Lytton Rancheria Indian Tribe of California, a federally recognized Indian Tribe (the "**Lytton Band**") in 2003. Pursuant to the purchase and sale agreement, the Property was conveyed to the United States of America pursuant to a Grant Deed, to be held in trust for the benefit of the Lytton Band. As a condition to the

conveyance, the Property was removed from the property tax rolls in 2003-04; as such ***property taxes are not levied on the Property and thus no monies that are deposited in the Redevelopment Property Tax Trust Fund are derived therefrom.***

## THE LEGACY PROJECT AREA

### Background; Overlap of Legacy and Tenth Township Areas

Pursuant to the applicable Plan Limits, all of the sub-areas that comprise the Tenth Township Project Area will expire between 2023 and 2033, and each sub-area, immediately upon its expiration, will then begin to generate revenue for the Legacy Project Area. In other words, as soon as each sub-area ceases generating revenue for the Tenth Township Project Area, it then immediately begins generating revenue for the Legacy Project Area.

In 1997, in conjunction with the formation of the Legacy Project Area, the City Council made a finding pursuant to State Law that the expiration of the Tenth Township Redevelopment Plan would occur before the City and the Predecessor Agency could successfully alleviate the blight conditions existing in the Project Area, and that such blight conditions would persist long-after the expiration date of the Tenth Township Redevelopment Plan.

In order to address this problem, on March 3, 1997, the City Council approved Ordinance No. 97-002, which adopted the Legacy Redevelopment Plan for the Legacy Project Area. The Legacy Project Area completely overlaps the 1,209-acre Tenth Township Project Area, and also includes an additional portion (approximately 333 acres) that lies outside of the Tenth Township Project Area (such portion outside of the Tenth Township Project Area is referred to herein as the "**Legacy Additional Area**"). The overlapping portion of the Legacy Project Area is referred to herein as the "**Legacy Overlap Area**." The adoption of the Legacy Redevelopment Plan, which gives the Legacy Project Area a base year of 1996-97, effectively extends the time limitations of the Tenth Township Project Area, as well as adds new territory.

As long as the authority to receive property tax revenues (formerly tax increment) from the Tenth Township Project Area is in effect, tax increment revenue collected in the Legacy Overlap Area will be considered revenue generated by the Tenth Township Project Area. From 2023 until 2033, as the authority to receive tax increment from each sub-area in Tenth Township expires, the revenue collected in the expiring sub-area will then be considered revenue generated by the Legacy Project Area. However, since the Legacy Project Area was adopted in 1997, as the authority to receive tax increment from each sub-area in Tenth Township expires, its base year becomes 1996-97, as follows:

**Table 2**  
**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN PABLO**  
**TENTH TOWNSHIP AND LEGACY REDEVELOPMENT PROJECT AREAS**  
**Base Years and Base Values**

Sub-Area	Acres	Tenth Township Redevelopment Project Area					Legacy Redevelopment Project Area			
		2013-14 Assessed Value	Base Year	Base Value	Incremental Value	Last Day to Receive Tax Increment	First Day to Receive Tax Increment	Base Year	Base Value	Last Day to Receive Tax Increment
South Entrance	39	\$38,663,936	1969-70	\$2,401,596	\$36,262,340	7/28/23	7/29/23	1996-97	\$20,571,774	3/3/43
<b>EI Portal:</b>										
Original Area	218	207,299,828	1970-71	15,575,231	191,724,597	6/1/24	6/2/24	1996-97	108,369,360	3/3/43
Apr. 1979 Amendment	310	276,237,649	1978-79	46,698,600	229,539,049	4/2/32	4/3/32	1996-97	179,458,923	3/3/43
Jun. 1979 Amendment	220	126,196,844	1978-79	17,817,596	108,379,248	6/27/32	6/28/32	1996-97	120,801,442	3/3/43
<b>Oak Park:</b>										
Original Area	132	85,818,978	1973-74	3,888,180	81,930,798	11/19/26	11/20/26	1996-97	40,478,025	3/3/43
Jul. 1980 Amendment	2	5,427,517	1979-80	61,640	5,365,877	7/1/33	7/2/33	1996-97	4,029,084	3/3/43
<b>Bayview:</b>										
Original Area	242	165,774,515	1976-77	24,771,100	141,003,415	11/23/29	11/24/29	1996-97	105,202,973	3/3/43
Dec. 1980 Amendment	14	14,024,694	1980-81	1,049,556	12,975,138	12/1/33	12/2/33	1996-97	4,212,748	3/3/43
Sheffield	32	29,922,476	1976-77	2,520,360	27,402,116	11/11/29	11/12/29	1996-97	25,239,205	3/3/43
Legacy Additional	333	n/a		n/a	n/a		1/1/98	1996-97	137,340,484	3/3/43
<b>TOTAL</b>	<b>1,542</b>	<b>\$949,366,437</b>		<b>\$114,783,859</b>	<b>\$834,582,578</b>				<b>\$745,704,018</b>	

Source: Fraser & Associates

## TAX REVENUES OF THE PROJECT AREAS

### General

The Assessor of Contra Costa County will assess all taxable property in the Project Areas (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 "PROPERTY TAXATION IN CALIFORNIA - Unitary Property." 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 TAXATION IN CALIFORNIA — Teeter Plan."

*The following section presents a summary of the historical and projected assessed valuation and tax increment revenues with respect to the Project Areas, based on information provided by the Fiscal Consultant. The Successor Agency believes the assumptions upon which the Fiscal Consultant's projections are based are reasonable, however, some assumptions may not materialize and unanticipated events and circumstances may occur. See "RISK FACTORS." Subordinate Pledged Tax Revenues received during the forecast period may vary from the projections and the variations may be material.*

Because the Legacy Overlap Area will not commence generating tax increment revenues that will be allocable to the Legacy Project Area until fiscal year 2023-24, the information shown below is only for the Legacy Additional Area (unless stated otherwise). For a description and information regarding property in the Legacy Overlap Area, see "THE TENTH TOWNSHIP PROJECT AREA" and "TENTH TOWNSHIP PROJECT AREA TAX REVENUES".

### Assessed Valuation of the Project Areas

**Table 3**  
**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN PABLO**  
**COMBINED TENTH TOWNSHIP PROJECT AREA and LEGACY PROJECT AREA**  
**Historical Assessed Value, Base Value and Incremental Value**

Fiscal Year	Secured Value	Unsecured Value	State Assessed	Total Value	% Δ	Base Value	Incremental Value	% Δ
2003-04	\$1,038,964,111	\$36,823,930	\$729,703	\$1,076,517,744		\$253,455,554	\$823,062,190	
2004-05	1,163,139,323	48,013,251	729,338	1,211,881,912	12.6%	252,133,103	959,748,809	16.6%
2005-06	1,331,277,546	36,097,714	7,313	1,367,382,573	12.8	252,133,103	1,115,249,470	16.2
2006-07	1,517,018,716	43,996,999	6,849	1,561,022,564	14.2	252,133,103	1,308,889,461	17.4
2007-08	1,676,182,708	44,353,839	0	1,720,536,547	10.2	252,124,343	1,468,412,204	12.2
2008-09	1,623,916,665	45,093,749	0	1,669,010,414	-3.0	252,124,343	1,416,886,071	-3.5
2009-10	1,220,903,340	47,000,680	0	1,267,904,020	-24.0	252,124,343	1,015,779,677	-28.3
2010-11	1,144,140,866	44,865,083	0	1,189,005,949	-6.2	252,124,343	936,881,606	-7.8
2011-12	1,099,366,916	47,485,276	0	1,146,852,192	-3.5	252,124,343	894,727,849	-4.5
2012-13	1,035,618,790	88,089,174	0	1,123,707,964	-2.0	252,124,343	871,583,621	-2.6
2013-14	1,122,120,896	43,240,772	0	1,165,361,668	3.7	252,124,343	913,237,325	4.8

Source: Fraser & Associates

**Table 4**  
**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY**  
**OF THE CITY OF SAN PABLO**  
**TENTH TOWNSHIP PROJECT AREA and LEGACY PROJECT AREA**  
**Historical Assessed Value, Base Value and Incremental Value**

12-Mo. Ending Dec. 15	Tenth Township Project Area				Legacy Project Area				Successor Agency Total			
	Total AV	% Δ	Base Value	Incremental Value	Total AV	% Δ	Base Value	Incremental Value	Total AV	% Δ	Base Value	Incremental Value
2004	\$874,586,701	9.9%	\$116,115,070	\$758,471,631	\$201,931,043	9.7%	\$137,340,484	\$64,590,559	\$1,076,517,744	90.9%	\$253,455,554	\$823,062,190
2005	985,448,504	12.7	114,792,619	870,655,885	226,433,408	12.1	137,340,484	89,092,924	1,211,881,912	12.6	252,133,103	959,748,809
2006	1,112,460,363	12.9	114,792,619	997,667,744	254,922,210	12.6	137,340,484	117,581,726	1,367,382,573	12.8	252,133,103	1,115,249,470
2007	1,269,382,830	14.1	114,792,619	1,154,590,211	291,639,734	14.4	137,340,484	154,299,250	1,561,022,564	14.2	252,133,103	1,308,889,461
2008	1,374,621,140	8.3	114,783,859	1,259,837,281	345,915,407	18.6	137,340,484	208,574,923	1,720,536,547	10.2	252,124,343	1,468,412,204
2009	1,337,001,409	-2.7	114,783,859	1,222,217,550	332,009,005	-4.0	137,340,484	194,668,521	1,669,010,414	-3.0	252,124,343	1,416,886,071
2010	1,041,768,572	-22.1	114,783,859	926,984,713	226,135,448	-31.9	137,340,484	88,794,964	1,267,904,020	-24.0	252,124,343	1,015,779,677
2011	968,967,881	-7.0	114,783,859	854,184,022	220,038,068	-2.7	137,340,484	82,697,584	1,189,005,949	-6.2	252,124,343	936,881,606
2012	934,625,588	-3.5	114,783,859	819,841,729	212,226,604	-3.6	137,340,484	74,886,120	1,146,852,192	-3.5	252,124,343	894,727,849
2013	926,319,027	-0.9	114,783,859	811,535,168	197,388,937	-7.0	137,340,484	60,048,453	1,123,707,964	-2.0	252,124,343	871,583,621
2014	949,366,437	2.5	114,783,859	834,582,578	215,995,231	9.4	137,340,484	78,654,747	1,165,361,668	3.7	252,124,343	913,237,325

Source: Fraser & Associates

Tables 3 and 4 above show historical taxable values during the past ten years. Major reductions in value began in Fiscal Year 2008-09. Without prompting from individual taxpayers, the County has processed temporary assessed value reductions for certain residential properties (Proposition 8 reductions) where the assessed value on the tax roll exceeded the current market value of properties. These reductions have affected the tax rolls since fiscal year 2008-09, but the major reductions occurred in Fiscal Year 2009-10. The properties that were subject to these "automatic" reductions are single family homes, condominiums, and multi-family residential, which generally transferred ownership during the five year period prior to fiscal year 2008-09.

From Fiscal Year 2008-09 through Fiscal Year 2012-13, secured values decreased by \$640.6 million. During that same period, the assessed value of approximately 4,000 residential properties was reduced by approximately \$374 million due to Proposition 8, with an average value reduction of 50 percent. The balance of the reductions in secured value was due to property sales, which reduced assessed value by \$308 million.

In Fiscal Year 2013-14 secured taxable values increased by \$79.8 million from the Fiscal Year 2012-13 levels. The market value of over 3,000 residential parcels were increased under Proposition 8 by approximately \$68.7 million. Property sales further contributed to the increase, adding \$12 million in value in 2013-14.

In Fiscal Year 2012-13, unsecured values appeared to increase by \$40.6 million. This occurred because property owned by the West Contra Costa County Hospital District was incorrectly included in the reported unsecured values, even though such property is tax exempt. In Fiscal Year 2013-14, the mistake was corrected and the property was removed from the tax roll.

**Fiscal Year 2013-14 Assessed Valuation**

**Table 5  
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY  
OF THE CITY OF SAN PABLO  
TENTH TOWNSHIP PROJECT AREA and LEGACY PROJECT AREA  
Fiscal Year 2013-14 Assessed Value by Sub-Area**

Area	Fiscal Year 2013-14		
	Total Value	Base Value	Incremental Value
<b>Tenth Township Project Area:</b>			
South Entrance	\$38,663,936	\$2,401,596	\$36,262,340
El Portal:			
Original Area	207,299,828	15,575,231	191,724,597
April 1979 Amendment	276,237,649	46,698,600	229,539,049
June 1979 Amendment	126,196,844	17,817,596	108,379,248
Oak Park:			
Original Area	85,818,978	3,888,180	81,930,798
July 1980 Amendment	5,427,517	61,640	5,365,877
Bayview:			
Original Area	165,774,515	24,771,100	141,003,415
Dec. 1980 Amendment	14,024,694	1,049,556	12,975,138
Sheffield	29,922,476	2,520,360	27,402,116
<b>Subtotal</b>	<b>949,366,437</b>	<b>114,783,859</b>	<b>834,582,578</b>
<b>Legacy Project Area:</b>			
Legacy Additional	215,995,231	137,340,484	78,654,747
Legacy Overlap	0	0	0
<b>Subtotal</b>	<b>215,995,231</b>	<b>137,340,484</b>	<b>78,654,747</b>
<b>Successor Agency Total</b>	<b>\$1,165,361,668</b>	<b>\$252,124,343</b>	<b>\$913,237,325</b>

*Source: Fraser & Associates*

**Table 6**  
**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY**  
**OF THE CITY OF SAN PABLO**  
**TENTH TOWNSHIP PROJECT AREA and LEGACY PROJECT AREA**  
**2013-14 Assessed Value by Land Use Category**

	<b># of Parcels</b>	<b>Taxable Value</b>	<b>% of Total</b>
Residential	5,946	\$820,235,132	70.38%
Commercial	356	236,563,063	20.30
Industrial	9	19,708,200	1.69
Vacant Land	235	32,182,363	2.76
Other	223	13,432,138	1.15
<b>Total Secured</b>	<b>6,769</b>	<b>1,122,120,896</b>	<b>96.29%</b>
<b>Unsecured / State Assessed</b>		<b>43,240,772</b>	<b>3.71%</b>
<b>Grand Total</b>		<b>\$1,165,361,668</b>	<b>100.00%</b>

*Source: Fraser & Associates*

## Major Taxpayers in the Project Areas

**Table 7**  
**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY**  
**OF THE CITY OF SAN PABLO**  
**TENTH TOWNSHIP PROJECT AREA and LEGACY PROJECT AREA**  
**Major Taxpayers in Fiscal Year 2013-14**

Assessee	Land Use	2013-14 Taxable Value	% of Total Taxable Value	% of Incremental Value
1. Donahue Schriber Realty Group (1)	Shopping Center	\$21,752,504	1.87%	2.38%
2. CC San Pablo LP (1)	Grocery / Retail	14,667,490	1.26	1.61
3. San Pablo Retail Partners LLC (1)	Retail	14,426,257	1.24	1.58
4. 3002 Giant Road LLC	Industrial	14,079,966	1.21	1.54
5. Save Mart Supermarkets	Grocery	13,475,017	1.16	1.48
6. Public Storage Inc.	Storage	10,640,147	0.91	1.17
7. Lucky Nocal Investor LLC (1)	Shopping Center	10,308,337	0.88	1.13
8. Gordon Creekside LLC	Senior Facility	9,399,168	0.81	1.03
9. WEC 97 K 31 Investment Trust (1)	Pharmacy	6,864,750	0.59	0.75
10. Vale Property LLC	Office	6,321,881	0.54	0.69
<b>Total Taxable Value, Top 10 Taxpayers</b>		<b>\$121,935,517</b>	10.46%	13.35%
<b>Total Taxable Value, All Taxpayers</b>		<b>\$1,165,361,668</b>		
<b>Total Incremental Value, All Taxpayers</b>		<b>\$913,237,325</b>		

(1) Assessee has outstanding assessment appeal(s).  
Source: Fraser & Associates

**Table 8**  
**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN PABLO**  
**TENTH TOWNSHIP PROJECT AREA and LEGACY PROJECT AREA**  
**Projected Assessed Value Assuming No Growth**

12 Mo. Ending Dec. 15	Tenth Township Project Area				Legacy Project Area				Successor Agency Total			
	Total AV	% Δ	Base Value	Incremental Value	Total AV	% Δ	Base Value	Incremental Value	Total AV	% Δ	Base Value	Incremental Value
2014	\$949,366,437	2.5%	\$114,783,859	\$834,582,578	\$215,995,231	9.4%	\$137,340,484	\$78,654,747	\$1,165,361,668	3.7%	\$252,124,343	\$913,237,325
2015	949,366,437	0.0	114,783,859	834,582,578	215,995,231	0.0	137,340,484	78,654,747	1,165,361,668	0.0	252,124,343	913,237,325
2016	949,366,437	0.0	114,783,859	834,582,578	215,995,231	0.0	137,340,484	78,654,747	1,165,361,668	0.0	252,124,343	913,237,325
2017	949,366,437	0.0	114,783,859	834,582,578	215,995,231	0.0	137,340,484	78,654,747	1,165,361,668	0.0	252,124,343	913,237,325
2018	949,366,437	0.0	114,783,859	834,582,578	215,995,231	0.0	137,340,484	78,654,747	1,165,361,668	0.0	252,124,343	913,237,325
2019	949,366,437	0.0	114,783,859	834,582,578	215,995,231	0.0	137,340,484	78,654,747	1,165,361,668	0.0	252,124,343	913,237,325
2020	949,366,437	0.0	114,783,859	834,582,578	215,995,231	0.0	137,340,484	78,654,747	1,165,361,668	0.0	252,124,343	913,237,325
2021	949,366,437	0.0	114,783,859	834,582,578	215,995,231	0.0	137,340,484	78,654,747	1,165,361,668	0.0	252,124,343	913,237,325
2022	949,366,437	0.0	114,783,859	834,582,578	215,995,231	0.0	137,340,484	78,654,747	1,165,361,668	0.0	252,124,343	913,237,325
2023	949,366,437	0.0	114,783,859	834,582,578	215,995,231	0.0	137,340,484	78,654,747	1,165,361,668	0.0	252,124,343	913,237,325
2024 (a)	910,702,501	-4.1	112,382,263	798,320,238	254,659,167	17.9	157,912,258	96,746,909	1,165,361,668	0.0	270,294,521	895,067,147
2025 (b)	703,402,673	-22.8	96,807,032	606,595,641	461,958,995	81.4	266,281,618	195,677,377	1,165,361,668	0.0	363,088,650	802,273,018
2026	703,402,673	0.0	96,807,032	606,595,641	461,958,995	0.0	266,281,618	195,677,377	1,165,361,668	0.0	363,088,650	802,273,018
2027 (c)	617,583,695	-12.2	92,918,852	524,664,843	547,777,973	18.6	306,759,643	241,018,330	1,165,361,668	0.0	399,678,495	765,683,173
2028	617,583,695	0.0	92,918,852	524,664,843	547,777,973	0.0	306,759,643	241,018,330	1,165,361,668	0.0	399,678,495	765,683,173
2029	617,583,695	0.0	92,918,852	524,664,843	547,777,973	0.0	306,759,643	241,018,330	1,165,361,668	0.0	399,678,495	765,683,173
2030 (d)	421,886,704	-31.7	65,627,392	356,259,312	743,474,964	35.7	437,201,821	306,273,143	1,165,361,668	0.0	502,829,213	662,532,455
2031	421,886,704	0.0	65,627,392	356,259,312	743,474,964	0.0	437,201,821	306,273,143	1,165,361,668	0.0	502,829,213	662,532,455

(a) Beginning 2024, revenue from South Entrance is attributable to the Legacy Project Area  
(b) Beginning 2025, revenue from El Portal 1971 is attributable to the Legacy Project Area  
(c) Beginning 2027, revenue from Oak Park 1974 is attributable to the Legacy Project Area  
(d) Beginning 2030, revenue from Sheffield and Bayview 1977 is attributable to the Legacy Project Area  
Source: Fraser & Associates

**Table 9  
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN PABLO  
TENTH TOWNSHIP PROJECT AREA and LEGACY PROJECT AREA  
Projected Assessed Value Assuming 2% Annual Growth**

12 Mo. Ending Dec. 15	Tenth Township Project Area				Legacy Project Area				Successor Agency Total			
	Total AV	% Δ	Base Value	Incremental Value	Total AV	% Δ	Base Value	Incremental Value	Total AV	% Δ	Base Value	Incremental Value
2014	\$949,366,437	2.5%	\$114,783,859	\$834,582,578	\$215,995,231	9.4%	\$137,340,484	\$78,654,747	\$1,165,361,668	3.7%	\$252,124,343	\$913,237,325
2015	968,353,766	2.0	114,783,859	853,569,907	220,315,136	2.0	137,340,484	82,974,652	1,188,668,901	2.0	252,124,343	936,544,558
2016	987,720,841	2.0	114,783,859	872,936,982	224,721,438	2.0	137,340,484	87,380,954	1,212,442,279	2.0	252,124,343	960,317,936
2017	1,007,475,258	2.0	114,783,859	892,691,399	229,215,867	2.0	137,340,484	91,875,383	1,236,691,125	2.0	252,124,343	984,566,782
2018	1,027,624,763	2.0	114,783,859	912,840,904	233,800,184	2.0	137,340,484	96,459,700	1,261,424,947	2.0	252,124,343	1,009,300,604
2019	1,048,177,258	2.0	114,783,859	933,393,399	238,476,188	2.0	137,340,484	101,135,704	1,286,653,446	2.0	252,124,343	1,034,529,103
2020	1,069,140,803	2.0	114,783,859	954,356,944	243,245,712	2.0	137,340,484	105,905,228	1,312,386,515	2.0	252,124,343	1,060,262,172
2021	1,090,523,620	2.0	114,783,859	975,739,761	248,110,626	2.0	137,340,484	110,770,142	1,338,634,246	2.0	252,124,343	1,086,509,903
2022	1,112,334,092	2.0	114,783,859	997,550,233	253,072,839	2.0	137,340,484	115,732,355	1,365,406,931	2.0	252,124,343	1,113,282,588
2023	1,134,580,774	2.0	114,783,859	1,019,796,915	258,134,295	2.0	137,340,484	120,793,811	1,392,715,069	2.0	252,124,343	1,140,590,726
2024 (a)	1,110,141,267	-2.2	112,382,263	997,759,004	310,428,104	20.3	157,912,258	152,515,846	1,420,569,371	2.0	270,294,521	1,150,274,850
2025 (b)	874,592,812	-21.2	96,807,032	777,785,780	574,387,946	85.0	266,281,618	308,106,328	1,448,980,758	2.0	363,088,650	1,085,892,108
2026	892,084,668	2.0	96,807,032	795,277,636	585,875,705	2.0	266,281,618	319,594,087	1,477,960,373	2.0	363,088,650	1,114,871,723
2027( c)	798,910,363	-10.4	92,918,852	705,991,511	708,609,218	20.9	306,759,643	401,849,575	1,507,519,581	2.0	399,678,495	1,107,841,086
2028	814,888,570	2.0	92,918,852	721,969,718	722,781,402	2.0	306,759,643	416,021,759	1,537,669,972	2.0	399,678,495	1,137,991,477
2029	831,186,341	2.0	92,918,852	738,267,489	737,237,030	2.0	306,759,643	430,477,387	1,568,423,372	2.0	399,678,495	1,168,744,877
2030 (d)	579,160,036	-30.3	65,627,392	513,532,644	1,020,631,803	38.4	437,201,821	583,429,982	1,599,791,839	2.0	502,829,213	1,096,962,626
2031	590,743,237	2.0	65,627,392	525,115,845	1,041,044,439	2.0	437,201,821	603,842,618	1,631,787,676	2.0	502,829,213	1,128,958,463

(a) Beginning 2024, revenue from South Entrance is attributable to the Legacy Project Area  
(b) Beginning 2025, revenue from El Portal 1971 is attributable to the Legacy Project Area  
(c) Beginning 2027, revenue from Oak Park 1974 is attributable to the Legacy Project Area  
(d) Beginning 2030, revenue from Sheffield and Bayview 1977 is attributable to the Legacy Project Area  
Source: Fraser & Associates

## SUBORDINATE PLEDGED TAX REVENUES AND DEBT SERVICE

The following section presents a summary of the historical and projected assessed valuation and tax increment revenues with respect to the Project Areas, based on information provided by the Fiscal Consultant. The Successor Agency believes the assumptions upon which the Fiscal Consultant's projections are based are reasonable, however, some assumptions may not materialize and unanticipated events and circumstances may occur. See "RISK FACTORS." Subordinate Pledged Tax Revenues received during the forecast period may vary from the projections and the variations may be material.

### Composition of 2013-14 Total Revenue

**Table 10**  
**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN PABLO**  
**TENTH TOWNSHIP PROJECT AREA and LEGACY PROJECT AREA**  
**Composition of 2013-14 Total Revenue**

<b>Local Secured:</b>	
Land	\$469,616,604
Improvements	727,236,049
Personal Property	2,967,917
Gross Local Secured	1,199,820,570
Exempt	77,699,674
<b>Net Local Secured</b>	<b>\$1,122,120,896</b>
<b>State Assessed</b>	<b>0</b>
<b>Unsecured:</b>	
Land	1,519,950
Improvements	18,106,427
Personal Property	24,409,086
Total Unsecured	44,035,463
Exempt	794,691
<b>Net Unsecured</b>	<b>\$43,240,772</b>
Total Value	1,165,361,668
Base Year Value	252,124,343
<b>Incremental Value</b>	<b>\$913,237,325</b>
Tax Increment Revenue	9,132,373
Unitary Revenue	137,538
<b>Total Revenue</b>	<b>\$9,269,911</b>
<b>Property Tax Administration Fee</b>	<b>(166,858)</b>
<b>2013-14 Total Revenue</b>	<b>\$9,103,053</b>

Source: Fraser & Associates

## **Projected Pledged Revenue and Debt Service Coverage**

The projections of assessed value and incremental assessed value are based on actual taxable values reported by Contra Costa County. Incremental revenue has been estimated based on the application of the 1 percent tax rate only. Unitary revenues are based on the amount reported by the County for 2012-13. Administrative fees have been estimated based on the percentage that such fees represented to total tax increment in 2012-13.

**Table 11**  
**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN PABLO**  
**TENTH TOWNSHIP PROJECT AREA and LEGACY PROJECT AREA**  
**Projected Debt Service Coverage Assuming No Assessed Value Growth**

12-Mo. Ending Dec. 15	Pledged Revenue					Unrefunded Senior Bonds <sup>(1)</sup>				Prior Bonds	Series 2014 Refunding Bonds <sup>(1)</sup>			All Bonds <sup>(1)</sup>	
	Incremental Value	Incremental Revenue	Admin. Fee	Unitary Revenue	Pledged Revenue	Principal	Interest	Total	D/S Cov'g	Total <sup>(2)</sup>	Principal	Interest	Total	Debt Service	D/S Cov'g
2014	\$913,237,325	\$9,132,373	\$(166,858)	\$137,538	\$9,103,053	\$600,000	\$204,373	\$804,373	11.30	\$4,059,469	\$0	\$1,239,271	\$1,239,271	\$6,103,113	1.49
2015	913,237,325	9,132,373	(166,858)	137,538	9,103,053	675,000	388,046	1,063,046	8.56	--	2,660,000	2,548,850	5,208,850	6,271,896	1.45
2016	913,237,325	9,132,373	(166,858)	137,538	9,103,053	2,555,000	363,578	2,918,578	3.12	--	850,000	2,509,500	3,359,500	6,278,078	1.45
2017	913,237,325	9,132,373	(166,858)	137,538	9,103,053	1,700,000	265,250	1,965,250	4.63	--	1,805,000	2,460,650	4,265,650	6,230,900	1.46
2018	913,237,325	9,132,373	(166,858)	137,538	9,103,053	720,000	180,250	900,250	10.10	--	2,955,000	2,365,450	5,320,450	6,220,700	1.46
2019	913,237,325	9,132,373	(166,858)	137,538	9,103,053	2,960,000	144,250	3,104,250	2.93	--	840,000	2,289,550	3,129,550	6,233,800	1.46
2020	913,237,325	9,132,373	(166,858)	137,538	9,103,053	--	--	--	--	--	4,045,000	2,171,625	6,216,625	6,216,625	1.46
2021	913,237,325	9,132,373	(166,858)	137,538	9,103,053	--	--	--	--	--	4,255,000	1,964,125	6,219,125	6,219,125	1.46
2022	913,237,325	9,132,373	(166,858)	137,538	9,103,053	--	--	--	--	--	4,475,000	1,745,875	6,220,875	6,220,875	1.46
2023	913,237,325	9,132,373	(166,858)	137,538	9,103,053	--	--	--	--	--	4,675,000	1,517,125	6,192,125	6,192,125	1.47
2024 <sup>(a)</sup>	895,067,147	8,950,671	(163,538)	131,638	8,918,771	251,027	688,973	940,000	9.49	--	3,855,000	1,303,875	5,158,875	6,098,875	1.46
2025 <sup>(b)</sup>	802,273,018	8,022,730	(146,584)	94,821	7,970,968	212,142	627,858	840,000	9.49	--	3,260,000	1,126,000	4,386,000	5,226,000	1.53
2026	802,273,018	8,022,730	(146,584)	94,821	7,970,968	200,626	639,374	840,000	9.49	--	3,425,000	958,875	4,383,875	5,223,875	1.53
2027 <sup>(c)</sup>	765,683,173	7,656,832	(139,898)	86,971	7,603,905	125,838	434,162	560,000	13.60	--	3,540,000	784,750	4,324,750	4,884,750	1.56
2028	765,683,173	7,656,832	(139,898)	86,971	7,603,905	118,983	441,017	560,000	13.60	--	3,725,000	603,125	4,328,125	4,888,125	1.56
2029	765,683,173	7,656,832	(139,898)	86,971	7,603,905	112,498	447,502	560,000	13.60	--	3,915,000	412,125	4,327,125	4,887,125	1.56
2030 <sup>(d)</sup>	662,532,455	6,625,325	(121,052)	67,583	6,571,856	--	--	--	--	--	3,625,000	223,625	3,848,625	3,848,625	1.71
2031	662,532,455	6,625,325	(121,052)	67,583	6,571,856	--	--	--	--	--	2,660,000	66,500	2,726,500	2,726,500	2.41

(1) Assumes completion of refunding plan. See "PLAN OF REFUNDING."

(2) Includes the scheduled payment of principal, interest, and fees related to the Prior Bonds.

(a) Beginning 2024, revenue from South Entrance is attributable to the Legacy Project Area.

(b) Beginning 2025, revenue from El Portal 1971 is attributable to the Legacy Project Area.

(c) Beginning 2027, revenue from Oak Park 1974 is attributable to the Legacy Project Area.

(d) Beginning 2030, revenue from Sheffield and Bayview 1977 is attributable to the Legacy Project Area.

Source: Fraser & Associates

**Table 12**  
**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN PABLO**  
**TENTH TOWNSHIP PROJECT AREA and LEGACY PROJECT AREA**  
**Projected Debt Service Coverage Assuming 2% Annual Assessed Value Growth**

12-Mo. Ending Dec. 15	Pledged Revenue					Unrefunded Senior Bonds <sup>(1)</sup>				Prior Bonds	Series 2014 Refunding Bonds <sup>(1)</sup>			All Bonds <sup>(1)</sup>	
	Incremental Value	Incremental Revenue	Admin. Fee	Unitary Revenue	Pledged Revenue	Principal	Interest	Total	D/S Cov'g	Total <sup>(2)</sup>	Principal	Interest	Total	Debt Service	D/S Cov'g
2014	\$913,237,325	\$9,132,373	\$(166,858)	\$137,538	\$9,103,053	\$600,000	\$204,373	\$804,373	11.30	\$4,059,469	\$0	\$1,239,271	\$1,239,271	\$6,103,113	1.49
2015	936,544,558	9,365,446	(171,116)	137,538	9,331,867	675,000	388,046	1,063,046	8.78	--	2,660,000	2,548,850	5,208,850	6,271,896	1.49
2016	960,317,936	9,603,179	(175,460)	137,538	9,565,257	2,555,000	363,578	2,918,578	3.28	--	850,000	2,509,500	3,359,500	6,278,078	1.52
2017	984,566,782	9,845,668	(179,891)	137,538	9,803,315	1,700,000	265,250	1,965,250	4.99	--	1,805,000	2,460,650	4,265,650	6,230,900	1.57
2018	1,009,300,604	10,093,006	(184,410)	137,538	10,046,134	720,000	180,250	900,250	11.20	--	2,955,000	2,365,450	5,320,450	6,220,700	1.61
2019	1,034,529,103	10,345,291	(189,019)	137,538	10,293,810	2,960,000	144,250	3,104,250	3.32	--	840,000	2,289,550	3,129,550	6,233,800	1.65
2020	1,060,262,172	10,602,622	(193,721)	137,538	10,546,439	--	--	--	--	--	4,045,000	2,171,625	6,216,625	6,216,625	1.70
2021	1,086,509,903	10,865,099	(198,517)	137,538	10,804,120	--	--	--	--	--	4,255,000	1,964,125	6,219,125	6,219,125	1.74
2022	1,113,282,588	11,132,826	(203,408)	137,538	11,066,956	--	--	--	--	--	4,475,000	1,745,875	6,220,875	6,220,875	1.78
2023	1,140,590,726	11,405,907	(208,398)	137,538	11,335,047	--	--	--	--	--	4,675,000	1,517,125	6,192,125	6,192,125	1.83
2024 <sup>(a)</sup>	1,150,274,850	11,502,748	(210,167)	131,638	11,424,219	251,027	688,973	940,000	12.20	--	3,855,000	1,303,875	5,158,875	6,098,875	1.87
2025 <sup>(b)</sup>	1,085,892,108	10,858,921	(198,404)	94,821	10,755,338	212,142	627,858	840,000	12.80	--	3,260,000	1,126,000	4,386,000	5,226,000	2.06
2026	1,114,871,723	11,148,717	(203,699)	94,821	11,039,840	200,626	639,374	840,000	13.10	--	3,425,000	958,875	4,383,875	5,223,875	2.11
2027 <sup>(c)</sup>	1,107,841,086	11,078,411	(202,414)	86,971	10,962,968	125,838	434,162	560,000	19.60	--	3,540,000	784,750	4,324,750	4,884,750	2.24
2028	1,137,991,477	11,379,915	(207,923)	86,971	11,258,963	118,983	441,017	560,000	20.10	--	3,725,000	603,125	4,328,125	4,888,125	2.30
2029	1,168,744,877	11,687,449	(213,542)	86,971	11,560,878	112,498	447,502	560,000	20.60	--	3,915,000	412,125	4,327,125	4,887,125	2.37
2030 <sup>(d)</sup>	1,096,962,626	10,969,626	(200,427)	67,583	10,836,783	--	--	--	--	--	3,625,000	223,625	3,848,625	3,848,625	2.82
2031	1,128,958,463	11,289,585	(206,273)	67,583	11,150,895	--	--	--	--	--	2,660,000	66,500	2,726,500	2,726,500	4.09

(1) Assumes completion of refunding plan. See "PLAN OF REFUNDING."

(2) Includes the scheduled payment of principal, interest, and fees related to the Prior Bonds. Assumes completion of refunding plan. See "PLAN OF REFUNDING."

(a) Beginning 2024, revenue from South Entrance is attributable to the Legacy Project Area.

(b) Beginning 2025, revenue from El Portal 1971 is attributable to the Legacy Project Area.

(c) Beginning 2027, revenue from Oak Park 1974 is attributable to the Legacy Project Area.

(d) Beginning 2030, revenue from Sheffield and Bayview 1977 is attributable to the Legacy Project Area.

Source: Fraser & Associates

## Appeals

Taxpayers may appeal their property tax assessments. The value of locally assessed property is appealed to the local county assessor, while the value of state assessed property is appealed to the State Board of Equalization. Both real and personal property assessments can be appealed. Personal property appeals are filed based on disputes over the full cash value of the property.

Under California law, there are two types of appeals for the value of real property. A base year appeal involves the Proposition 13 value of property. If an assessee is successful with a base year appeal, the value of the property is permanently reduced. In the future, the value can only be increased by an inflation factor of up to 2% annually. Appeals can also be filed pursuant to Section 51(b) of the Revenue and Taxation Code. Under this section of the Code, also referred to as Proposition 8 appeals, the value of property can be reduced due to damage, destruction, removal of property or other factors that cause a decline in value. When the circumstance that caused the decline is reversed the value of the property can be increased up to the factored base year value of the property. Values can be reduced under Proposition 8 either based on a formal appeal or they can be set by the county assessor.

The Fiscal Consultant has advised that there were approximately 4,000 residential properties whose assessed values were reduced under Proposition 8 in the Project Areas as of Fiscal Year 2012-13. The total value for the Proposition 8 reductions was \$374 million. A total of 37% of all residential properties were under a reduced Proposition 8 status, with an average reduction of 27%. As of Fiscal Year 2013-14, the market value of 3,000 of those properties has risen to the level that the value lost during the recession has been partially or fully restored. This has resulted in an increase in the Fiscal Year 2013-14 tax roll of \$68.7 million. A total of 925 properties continue to be under a Proposition 8 status, with a total reduction of \$305 million.

**2013 Single-Family Property Sales:** According to County records, during calendar year 2013 a total of 184 single-family residential properties located within the Project Areas were sold. The table below compares the aggregate price at which those 183 properties sold to the aggregate assessed value of those same 184 properties as of the January 1, 2013 tax roll lien date. The data indicate that the aggregate price at which those 184 properties sold was \$11.3 million or 50.1% greater than the aggregate assessed value of those properties as of the January 1, 2013 lien date. Given that aggregate sales prices exceeded tax roll values by a substantial margin, and given that the County has begun to gradually reverse the prior Proposition 8 reductions, the Fiscal Consultant anticipates there will be no further Proposition 8 reductions in fiscal year 2014-15.

**2013 Single-Family Property Sales:**

Number of Properties Sold	184
Aggregate Sales Price	\$ 33,872,200
Aggregate Tax Roll Value	\$ 22,569,715
Difference (\$)	\$ 11,302,485
Difference (%)	50.1%

The upper portion of Table 13 below provides a history of appeals in the Project Areas since fiscal year 2009-10. Based on the records of Contra Costa County, between 2009-10 and 2012-13, 157 appeals were filed, with 71 resolved with a reduction to assessed value. On average, 45% of filed appeals have resulted in reductions to assessed values. On average, assessed value has been reduced by 20% for the successful appeals. The overall success factor ratio, which is a combination

of the average percentage of appeals that resulted in a reduction to assessed and the average values reduction, was 9%.

The lower portion of Table 13 shows a list of outstanding appeals in the Project Areas, including those that are a part of the top ten assessees. The applicant's opinion of value for the outstanding appeals is \$35.3 million below the value on the tax roll for 2013-14. The Fiscal Consultant has estimated the potential impact of the appeals by applying the overall success factor ratio of 9% to determine the potential impact of those appeals. The Fiscal Consultant's projections do not reflect the potential impact because, in the opinion of the Fiscal Consultant, the potential reduction of assessed valuation is not significant.

**TABLE 13**  
**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN PABLO**  
**TENTH TOWNSHIP PROJECT AREA and LEGACY PROJECT AREA**  
**Pending and Resolved Appeals – Analysis of Impacts**  
**Fiscal Years 2009-10 through 2012-13**

<b>Prior Resolved Appeals- Analysis of Impacts</b>	<b>FY 2009-10</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>	<b>Total</b>
Total Number of Filed Appeals	55	40	30	32	157
Number of Appeals Outstanding	0	0	0	0	0
No. of Resolved Appeals with Reductions	30	10	15	16	71
% of Appeals Resulting in Reductions to AV	55%	25%	50%	50%	45%
AV Reductions from Resolved Appeals	\$7,806,040	\$5,677,528	\$7,875,676	\$9,306,733	\$30,665,977
Average % Reduction to AV	23%	16%	22%	19%	20%
<b>Overall Success Factor Ratio</b>	<b>12.44%</b>	<b>3.98%</b>	<b>11.20%</b>	<b>9.50%</b>	<b>9.02%</b>
<b>Pending Appeals Analysis</b>	<b>FY 13-14 Roll Value</b>	<b>Applicant Value Opinion</b>	<b>Potential Value Reduction</b>	<b>Estimated Resolved Value (2)</b>	<b>Implied Reduction</b>
Donahue Schriber Realty Group	\$19,871,640	\$9,800,000	\$10,071,640	\$18,079,376	\$1,792,264
CC San Pablo LP	15,000,000	9,500,000	5,500,000	13,647,119	1,352,881
San Pablo Retail Partners LLC	6,056,257	5,400,000	656,257	5,510,031	546,226
Lucky Nocal Investor	10,308,337	3,600,000	6,708,337	9,378,607	929,730
WEC 97 K 31 Investment Trust	6,864,750	4,000,000	2,864,750	6,245,604	619,146
All other Open Appeals (1)	<u>32,636,808</u>	<u>23,182,868</u>	<u>9,453,940</u>	<u>29,693,228</u>	<u>2,943,580</u>
<b>Grand total</b>	<b>\$90,737,792</b>	<b>\$55,482,868</b>	<b>\$35,254,924</b>	<b>\$82,553,966</b>	<b>\$8,183,826</b>

(1) Reflects 12 other open appeals.

(2) The Estimated Resolved Value and Implied Reduction are based on the overall success factor ratio of 9% shown above.

*Source: Contra Costa County; and Fraser & Associates.*

## **RISK FACTORS**

The following information should be considered by prospective investors in evaluating the 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 Series 2014 Refunding Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

The various legal opinions to be delivered concurrently with the issuance of the Series 2014 Refunding Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors' rights, including equitable principles.

### **Recognized Obligation Payment Schedule**

The Dissolution Act provides that only those payments listed in a Recognized Obligation Payment Schedule may be made by the Successor Agency from the funds specified in the Recognized Obligation Payment Schedule. Before each six-month period, the Dissolution Act requires the Successor Agency to prepare and submit to the Successor Agency's Oversight Board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the Successor Agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Subordinate Pledged Tax Revenues will not be withdrawn from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller and remitted to the Trustee, as Custodian, without a Recognized Obligation Payment Schedule approved by the State Department of Finance. See "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule" and "PROPERTY TAXATION IN CALIFORNIA – Property Tax Collection Procedures – Recognized Obligation Payment Schedule." If the Successor Agency were to fail to complete an approved Recognized Obligation Payment Schedule with respect to a six-month period, the availability of Subordinate Pledged Tax Revenues to the Successor Agency could be adversely affected for such period.

If a successor agency fails to submit to the State Department of Finance an oversight board-approved Recognized Obligation Payment Schedule complying with the provisions of the Dissolution Act within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations, the State Department of Finance may determine if any amount should be withheld by the applicable county auditor-controller for payments for enforceable obligations from distribution to taxing entities pursuant to clause (iv) in the following paragraph, pending approval of a Recognized Obligation Payment Schedule. Upon notice provided by the State Department of Finance to the county auditor-controller of an amount to be withheld from allocations to taxing entities, the county auditor-controller must distribute to taxing entities any monies in the Redevelopment Property Tax Trust Fund in excess of the withholding amount set forth in the notice, and the county auditor-controller must distribute withheld funds to the successor agency only in accordance with a Recognized Obligation Payment Schedule when and as approved by the State Department of Finance.

Typically, under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, the county auditor-controller is to distribute funds for each six-month period in the following order specified in Section 34183 of the Dissolution Act: (i) first, subject to certain adjustments for subordinations to the extent permitted under the Dissolution Act (as described above under "SECURITY FOR THE BONDS-Statutory Pass-Through Payments") and no later than

each January 2 and June 1, to each local agency and school entity, to the extent applicable, amounts required for pass-through payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011; (ii) second, on each January 2 and June 1, to a successor agency for payments listed in its Recognized Obligation Payment Schedule, with debt service payments scheduled to be made for tax allocation bonds having the highest priority over payments scheduled for other debts and obligations listed on the Recognized Obligation Payment Schedule; (iii) third, on each January 2 and June 1, to a successor agency for the administrative cost allowance, as defined in the Dissolution Act; and (iv) fourth, on each January 2 and June 1, to taxing entities any moneys remaining in its Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii), in an amount proportionate to such taxing entity's share of property tax revenues in the tax rate area in that fiscal year (without giving effect to any pass-through obligations that were established under the Redevelopment Law).

If the Successor Agency does not submit an Oversight-Board approved Recognized Obligation Payment Schedule within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations and the State Department of Finance does not provide a notice to the County Auditor-Controller to withhold funds from distribution to taxing entities, amounts in the Redevelopment Property Tax Trust Fund for such six-month period would be distributed to taxing entities pursuant to clause (iv) above. However, the Successor Agency has covenanted in the Indenture to take all actions required under the Dissolution Act to include scheduled debt service on the Series 2014 Refunding Bonds as well as any amount required under the Indenture to replenish the Reserve Fund, in Recognized Obligation Payment Schedules for each six-month period to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Successor Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Successor Agency to pay principal of, and interest on, the Series 2014 Refunding Bonds coming due in the respective six-month period, including listing a reserve on the Recognized Obligation Payment Schedule to the extent required by the Indenture or when the next property tax allocation is projected to be insufficient to pay all obligations due under the provisions of the Series 2014 Refunding Bonds for the next payment due in the following six-month period (see "THE INDENTURE – Covenants of the Successor Agency").

AB 1484 also added new provisions to the Dissolution Act implementing certain penalties in the event the Successor Agency does not timely submit a Recognized Obligation Payment Schedule for a six-month period. Specifically, a Recognized Obligation Payment Schedule must be submitted by the Successor Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller no later than by 90 days before the date of the next January 2 or June 1 property tax distribution with respect to each subsequent six-month period. If the Successor Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by such deadlines, the City will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the State Department of Finance. Additionally, the Successor Agency's administrative cost allowance is reduced by 25% if the Successor Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by the 80<sup>th</sup> day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the Recognized Obligation Payment Schedule for subsequent six-month periods.

## **Challenges to Dissolution Act**

Several successor agencies, cities and other entities have filed judicial actions challenging the legality of various provisions of the Dissolution Act. One such challenge is an action filed on August 1, 2012, by Syncora Guarantee Inc. and Syncora Capital Assurance Inc. (collectively, "Syncora") against the State, the State Controller, the State Director of Finance, and the Auditor-Controller of San Bernardino County on his own behalf and as the representative of all other County Auditors in the State (Superior Court of the State of California, County of Sacramento, Case No. 34-2012-80001215). Syncora are monoline financial guaranty insurers domiciled in the State of New York, and as such, provide credit enhancement on bonds issued by state and local governments and do not sell other kinds of insurance such as life, health, or property insurance. Syncora provided bond insurance and other related insurance policies for bonds issued by former California redevelopment agencies.

The complaint alleged that the Dissolution Act, and specifically the "Redistribution Provisions" thereof (i.e., California Health and Safety Code Sections 34172(d), 34174, 34177(d), 34183(a)(4), and 34188) violate the "contract clauses" of the United States and California Constitutions (U.S. Const. art. 1, § 10, cl.1; Cal. Const. art. 1, § 9) because they unconstitutionally impair the contracts among the former redevelopment agencies, bondholders and Syncora. The complaint also alleged that the Redistribution Provisions violate the "Takings Clauses" of the United States and California Constitutions (U.S. Const. amend. V; Cal Const. art. 1 § 19) because they unconstitutionally take and appropriate bondholders' and Syncora's contractual right to critical security mechanisms without just compensation.

After hearing by the Sacramento County Superior Court on May 3, 2013, the Superior Court ruled that Syncora's constitutional claims based on contractual impairment were premature. The Superior Court also held that Syncora's takings claims, to the extent based on the same arguments, were also premature. Pursuant to a Judgment stipulated to by the parties, the Superior Court on October 3, 2013, entered its order dismissing the action. The Judgment, however, provides that Syncora preserves its rights to reassert its challenges to the Dissolution Act in the future. The Successor Agency does not guarantee that any reassertion of challenges by Syncora or that the final results of any of the judicial actions brought by others challenging the Dissolution Act will not result in an outcome that may have a material adverse effect on the Successor Agency's ability to timely pay debt service on the Bonds.

## **Reduction in Taxable Value**

Subordinate Pledged Tax Revenues available to pay principal and interest on the Series 2014 Refunding Bonds are determined by the amount of incremental taxable value in the Project Areas and the current rate or rates at which property in the Project Areas is taxed. The reduction of taxable values of property in the Project Areas caused by economic factors beyond the Successor Agency's control, such as relocation out of the Project Areas by one or more major property owners, sale of property to a non-profit corporation exempt from property taxation, or the complete or partial destruction of such property caused by, among other eventualities, earthquake or other natural disaster, could cause a reduction in the Subordinate Pledged Tax Revenues that provide for the repayment of and secure the Bonds. Such reduction of Subordinate Pledged Tax Revenues could have an adverse effect on the Successor Agency's ability to make timely payments of principal of and interest on the Series 2014 Refunding Bonds.

As described in greater detail under the heading "PROPERTY TAXATION IN CALIFORNIA – Article XIII A of the State Constitution," Article XIII A 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 inflation rate, not to exceed a two percent increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described above). Such measure is computed on a calendar year basis. Any resulting reduction in the full cash value base over the term of the Series 2014 Refunding Bonds could reduce Subordinate Pledged Tax Revenues available to pay principal and interest on the Series 2014 Refunding Bonds. In 2010, the total assessed value in the Project Areas declined by 24.0%, largely due to Proposition 8 reductions. See "TAX REVENUES IN THE PROJECT AREAS – Table 3" and "PROPERTY TAXATION IN CALIFORNIA- Proposition 8."

In addition to the other limitations on, and required application under the Dissolution Act of, Subordinate Pledged Tax Revenues on deposit in the Redevelopment Property Tax Trust Fund described herein under the heading "RISK FACTORS," the State electorate or Legislature could adopt a constitutional or legislative property tax reduction with the effect of reducing Subordinate Pledged Tax Revenues allocated to the Redevelopment Property Tax Trust Fund and available to the Successor Agency. Although the federal and State Constitutions include clauses generally prohibiting the Legislature's impairment of contracts, there are also recognized exceptions to these prohibitions. There is no assurance that the State electorate or Legislature will not at some future time approve additional limitations that could reduce the Subordinate Pledge Tax Revenues and adversely affect the source of repayment and security of the Series 2014 Refunding Bonds.

### **Risks to Real Estate Market**

The Successor Agency's ability to make payments on the Series 2014 Refunding Bonds will be dependent upon the economic strength of the Project Areas. The general economy of the Project Areas will be subject to all of the risks generally associated with urban real estate markets. Real estate prices and development 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 Areas could be adversely affected by limitations of infrastructure or future governmental policies, including governmental policies to restrict or control development. In addition, if there is a decline in the general economy of the Project Areas, the owners of property within the Project Areas may be less able or less willing to make timely payments of property taxes or may petition for reduced assessed valuation causing a delay or interruption in the receipt of Subordinate Pledged Tax Revenues by the Successor Agency from the Project Areas.

### **Reduction in Inflationary Rate**

As described in greater detail below, Article XIII A of the State Constitution provides that the full cash value 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 two percent. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the two percent limitation several times but in Fiscal Year 2010-11 the inflationary value adjustment was negative for the first time at -0.237%. In Fiscal Year 2011-12, the inflationary value adjustment was 0.753%, which also is below the 2% limitation. For Fiscal Year 2012-13 and 2013-14, the inflationary value adjustment is 2%, which is the maximum permissible increase under Article XIII A and for Fiscal Year 2014-15 the

inflationary value is set at 0.454%. The Successor Agency is unable to predict if any adjustments to the full cash value of real property within the Project Areas, whether an increase or a reduction, will be realized in the future.

### **Payment of the Series 2014 Refunding Bonds is Subordinate to Debt Service on the Senior Obligations**

The Master Senior Indenture requires that debt service on the Senior Obligations, and replenishment of the reserve accounts established under the Master Senior Indenture, be paid prior to making provision for payment of debt service on the Series 2014 Refunding Bonds (except for certain limited funds held under the Indenture for the Series 2014 Refunding Bonds). Therefore, any shortfall in tax increment revenues may result in non-payment of debt service on the Series 2014 Refunding Bonds, even though the Senior Obligations are paid in full. If an event of default should occur under the Master Senior Indenture, the Trustee will have the right to exercise certain rights and remedies on behalf of the owners of the Senior Obligations, including, without limitation, the right to accelerate the payment of debt service on the Senior Obligations. An exercise of such rights and remedies upon an event of default may adversely affect the owners of the Series 2014 Refunding Bonds, such as causing significant delays in the payment of debt service on the Series 2014 Refunding Bonds.

### **Risks Associated with the Insurer**

Before the delivery of the Series 2014 Refunding Bonds, the Successor Agency will pay the premium for the Insurance Policy for such Series 2014 Refunding Bonds, and the reserve fund surety policy. The Successor Agency can provide no assurances that the Insurer will be able to meet its obligations under the Insurance Policy or the reserve fund surety policy, if and when required to do so. In addition, any change in the ratings of the Insurer could impact the price of the Series 2014 Refunding Bonds in the secondary market.

### **Development Risks**

The general economy of the Project Areas will be subject to all the risks generally associated with real estate development. Projected development within the Project Areas may be subject to unexpected delays, disruptions and changes. Real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development operations within the Project Areas could be adversely affected by future governmental policies, including governmental policies to restrict or control development. If projected development in the Project Areas is delayed or halted, the economy of the Project Areas could be affected. If such events lead to a decline in assessed values they could cause a reduction in Subordinate Pledged Tax Revenues. In addition, if there is a decline in the general economy of the Project Areas, the owners of property within the Project Areas may be less able or less willing to make timely payments of property taxes causing a delay or stoppage of the Subordinate Pledged Tax Revenues received by the Successor Agency from the Project Areas. In addition, the insolvency or bankruptcy of one or more large owners of property within the Project Areas could delay or impair the receipt of Subordinate Pledged Tax Revenues by the Successor Agency.

### **Levy and Collection of Taxes**

The Successor Agency has no independent power to levy or collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax

decrease could reduce the Subordinate Pledged Tax Revenues, and accordingly, could have an adverse impact on the security for and the ability of the Successor Agency to repay the Series 2014 Refunding Bonds.

Likewise, delinquencies in the payment of property taxes by the owners of land in the Project Areas, and the impact of bankruptcy proceedings on the ability of taxing agencies to collect property taxes, could have an adverse effect on the Successor Agency's ability to make timely payments on the Series 2014 Refunding Bonds. Any reduction in Subordinate Pledged Tax Revenues, whether for any of these reasons or any other reasons, could have an adverse effect on the Successor Agency's ability to pay the principal of and interest on the Series 2014 Refunding Bonds.

### **Bankruptcy and Foreclosure**

The payment of the property taxes from which Subordinate Pledged Tax Revenues are derived and the ability of the County to foreclose the lien of a delinquent unpaid tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the Series 2014 Refunding Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the liens to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such delay would increase the possibility of delinquent tax installments not being paid in full and thereby increase the likelihood of a delay or default in payment of the principal of and interest on the Series 2014 Refunding Bonds.

### **Estimated Revenues**

In estimating that Subordinate Pledged Tax Revenues will be sufficient to pay debt service on the Series 2014 Refunding Bonds, the Successor Agency has made certain assumptions with regard to present and future assessed valuation in the Project Areas, future tax rates and percentage of taxes collected. The Successor Agency believes these assumptions to be reasonable, but there is no assurance these assumptions will be realized and to the extent that the assessed valuation and the tax rates are less than expected, the Subordinate Pledged Tax Revenues available to pay debt service on the Series 2014 Refunding Bonds will be less than those projected and such reduced Subordinate Pledged Tax Revenues may be insufficient to provide for the payment of principal of, premium (if any) and interest on the Series 2014 Refunding Bonds.

### **Hazardous Substances**

An additional environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the Project Areas. In general, the owners and operators of 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 Areas be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition.

The City has one known pollution remediation project on property acquired by the Predecessor Agency. Under a Voluntary Cleanup Agreement with the California Department of Toxic Substances Control, the City has undertaken some work to clean up the former Burlington Northern Santa Fe Property on Rumrill Boulevard to provide for future unrestricted land use. The property was conveyed by the Predecessor Agency to the Successor Agency upon the dissolution of the Predecessor Agency. The cost of the remediation is estimated to be \$1,400,000.

## **Natural Disasters**

The value of the property in the Project Areas in the future can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements on property and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes, topographic conditions such as earth movements, landslides and floods and climatic conditions such as droughts. In the event that one or more of such conditions occur, such occurrence could cause damages of varying seriousness to the land and improvements and the value of property in the Project Areas could be diminished in the aftermath of such events. A substantial reduction of the value of such properties and could affect the ability or willingness of the property owners to pay the property taxes.

The San Francisco Bay Area is one of the most seismically active regions of the United States. There are approximately 30 known faults in the region that are considered capable of generating earthquakes. According to a report prepared by the Working Group on California Earthquake Probabilities, there is a cumulative probability of 70 percent for a magnitude 6.7 or greater earthquake occurring in the Bay Area by 2030. The principal faults near San Pablo are the San Andreas Fault and the North Hayward Fault. The San Andreas Fault Zone is the predominant fault system in California and has generated some of the largest and most destructive earthquakes in history. The nearest location of the San Andreas Fault is about 15 miles west of San Pablo. The North Hayward Fault Zone pass directly underneath the eastern portion of the City and is considered a high earthquake hazard as any large movements would cause ground shaking and surface rupture in the area.

Flood-prone areas in San Pablo are generally located in topographically low areas and in areas close to shorelines and creeks. Flood zone mapping done by the Federal Emergency Management Authority (FEMA) indicates that the area is most prone to flooding where San Pablo and Wildcat Creeks leave the City boundary on the west. In addition, there are flooding areas associated with Rheem Creek on the west side of the City. In December 2005, a series of four storms followed by two days of continuous rain saturated the watersheds in San Pablo and caused it major flood event that inundated the western and central parts of the City.

San Pablo Creek is a year-round watercourse and is regulated in its upper stream by two dams: Brines Dam and Reservoir, and San Pablo Dam and Reservoir. According to a Flood Study conducted by ABAG In 2007, 1,393 acres of land in the City are subject to flooding should both dams experience a catastrophic failure. The scenario may be triggered by a rupture of the Hayward fault, which lies partially under the City. If a magnitude 7.5 earthquake occurred on this fault, the study predicts that the San Pablo Dam would lump and decrease in a height, allowing water to flow over the top, resulting in flooding downstream. If such a disaster occurs, 51 miles of roadway and almost all schools and government buildings in the City will be inundated. Policies and programs of the City seek to reduce the possibility of this occurrence and mitigate its impact. For example, The City adopted a Flood Damage Prevention Ordinance in 1987 in compliance with requirements of the

National Flood Insurance Program (NFIP) and FEMA for development in flood-plain areas. The stated purpose of the Ordinance is to promote public health, safety, and general welfare, and to minimize public and private losses due to flood conditions.

### **Changes in the Law**

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 Dissolution Act, the Redevelopment Law or other laws or the Constitution of the State resulting in a reduction of Subordinate Pledged Tax Revenues, which could have an adverse effect on the Successor Agency's ability to pay debt service on the Series 2014 Refunding Bonds.

### **Investment Risk**

Funds held under the Indenture are required to be invested in Permitted Investments as provided under the Indenture. See APPENDIX A attached hereto for a summary of the definition of Permitted Investments. All investments, including the Permitted Investments, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal.

Further, the Successor Agency cannot predict the effects on the receipt of Subordinate Pledged Tax Revenues if the County were to suffer significant losses in its portfolio of investments or if the County or the City were to become insolvent or declare bankruptcy. See "RISK FACTORS – Bankruptcy and Foreclosure."

### **Secondary Market**

There can be no guarantee that there will be a secondary market for the Series 2014 Refunding Bonds, or, if a secondary market exists, that the Series 2014 Refunding 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.

## PROPERTY TAXATION IN CALIFORNIA

### Property Tax Collection Procedures

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

Generally, ad valorem taxes are collected by a county (the “**Taxing Authority**”) for the benefit of the various entities (cities, schools and special districts) that share in the ad valorem tax (each a taxing entity) and successor agencies eligible to receive distributions from the applicable redevelopment property tax trust fund.

**Collections.** Secured and unsecured property are entered separately on 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: (i) initiating a civil action against the taxpayer, (ii) 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, (iii) filing a certificate of delinquency for record in the county recorder’s office to obtain a lien on certain property of the taxpayer, and (iv) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes which are delinquent.

**Penalty.** A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is declared in default by operation of law and declaration of the tax collector on or about June 30 of each fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. 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 10% penalty also applies to delinquent taxes with respect to property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning on varying dates related to the tax bill mailing date.

**Delinquencies.** The valuation of property is determined as of the January 1 lien date as equalized in August of 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 January 1 and become delinquent August 31.

**Supplemental Assessments.** California Revenue and Taxation Code Section 75.70 provides for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Prior to the enactment of this law, the assessment of such changes was permitted only as of the next tax lien date following the change, and this delayed the realization of increased property taxes from the new assessments for up to 14 months. This statute provides increased revenue to the Redevelopment Property Tax Trust Fund 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 Areas, Subordinate Pledged Tax Revenues may increase.

**Property Tax Administrative Costs.** In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions in proportion to the tax-derived revenues allocated to each. SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions that are subject to such charges. In addition, Sections 34182(e) and 34183(a) of the Dissolution Act allow administrative costs of the County Auditor-Controller for the cost of administering the provisions of the Dissolution Act, as well as the foregoing SB 1559 amounts, to be deducted from property tax revenues before monies are deposited into the Redevelopment Property Tax Trust Fund. The actual fees for 2012-13 were \$138,308 and for Fiscal Year 2013-14, the County's administrative charge to the Successor Agency together with the charges relating to the dissolution of the Predecessor Agency, is estimated to be \$166,858.

**Statutory Pass-Through Amounts.** The requirement to pay certain statutory pass-through amounts results from (i) redevelopment plans adopted on or after January 1, 1994, (ii) plan amendments which add territory in existing project areas on or after January 1, 1994, or (iii) from plan amendments which eliminate or modify one or more limitations within a redevelopment plan (such as the removal of the time limit on the establishment of loans, advances and indebtedness). The calculation of the amount due affected taxing entities is described in Sections 33607.5 and 33607.7 of the Redevelopment Law. See "SECURITY FOR THE BONDS – Statutory Pass-Through Payments" for further information regarding the applicability of the statutory pass-through provisions of the Redevelopment Law and the Dissolution Act to the Project Areas.

**Recognized Obligation Payment Schedule.** The Dissolution Act provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, only those payments listed in the Recognized Obligation Payment Schedule may be made by the Successor Agency from the funds specified in the Recognized Obligation Payment Schedule. Before each six-month period, the Dissolution Act requires successor agencies to prepare and approve, and submit to the Successor Agency's oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the Successor Agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Subordinate Pledged Tax Revenues will not be distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Successor Agency's Redevelopment Obligation Retirement Fund without a Recognized Obligation Payment Schedule approved by the State Department of Finance obtained in sufficient time prior to the January 2 or June 1 distribution dates, as applicable. See "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedules or "ROPS"" and "RISK FACTORS – Recognized Obligation Payment Schedule."

## **Teeter Plan**

The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in Section 4701 et. seq. of the State Revenue and Taxation Code. Under the Teeter Plan, each participating local agency, including successor agencies, allocated property taxes in its county receives the amount of uncollected taxes credited to its fund in the same manner as if the amount credited had been collected. In return, the

County receives and retains delinquent payments, penalties and interest as collected, that would have been due to the local agency. However, although a local agency receives the total levy for its property taxes without regard to actual collections, funded from a reserve established and held by the County for this purpose, the basic legal liability for property tax deficiencies at all times remains with the local agency.

The Teeter Plan is to remain in effect unless the County Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by two-thirds of the participating revenue districts in the county, in which event, the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. 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 procedures under the Teeter Plan with respect to any tax-levying entity in the County.

### **Unitary Property**

Assembly Bill (“**AB**”) 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with Fiscal Year 1988-89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies) is to be allocated county-wide as follows: (i) each tax rate area will receive that 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 is changed from June 1 to January 1.

AB 454 (Statutes of 1987, Chapter 921) further modifies chapter 1457 regarding the distribution of tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provides for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State-assessed property and distribution of property tax revenue derived from State-assessed property to taxing jurisdictions within each county in accordance with a new formula. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited.

### **Article XIII A of the State Constitution**

Article XIII A limits the amount of ad valorem taxes on real property to 1% of “full cash value” of such property, as determined by the county assessor. Article XIII A defines “full cash value” to mean “the County Assessor’s valuation of real property as shown on the 1975-76 tax bill under ‘full cash value,’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” Furthermore, the “full cash value” of all real property may be increased to reflect the rate of inflation, as shown by the consumer price index, not to exceed 2% per year, or may be reduced.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by substantial damage, destruction or other factors, and to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in other special circumstances.

Article XIII A (i) exempts from the 1% tax limitation taxes to pay debt service on (a) indebtedness approved by the voters prior to July 1, 1978 or (b) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition; (ii) requires a vote of two-thirds of the qualified electorate to impose special taxes, or certain additional ad valorem taxes; and (iii) requires the approval of two-thirds of all members of the State Legislature to change any State tax laws resulting in increased tax revenues.

The validity of Article XIII A has been upheld by both the California Supreme Court and the United States Supreme Court.

In the general election held November 4, 1986, voters of the State approved two measures, Propositions 58 and 60, which further amended Article XIII A. Proposition 58 amended Article XIII A to provide that the terms "purchase" and "change of ownership," for the 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. This amendment to Article XIII A may reduce the rate of growth of local property tax revenues.

Proposition 60 amended Article XIII A to permit the Legislature to allow persons over the age of 55 who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence assessed value to the new residence. As a result of the Legislature's action, the growth of property tax revenues may decline.

Legislation enacted by the Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value (except as noted). Tax rates for voter-approved bonded indebtedness and pension liabilities are also applied to 100% of assessed value.

### **Appropriations Limitation - Article XIII B**

Article XIII B limits the annual appropriations of the State and its political subdivisions to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity. The "base year" for establishing such appropriations limit is the 1978/79 fiscal year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

Section 33678 of the Redevelopment Law provides that the allocation of taxes to a redevelopment Successor Agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness shall not be deemed the receipt by an Successor Agency of proceeds of taxes levied by or on behalf of an Successor Agency within the meaning of Article XIII B, nor shall such portion of taxes be deemed receipt of proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State, including Section 33678 of the Redevelopment Law. The constitutionality of Section 33678 has been upheld in two California appellate court decisions. On the basis of these decisions, the Successor Agency has not adopted an appropriations limit.

## **Articles XIIC and XIID of the State Constitution**

At the election held on November 5, 1996, Proposition 218 was passed by the voters of California. The initiative added Articles XIIC and XIID to the State Constitution. Provisions in the two articles affect the ability of local government to raise revenues. The Series 2014 Refunding Bonds are secured by sources of revenues that are not subject to limitation by Proposition 218. See also “– Propositions 218 and 26” below.

## **Proposition 87**

On November 8, 1988, the voters of the State approved Proposition 87, which amended Article XVI, Section 16 of the State Constitution to provide that property tax revenue attributable to the imposition of taxes on property within a redevelopment project area for the purpose of paying debt service on certain bonded indebtedness issued by a taxing entity (not the Predecessor Agency or the Successor Agency) and approved by the voters of the taxing entity after January 1, 1989 will be allocated solely to the payment of such indebtedness and not to redevelopment agencies.

## **Appeals of Assessed Values**

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

In the County, a property owner desiring to reduce the assessed value of such owner’s property in any one year must submit an application to the County Assessment Appeals Board (the “Appeals Board”). Applications for any tax year must be submitted by December 15 of such tax year. Following a review of each application by the staff of the County Assessor’s Office, the staff makes a recommendation to the Appeals Board on each application which has not been rejected for incompleteness or untimeliness or withdrawn. The Appeals Board holds a hearing and either reduces the assessment or confirms the assessment. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal’s filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as “ongoing hardship”), the Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well. Appeals for reduction in the “base year” value of an assessment, which generally must be made within three years of the date of change in ownership or completion of new construction that determined the base year, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. Moreover, in the case of any reduction in any one year of assessed value granted for “ongoing hardship” in the then current year, and also in any cases involving stipulated appeals for prior years relating to base year and personal property assessments, the property tax revenues from which Subordinate Pledged Tax Revenues are derived attributable to such properties will be reduced in the then current year. In practice, such a reduced assessment may remain in effect beyond the year in which it is granted. See “TAX REVENUES OF THE PROJECT AREA – Major Taxpayers in the Project Areas” for information regarding the assessed valuations of the top ten property owners within the Project Areas.

## **Proposition 8**

Proposition 8, approved in 1978 (California Revenue and Taxation Code Section 51(b)), provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions 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 code 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 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.

Largely due to the impact of Proposition 8, the assessed valuation of property in the Project Areas decreased each year between Fiscal Years 2008-09 through 2012-13. Assessed values did increase in Fiscal Year 2013-14. See "SUBORDINATE PLEDGED TAX REVENUES – Historical Taxable Value." However, the Successor Agency cannot guarantee that reductions undertaken by the County Assessor or requested by a property owner pursuant to Proposition 8 will not in the future reduce the assessed valuation of property in the Project Areas and, therefore, Subordinate Pledged Tax Revenues that secure the Series 2014 Refunding Bonds.

## **Propositions 218 and 26**

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 XIIC and XIID to the State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. On November 2, 2010, California voters approved Proposition 26, the "Supermajority Vote to Pass New Taxes and Fees Act." Proposition 26 amended Article XIIC of the California Constitution by adding an expansive definition for the term "tax," which previously was not defined under the California Constitution. Subordinate Pledged Tax Revenues securing the Series 2014 Refunding Bonds are derived from property taxes which are outside the scope of taxes, assessments and property-related fees and charges which are limited by Proposition 218 and outside of the scope of taxes which are limited by Proposition 26.

## **Future Initiatives**

Article XIII A, Article XIIB, Article XIIC and Article XIID 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 Successor Agency revenues or the Successor Agency's ability to expend revenues.

## **FORWARD DELIVERY**

### **Certain Delayed Delivery Considerations**

The Successor Agency expects to enter into a Forward Delivery Bond Purchase Agreement, dated the date of the Official Statement (the "Forward Delivery Bond Purchase Agreement"), for the Series 2014B Refunding Bonds with the Underwriter. Subject to the terms of the Forward Delivery Bond Purchase Agreement, the Successor Agency expects to issue and deliver the Series 2014B Refunding Bonds on September 4, 2014, or on such later date as is mutually agreed upon by the Successor Agency and the Underwriter (the "Settlement Date"). The following is a description of certain provisions of the Forward Delivery Bond Purchase Agreement. Such description is not a full statement of every provision of the Forward Delivery Bond Purchase Agreement and is qualified by reference thereto.

Investors who agree to purchase Series 2014B Refunding Bonds ("Purchasers") will be required to execute a contract (the "Delayed Delivery Contract") in the form set forth in Appendix H to this Official Statement. By executing the Delayed Delivery Contract, a Purchaser acknowledges that it has considered the risks associated with purchasing the Series 2014B Refunding Bonds on a "forward" basis and agrees to accept such risks associated with the delayed delivery period for the Series 2014B Refunding Bonds. Potential investors should review the Delayed Delivery Contract carefully before purchasing the Series 2014B Refunding Bonds. A Purchaser also will be acknowledging and agreeing that it will not be able to withdraw its order, and will not otherwise be excused from performance of its obligations to take up and pay for the purchased Series 2014B Refunding Bonds on the Settlement Date because of market or credit changes, including specifically, but not limited to: (a) changes in the ratings anticipated to be assigned to the Series 2014B Refunding Bonds; or (b) changes in the financial condition, operations, performance, properties or prospects of the Successor Agency or the City from the date hereof to the Settlement Date of the Series 2014B Refunding Bonds. Only those limited conditions set forth in the Delayed Delivery Contract will permit a Purchaser to be excused from paying the purchase price of the Series 2014B Refunding Bonds on the Settlement Date.

### **Settlement**

The issuance of the Series 2014B Refunding Bonds and the Underwriter's obligations under the Forward Delivery Bond Purchase Agreement to purchase, accept delivery of and pay for the Series 2014B Refunding Bonds on the Settlement Date are conditioned upon the performance by the Successor Agency of certain obligations, including, without limitation, the delivery of: (a) an opinion of Bond Counsel with respect to the Series 2014B Refunding Bonds, dated the Settlement Date, substantially in the form and to the effect set forth in Appendix B to this Official Statement, together with a reliance letter from Bond Counsel addressed to the Underwriter to the effect that the Underwriter may rely on the legal conclusions expressed in the opinion in its capacity as the initial purchaser of the Series 2014B Refunding Bonds; and (b) an updated Official Statement, dated a date between the Closing Date and the Settlement Date (both dates inclusive) relating to the Series 2014B Refunding Bonds. The issuance of the Series 2014B Refunding Bonds is further conditioned upon the delivery of certain certificates and legal opinions, and the satisfaction of other conditions as of the Settlement Date. The Underwriter will have the right to terminate its obligations under the Forward Delivery Bond Purchase Agreement if, among other things, any of the following occurs:

(i) at any time subsequent to the Closing Date and on or prior to the Settlement Date, legislation shall have been enacted by the Congress of the United States, or recommended to the Congress for passage by the President of the United States or favorably reported for passage to

either House of the Congress of the United States by any committee of such House, or passed by either House of the Congress, or a decision shall have been rendered by a court of the United States, or the United States Tax Court, or an order, ruling, regulation (final, temporary or proposed) shall have been made by the Treasury Department of the United States or the Internal Revenue Service, with respect to the federal taxation of interest received on obligations of the general character of the Series 2014B Refunding Bonds, as a result of which, Bond Counsel does not expect to be able to issue an opinion on the Settlement Date substantially in the form attached to the Official Statement (to the effect that interest on the Series 2014B Refunding Bonds is not: (1) subject to inclusion in gross income for purposes of federal income taxation; or (2) included as a specific preference item for purposes of federal individual or corporate alternative minimum taxes);

(ii) for any other reason Bond Counsel cannot issue an opinion substantially in the form attached to the Official Statement as of the Settlement Date that interest on the Series 2014B Refunding Bonds is not subject to any then currently imposed federal income tax and is not included as a specific preference item for purposes of federal individual or corporate alternative minimum taxes;

(iii) at any time subsequent to the Closing Date and on or prior to the Settlement Date, legislation shall be enacted or actively considered for enactment with an effective date prior to the Settlement Date, or a decision of a court of the United States shall be rendered, the effect of which is, in the opinion of counsel to the Underwriter, that the Series 2014B Refunding Bonds are not exempt from registration or other requirements under the Securities Act of 1933, as amended and then in effect, or that the Indenture is not exempt from qualification or other requirements under the Trust Indenture Act of 1939, as amended and then in effect, or that the offering or sale of the Series 2014B Refunding Bonds would be in violation of the Securities Exchange Act of 1934, as amended and then in effect;

(iv) at any time subsequent to the Closing Date and on or prior to the Settlement Date, a stop order, ruling, regulation or official statement by the Securities and Exchange Commission or any other governmental agency having jurisdiction in the subject matter shall have been issued or made or any other event occurs the effect of which, in the opinion of counsel to the Underwriter, is that the offering, issuance or sale of the Series 2014B Refunding Bonds is or would be in violation of any provision of the federal securities laws, including without limitation the Securities Act of 1933, as amended and then in effect, the Securities Exchange Act of 1934, as amended and then in effect, or the Trust Indenture Act of 1939, as amended and then in effect;

(v) at any time subsequent to the Closing Date and on or prior to the Settlement Date, an event of default shall have occurred, technical or otherwise, under the Indenture, which has not been cured as of the Settlement Date; or

(vi) if, at any time on or prior to the Settlement Date, as a result of a Change in Law (as such term is defined in the following paragraph), the Underwriter is or would be prohibited from lawfully purchasing the Series 2014B Refunding Bonds as provided herein or lawfully selling the Series 2014B Refunding Bonds or beneficial ownership interests therein to the public.

“Change in Law” means: (1) any change in or addition to applicable federal or state law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or state agencies; (2) any legislation enacted by the Congress of the United States or introduced therein or recommended for passage by the President of the United States (if such enacted, introduced or recommended legislation has a proposed effective date which is on or before the Settlement Date, defined below); (3) any law, rule

or regulation proposed or enacted by any governmental body, department or agency (if such proposed or enacted law, rule or regulation has a proposed effective date which is on or before the Settlement Date); or (4) any judgment, ruling or order issued by any court or administrative body, which in any such case, would, as to the Underwriter, legally prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) the Underwriter from purchasing the Series 2014B Refunding Bonds as provided herein or selling the Series 2014B Refunding Bonds or beneficial ownership interests therein to the public or, as to the Successor Agency, would make the issuance, sale or delivery of the Series 2014B Refunding Bonds illegal (or have the retroactive effect of making such issuance, sale or delivery illegal, if enacted, adopted, passed or finalized) or eliminate the exclusion from gross income of interest on the Series 2014B Refunding Bonds (or have the retroactive effect of eliminating such exclusion if enacted, adopted, passed or finalized); provided, however, that such change in or addition to law, legislation, rule or regulation or judgment, ruling or order shall have become effective, been enacted, introduced or recommended, been proposed or been issued, as the case may be, subsequent to the date of the Forward Delivery Bond Purchase Agreement.

**If the Change of Law involves the enactment of legislation which only diminishes the value of, as opposed to eliminating the exclusion from gross income for federal income tax purposes, interest payable on “state or local bonds,” the Successor Agency may, nonetheless, be able to satisfy the requirements for the delivery of the Series 2014B Refunding Bonds. In such event, the Underwriter and the Purchasers would be required to accept delivery of the Series 2014B Refunding Bonds.**

Investors should note that adverse economic conditions affecting the Successor Agency or the City do not provide grounds for the Underwriter to terminate its obligation to pay the purchase price of and accept delivery of the Series 2014B Refunding Bonds from the Successor Agency on the Settlement Date, nor do they provide grounds for the Purchasers to terminate their obligation to pay the purchase price of and accept delivery of purchased Series 2014B Refunding Bonds from the Underwriter on the Settlement Date.

### **Risks Relating to the Delayed Delivery Period**

During the period between the date of this Official Statement and the Settlement Date (the “Delayed Delivery Period”), certain information contained in this Official Statement may change in material respects. Any changes in such information will not permit the Underwriter to terminate the Delayed Delivery Contract or release the Purchasers of their obligation to purchase the Series 2014B Refunding Bonds pursuant to the Delayed Delivery Contract unless the change reflects an event described under the caption “—Settlement” above. In addition to the general risks set forth in this Official Statement that are applicable to all Series 2014 Refunding Bonds, the Series 2014B Refunding Bonds are subject to certain additional risks, some of which are described below.

***Change in Economic Conditions of the Successor Agency or the City.*** During the Delayed Delivery Period the financial and economic conditions of the Successor Agency or the City may materially change. Such changes may adversely affect the ability of the Successor Agency to pay principal of and interest on, and the value of, the Series 2014B Refunding Bonds.

***Change in Rating.*** During the Delayed Delivery Period the ratings initially assigned to the Series 2014B Refunding Bonds may change. Such a change may adversely affect the value of the Series 2014B Refunding Bonds.

***Change in Tax Law.*** During the Delayed Delivery Period, changes in tax law, or the proposal of changes in tax law, may adversely affect the value of the Series 2014B Refunding Bonds. For example, changes in the income tax rates could reduce the economic benefits of the tax

exemption of the Series 2014B Refunding Bonds to a Purchaser, and reduce the overall market value of the Series 2014 Refunding Bonds.

***Change in Interest Rates.*** During the Delayed Delivery Period, changes in overall interest rates may adversely affect the value of the Series 2014B Refunding Bonds.

***Market Value Risk.*** In addition to the factors noted above that may affect the market value of the Series 2014B Refunding Bonds, any number of other market conditions including general economic conditions and market factors may affect the market value of the Series 2014B Refunding Bonds.

***Secondary Market Risk During Delayed Delivery Period.*** The Underwriter is not obligated to make a secondary market in the Series 2014B Refunding Bonds, and no assurances can be given that a secondary market will exist for the Series 2014B Refunding Bonds during the Delayed Delivery Period. Purchasers of the Series 2014B Refunding Bonds should assume that the Series 2014B Refunding Bonds will be illiquid during the Delayed Delivery Period. Each Purchaser will remain obligated to purchase the Series 2014B Refunding Bonds which it purchases in accordance with the Delayed Delivery Contracts, even if such Purchaser decides to sell such Series 2014B Refunding Bonds following the date of the Delayed Delivery Contract.

***Termination of Forward Delivery Bond Purchase Agreement.*** During the Delayed Delivery Period, the Underwriter is permitted to terminate the Forward Delivery Bond Purchase Agreement if certain events occur or conditions of closing are not met. If the Underwriter terminates the agreement, the Series 2014B Refunding Bonds will not be delivered on the Settlement Date and the obligation of the Purchaser to pay the purchase price of the purchased Series 2014B Refunding Bonds, and to receive delivery of the Series 2014B Refunding Bonds, will terminate. As of the date of this Official Statement the Underwriter has advised the Successor Agency that to its knowledge, none of the events summarized above that would permit the Underwriter to terminate its obligation to purchase the Series 2014B Refunding Bonds has occurred.

## TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Successor 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 Series 2014 Refunding 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. Bond Counsel is of the further opinion that interest on the Series 2014 Refunding 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 is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Series 2014 Refunding Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 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 Series 2014 Refunding 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 Series 2014 Refunding Bonds is the first price at which a substantial amount of such maturity of the Successor s 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 Series 2014 Refunding Bonds accrues daily over the term to maturity of such Series 2014 Refunding 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 Series 2014 Refunding Bonds to determine taxable gain or loss upon disposition (including sale, redemption or payment on maturity) of such Series 2014 Refunding Bonds. Beneficial Owners of the Series 2014 Refunding Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2014 Refunding Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2014 Refunding Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2014 Refunding Bonds is sold to the public.

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

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2014 Refunding Bonds. The Successor Agency has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2014 Refunding Bonds will not be included in federal gross income. Inaccuracy of these

representations or failure to comply with these covenants may result in interest on the Series 2014 Refunding Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2014 Refunding Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2014 Refunding Bonds may adversely affect the value of, or the tax status of interest on, the Series 2014 Refunding Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2014 Refunding 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 amounts treated as interest on, the Series 2014 Refunding Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2014 Refunding Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the House Ways and Means Committee Chair recently released draft legislation. This draft legislation would subject interest on the Series 2014 Refunding Bonds to federal income tax at an effective rate of 10% or more for individuals, trusts or estates in the highest income tax bracket. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2014 Refunding Bonds. Prospective purchasers of the Series 2014 Refunding Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2014 Refunding 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 Successor 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 Successor Agency has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2014 Refunding Bonds ends with the issuance of the Series 2014 Refunding Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Successor Agency or the Beneficial Owners regarding the tax-exempt status of the Series 2014 Refunding Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Successor 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 Successor Agency legitimately disagrees may not be practicable. Any action of the IRS, including but not

limited to selection of the Series 2014 Refunding Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2014 Refunding Bonds, and may cause the Successor Agency or the Beneficial Owners to incur significant expense.

### **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

Causey Demgen & Moore P.C. (the “**Verification Agent**”), will examine the arithmetical accuracy of certain computations included in the schedules provided by the Successor Agency relating to the refunding of the Refunded Bonds. See “PLAN OF REFUNDING” above.

The Verification Agent has restricted its procedures to examining 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.

### **CONCLUDING INFORMATION**

#### **Underwriting**

The Series 2014 Refunding Bonds are being purchased by Morgan Stanley & Co. LLC (the “**Underwriter**”). The Underwriter has agreed to purchase the Series 2014A Refunding Bonds at a price of \$53,730,277.87 (being the principal amount of the Series 2014A Refunding Bonds plus an original issue premium of \$6,429,384.70 and less an underwriters’ discount of \$294,106.83). The Underwriter will purchase all of the Series 2014A Refunding Bonds if any are purchased.

The Underwriter has agreed to purchase the Series 2014B Refunding Bonds at a price of \$7,781,420.32 (being the principal amount of the Series 2014B Refunding Bonds plus an original issue premium of \$859,237.80 and less an underwriters’ discount of \$47,817.48). The Underwriter will purchase all of the Series 2014B Refunding Bonds if any are purchased.

The Underwriter may offer and sell Series 2014 Refunding Bonds to certain dealers and others at a price lower than the offering price stated on the cover page hereof. The offering price may be changed from time to time by the Underwriters.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, the Underwriter of the Series 2014 Refunding Bonds, has entered into a retail distribution arrangement with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2014 Refunding Bonds.

#### **Legal Opinions**

The opinions of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the Successor Agency, approving the validity of the Series 2014A Refunding Bonds and the Series 2014B Refunding Bonds will be furnished to the purchaser upon delivery of such Bonds on the Series 2014 Refunding Bonds Delivery Date and on the Series 2014 Refunding Bonds Delivery

Date, respectively. Copies of the proposed forms of Bond Counsel's final approving opinions with respect to the Series 2014A Refunding Bonds and the Series 2014B Refunding Bonds are attached hereto as APPENDIX B.

The legal opinion is only as to legality and is not intended to be nor is it to be interpreted or relied upon as a disclosure document or an express or implied recommendation as to the investment quality of the Series 2014 Refunding Bonds.

In addition, certain legal matters will be passed on by Jones Hall, A Professional Corporation, Los Angeles, California, as Disclosure Counsel, and Stradling Yucca Carlson and Rauth, A Professional Corporation, Newport Beach, California, as Underwriters' Counsel. Compensation for services provided by Bond Counsel, Disclosure Counsel to the Successor Agency and by Underwriter's Counsel is contingent upon the sale and delivery of the Series 2014 Refunding Bonds. Certain legal matters will be passed on for the Successor Agency by Murphy & Associates PC, as Special Counsel for the Successor Agency.

## **Litigation**

There is no action, suit or proceeding known to the Successor Agency to be pending and notice of which has been served upon and received by the Successor Agency, or threatened, restraining or enjoining the execution or delivery of the Series 2014 Refunding Bonds or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Successor Agency taken with respect to any of the foregoing.

## **Ratings**

Standard & Poor's Ratings Services, A Standard & Poor's Financial Services, LLC Company ("**S&P**") has assigned a rating of "AA" to the Series 2014 Refunding Bonds with the understanding that upon the date of delivery of the Series 2014A Refunding Bonds, AGM will deliver its Policy with respect to the Series 2014A Refunding Bonds and that upon the date of delivery of the Series 2014B Refunding Bonds, AGM will deliver its Policy with respect to the Series 2014B Refunding Bonds. In addition, S&P has assigned an underlying rating of "A-" to the Series 2014 Refunding Bonds. See "BOND INSURANCE" herein for a discussion with respect to the Bond Insurer. Such ratings reflect only the view of S&P as to the credit quality of the Series 2014 Refunding Bonds, and explanation of the significance of the rating may be obtained from S&P. There is no assurance that a rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2014 Refunding Bonds.

## **Continuing Disclosure**

**Continuing Disclosure Certificate.** The Successor Agency covenants in the Continuing Disclosure Certificate to file an Annual Report with the Electronic Municipal Market Access system of the Municipal Securities Rule Making Board ("EMMA") by December 31, of each year, commencing December 31, 2014, and to provide timely notices of the occurrence of certain enumerated events. The specific information to be contained in the Annual Report or the notices of enumerated events is set forth in "APPENDIX D - FORM OF CONTINUING DISCLOSURE CERTIFICATE" (the "**Continuing Disclosure Certificate**") attached to this Official Statement. These covenants have been made in order to assist the Underwriters (as defined below) in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**").

The City and its related entities, including the Predecessor Agency, previously entered into numerous disclosure undertakings under the Rule in connection with the issuance of long-term obligations.

During the past five years, the City and its related entities complied in all material respects with its filings of annual reports in a timely manner pursuant to its continuing disclosure undertakings. However, the Successor Agency, for itself and on behalf of the Predecessor Agency, has had to take remedial actions with respect to the filing of several unfiled notices of material events relating to credit rating changes. In order to assist the Successor Agency in fulfilling its obligations under the Continuing Disclosure Certificate so long as the Series 2014 Refunding Bonds are outstanding under the Indenture, the Successor Agency covenants in the Continuing Disclosure Certificate to cause an Independent Financial Consultant (as defined in the Indenture) to prepare by December 31 of each year and to cause the Dissemination Agent to post on EMMA by December 31 of each year an annual report containing substantially the same information as Tables 2, 3, 6, 7, 8 and 11 in this Official Statement. The Trustee will serve as the initial dissemination agent with respect to the undertaking of the Successor Agency. See "APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE."



## APPENDIX A

### SUMMARY OF CERTAIN PROVISIONS 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

“1993 Indenture” means that certain Indenture of Trust between the Agency and First Trust of California, National Association, dated as of December 1, 1993 as supplemented and amended.

“2004 Indenture” means that certain Indenture of Trust between the Agency and Wells Fargo Bank, National Association dated as of March 1, 2004.

“Additional Bonds” means refunding bonds issued on a parity with the Series 2014 Refunding Bonds pursuant to the provisions of the Indenture.

“Adverse Change in State Law” means a change in State law, including any judicial decision that materially adversely affects the ability of the Successor Agency to comply with or perform its obligations to file ROPS.

“Debt Service” means, for any calculation period, the sum of (1) the interest (including any compound interest) payable on all Outstanding Refunding Bonds in such period, assuming that all Outstanding Serial Refunding Bonds are retired as scheduled, (2) the principal amount of all Outstanding Serial Refunding Bonds maturing by their terms in such period (together with the redemption premiums, if any, thereon), and (3) the minimum amount of such Outstanding Term Refunding Bonds required to be paid or called and redeemed in such period.

“Average Annual Debt Service” means the average Debt Service per year.

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

“Bond Register” means the registration books for the ownership of Refunding Bonds maintained by the Trustee pursuant to the provisions of the Indenture under the caption “—Bond Registration Books.”

“Bond Insurer” means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof as issuer of the Policy and the Series 2014 Reserve Account Credit Facility.

“Bond Year” means the twelve month period ending on December 15 of each year; provided that the first Bond Year shall be the period from the date of issuance of the Series 2014 Refunding Bonds to December 15, 2014.

“Business Day” means any day other than a Saturday or Sunday or day upon which the Trustee is authorized by law to remain closed.

“Certificate of the Successor Agency” means an instrument in writing signed by or on behalf of the Successor Agency by the Executive Director, or by any other officer of the Successor Agency duly authorized by the governing board of the Successor Agency to sign documents on its behalf under the Indenture.

“City” means the City of San Pablo, a municipal corporation duly organized and existing pursuant to the Constitution of the State.

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

“Code” means the Internal Revenue Code of 1986, as amended.

“County” means the County of Contra Costa.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Successor Agency and related to the authorization, execution and delivery of the Indenture, the Bond Purchase Agreement(s), the Continuing Disclosure Certificate and the sale of the Refunding Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial and administrative fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of the underwriter, fees and charges for preparation, execution and safekeeping of the Refunding Bonds, fees of the Successor Agency and any other cost, charge or fee in connection with the original execution and delivery of the Refunding Bonds.

“Costs of Issuance Fund” means the fund by that name established pursuant to the provisions of the Indenture under the caption “—Issuance of Refunding Bonds.”

“Custody Agreement” means the Custody Agreement, dated as of the date hereof, by and among the County Auditor-Controller, the Successor Agency, and the Trustee.

“Debt Service Reserve Account” means any Debt Service Reserve Account, and any subaccount thereof, established pursuant to the provisions of the Indenture under the caption “—Funds.”

“Debt Service Reserve Fund Agreement” means the Insurance Agreement, dated as of June 1, 2014, by and between the Successor Agency and the Bond Insurer.

“Defeasance Securities” means, to the extent permitted by State law, the following obligations which may be used as permitted investments to defease Outstanding Refunding Bonds:

- (1) Cash deposits (insured at all times by the Federal Deposit Insurance Corporation).
- (2) U.S. Treasury Certificates, Notes and Refunding Bonds (including State and Local Government Series – “SLGs”).
- (3) Direct obligations of the Department of Treasury of the United States of America.
- (4) The interest component of Resolution Funding Corporation (REFCORP) strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form.
- (5) Pre-refunded municipal Refunding Bonds rated “AAA” by Standard & Poor’s. If the issue is rated solely by Standard & Poor’s, the pre-refunded Refunding Bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipal Refunding Bonds.
- (6) Obligations of the following federal agencies so long as such obligations are backed by the full faith and credit of the United States of America.
  - a. U.S. Export-Import Bank (Eximbank): Direct obligations or fully guaranteed certificates of beneficial ownership
  - b. Farmers Home Administration (FmHA): Certificates of beneficial ownership
  - c. Federal Financing Bank
  - d. General Services Administration: Participation certificates
  - e. U.S. Maritime Administration: Guaranteed Title XI financing
  - f. U.S. Department of Housing and Urban Development; Project Notes; Local Authority Refunding Bonds; New Communities Debentures; U.S. Public Housing Notes and Refunding Bonds.

“Delivery Date” shall mean June 12, 2014 for the Series 2014A Bonds and September 4, 2014 for the Series 2014B Bonds.

“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.

“Dissolution Act” means California Health and Safety Code Section 34170 *et seq.*

“EMMA” means Electronic Municipal Market Access (EMMA) website of the Municipal Securities Rulemaking Board, currently located at <http://emma.msrb.org>.

“Fiscal Year” means the twelve-month period terminating on June 30 of each year, or any other annual accounting period thereafter selected and designated by the Successor Agency as its Fiscal Year in accordance with applicable law.

“Fund” means any fund created by the provisions of the Indenture under the caption “— Funds.”

“Holder” or “Owner” means any person who shall be the registered owner of any Outstanding Refunding Bond as set forth in the Bond Register.

“Indenture” means the Indenture, dated as of June 1, 2014, between the Successor Agency and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Indentures executed pursuant to the provisions hereof

“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 or a comparable successor, appointed and paid by the Successor Agency, and who, or each of whom

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- (1) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the Successor Agency;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the Successor Agency; and
- (3) is not connected with the Successor Agency as a member, officer or employee of the Successor Agency, but who may be regularly retained to audit the accounting records of and make reports thereon to the Successor 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 Successor Agency and who, or each of whom:

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

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

“Interest Payment Date” means a date on which interest is due on the Refunding Bonds, being June 15 and December 15 of each year to which reference is made, commencing on December 15, 2014.

“Investment” means any Permitted Investment and any other investment held under the Indenture that does not constitute a Permitted Investment.

“Law” means the Community Redevelopment Law, being Parts 1 and 1.85 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State.

“Maximum Annual Debt Service” means the largest Debt Service per year during the period from the date of such determination through the final maturity date of any Outstanding Refunding Bonds.

“Notice of Insufficiency” means the notice described in Health and Safety Code Section 34183(b).

“Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Successor Agency.

“Outstanding,” when used as of any particular time with reference to Refunding Bonds, means (subject to the provisions of the Indenture under the caption “—Disqualified Refunding Bonds”) all Refunding Bonds except

- (4) Refunding Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (5) Refunding Bonds paid or deemed to have been paid within the meaning of the provisions of the Indenture under the caption “—Discharge of Refunding Bonds”; and
- (6) Refunding Bonds in lieu of or in substitution for which other Refunding Bonds shall have been executed, issued and delivered by the Successor Agency pursuant to the Indenture.

“Permitted Investments” means to the extent permitted by State law, the following obligations:

- (1) Cash deposits (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in the next paragraph).
- (2) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.
- (3) Bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following federal agencies so long as such obligations are backed by the full faith and credit of the United States of America.
  - a. U.S. Export-Import Bank (Eximbank): Direct obligations or fully guaranteed certificates of beneficial ownership

- b. Farmers Home Administration (FmHA): Certificates of beneficial ownership
  - c. Federal Financing Bank
  - d. General Services Administration: Participation certificates
  - e. U.S. Maritime Administration: Guaranteed Title XI financing
  - f. U.S. Department of Housing and Urban Development; Project Notes; Local Authority Refunding Bonds; New Communities Debentures; U.S. Public Housing Notes and Refunding Bonds.
  - g. Government National Mortgage Association (GNMA)
  - h. Federal Housing Administration Debentures (FHA)
- (4) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies which are not backed by the full faith and credit of the United States of America; provided that stripped securities are only permitted if they have been stripped by the agency itself:
- a. Senior debt obligations rated not lower than the rating on obligations described in paragraph (3) above then maintained in the highest long-term rating category by at least two nationally recognized rating agencies issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).
  - b. Senior debt obligations of the Federal Home Loan Bank System.
  - c. Senior debt obligations of the Student Loan Marketing Association.
  - d. Obligations of the Resolution Funding Corporation (REFCORP).
  - e. Consolidated systemwide bonds and notes of the Farm Credit System.
- (5) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAA-m; or AA-m including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee or such holding company provide investment advisory or other management services.
- (6) Certificates of deposit secured at all times by collateral described in (2) and/or (3) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.
- (7) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.
- (8) Guaranteed Investment Contracts collateralized by:
- a. U.S. Treasury Obligations;

- b. U.S. Department of Housing and Urban Development public housing agency bonds;
  - c. Federal Housing Administration debentures;
  - d. Government National Mortgage Association (GNMA) guaranteed mortgage backed securities or participation certificates;
  - e. RefCorp debt obligations; or
  - f. SBA-guaranteed participation certificates and guaranteed pool certificates.
- (9) Commercial paper which is rated at the time of purchase, “A-1” or better by S&P.
- (10) Pre-refunded municipal obligations rated “AAA” by Standard & Poor’s Corporation meeting the following requirements:
- a. the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given *irrevocable* instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;
  - b. the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;
  - c. the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest and premium, if any, due and to become due on the municipal obligations (“Verification”);
  - d. the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;
  - e. no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and
  - f. the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.
- (11) Federal funds or bankers acceptances with a maximum term of one year of any bank, including the Trustee and its affiliates, which has an unsecured, uninsured and unguaranteed obligation rating of “A-1” or “A” or better by S&P.
- (12) Funds invested in the Local Agency Investment Fund (as that term is defined in Section 16429.1 of the California Government Code, as such section may be amended or recodified from time to time) to the extent deposits and withdrawals may be made by the Trustee.

The value of the above investments, other than cash, shall be determined as follows:

“Value,” which shall be determined as of the end of the month, means “fair market value,” which may be determined using a computer pricing service including any service contained in the

Trustee's accounting system, provided that the Trustee shall not be liable for any error made by any such service.

“Oversight Board” means the oversight board of the Successor Agency created pursuant to Section 34179 *et seq* of the Dissolution Act.

“Pledge Statute” means California Health & Safety Code Section 34177.5(g).

“Policy” shall mean the insurance policy issued by the Bond Insurer guaranteeing the scheduled payment of principal and interest on the Series 2014 Refunding Bonds when due.

“Prior Bonds” means the Redevelopment Agency of the City of San Pablo Tenth Township Redevelopment Project Subordinate Tax Allocation Bonds Series 1999A; the Redevelopment Agency of the City of San Pablo Tenth Township Redevelopment Project Tax Allocation Bonds Series 2001; Redevelopment Agency of the City of San Pablo Tenth Township Redevelopment Project Tax Allocation Bonds Series 2004A and 2004B, the Redevelopment Agency of the City of San Pablo Legacy Project Area Tax Allocation Bonds, Series 2004, and the Redevelopment Agency of the City of San Pablo Tenth Township Redevelopment Project Subordinate Tax Allocation Bonds Series 2006.

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

*Tenth Township Project Area*, as amended from time to time.

*Legacy Project Area*, as amended from time to time.

“Rating Agency” means 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 any Bonds at the request of the Successor Agency, any other nationally recognized rating agency then providing or maintaining a rating on the Refunding Bonds at the request of the Successor Agency.

“Record Date” means, with respect to an Interest Payment Date, the fifteenth calendar day of the month immediately preceding such Interest Payment Date.

“Redevelopment Plans” means, collectively, the Tenth Township Redevelopment Plan and the Legacy Redevelopment Plan.

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

“Refunding Bonds” means the Series 2014 Refunding Bonds authorized by and at any time Outstanding pursuant in the Indenture and executed, issued and delivered in accordance with Article II and any Additional Bonds.

“Representation Letter” means the blanket letter of representations to The Depository Trust Company, New York, New York.

“Reserve Account Credit Facility” means a policy of municipal bond insurance or surety bond issued by a Reserve Account Credit Facility Provider.

“Reserve Account Credit Facility Provider” means a financial guaranty insurer (in the case of a policy of municipal bond insurance or surety bond) or a bank or other institution (in the case of a letter of credit), 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 one of the two highest rating categories (without regard to qualifiers) by Standard & Poor’s and, if rated by A.M. Best & Company, also in one of the two highest rating categories (without regard to qualifiers) by A.M. Best & Company.

“Reserve Account Requirement” means, as of any date of calculation, the Reserve Account Requirement specified in a supplemental indenture pursuant to Section 5.04(a)(4)(viii).

“ROPS” means the semiannual Recognized Obligation Payment Schedule filed by the Successor Agency pursuant to Section 34177 of the Dissolution Act.

“RPTTF” means the Redevelopment Property Tax Trust Fund established by the County Auditor-Controller pursuant to Section 34170.5(b) and administered pursuant to 34182 of the Dissolution Act.

“Representation Letter” means the blanket letter of representations to The Depository Trust Company, New York, New York.

“Reserve Account Credit Facility” means a policy of municipal bond insurance or surety bond issued by a Reserve Account Credit Facility Provider.

“Reserve Account Credit Facility Provider” means a financial guaranty insurer (in the case of a policy of municipal bond insurance or surety bond) or a bank or other institution (in the case of a letter of credit), 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 one of the two highest rating categories (without regard to qualifiers) by Standard & Poor’s and, if rated by A.M. Best & Company, also in one of the two highest rating categories (without regard to qualifiers) by A.M. Best & Company.

“Reserve Account Requirement” means, as of any date of calculation, the Reserve Account Requirement specified in a supplemental indenture pursuant to Section 5.04(a)(4)(viii).

“ROPS” means the semiannual Recognized Obligation Payment Schedule filed by the Successor Agency pursuant to Section 34177 of the Dissolution Act.

“RPTTF” means the Redevelopment Property Tax Trust Fund established by the County Auditor-Controller pursuant to Section 34170.5(b) and administered pursuant to 34182 of the Dissolution Act.

“Senior Indentures” means the 1993 Indenture and the 2004 Indenture.

“Senior Obligations” means the following obligations previously issued by the Agency: the Outstanding Redevelopment Agency of the City of San Pablo Tenth Township Redevelopment Project Tax Allocation Bonds Series 2001, the Outstanding Redevelopment Agency of the City of San Pablo Tenth Township Redevelopment Project Tax Allocation Bonds Series 2004A, and the Outstanding Redevelopment Agency of the City of San Pablo Legacy Project Area Tax Allocation Bonds, Series 2004.

“Serial Refunding Bonds” means Refunding Bonds for which no sinking fund payments are provided.

“Series 2014 Refunding Bonds” means the Series 2014A Bonds and the Series 2014B Bonds.

“Series 2014A Bonds” means the Successor Agency to the Redevelopment Agency of the City of San Pablo Tax Allocation Refunding Bonds, Series 2014A issued pursuant to the Indenture.

“Series 2014B Bonds” means the Successor Agency to the Redevelopment Agency of the City of San Pablo Tax Allocation Refunding Bonds, Series 2014B issued pursuant to the Indenture.

“Series 2014 Debt Service Reserve Account” means the Series 2014 Debt Service Reserve Account, and any account thereof, established pursuant to the Indenture.

“Series 2014 Reserve Account Credit Facility” means the Municipal Bond Debt Service Reserve Insurance Policy issued by the Bond Insurer for the Series 2014 Refunding Bonds in an amount of \$6,220,875 pursuant to the Debt Service Reserve Fund Agreement.

“Series 2014 Reserve Account Requirement” means, as of any date of calculation, an amount equal to the least of (i) 10% of the initial offering price to the public of the Outstanding Series 2014 Refunding Bonds as determined under the Code, (ii) the greatest amount of debt service due on the Outstanding Series 2014 Bonds in any Bond Year during the period commencing with the Bond Year in which the determination is being made and terminating with the last Bond Year in which any Outstanding Series 2014 Refunding Bond is due (“MADS”), or (iii) 125% of the sum of the debt service due on the Outstanding Series 2014 Refunding Bonds for all Bond Years during the period commencing with the Bond Year in which such calculation is made and terminating with the last Bond Year in which any debt service is due on Outstanding Series 2014 Refunding Bonds, divided by the number of such Bond Years, all as computed and determined by the Successor Agency and specified in writing to the Trustee.

If the Series 2014 Reserve Account Requirement is satisfied with a Reserve Account Credit Facility, the term “Series 2014 Reserve Account Requirement” shall mean MADS.

If the Series 2014 Reserve Account Requirement is satisfied by both cash and a Reserve Account Credit Facility, then the term “Series 2014 Reserve Account Requirement” shall mean MADS, provided that the amount of cash in the Series 2014 Reserve Account shall not be more than the least of (i) 10% of the initial offering price to the public of the Outstanding Series 2014 Refunding Bonds as determined under the Code, (ii) the greatest amount of debt service due on the Outstanding Series 2014 Bonds in any Bond Year during the period commencing with the Bond Year in which the determination is being made and terminating with the last Bond Year in which any Outstanding Series 2014 Refunding Bond is due (“MADS”), or (iii) 125% of the sum of the debt service due on the Outstanding Series 2014 Refunding Bonds for all Bond Years during the period commencing with the Bond Year in which such calculation is made and terminating with the last Bond Year in which any debt service is due on Outstanding Series 2014 Refunding Bonds, divided by the number of such Bond Years, all as computed and determined by the Successor Agency and specified in writing to the Trustee.

“State” means the State of California.

“Subordinate Pledged Tax Revenues” means, for any period of time, moneys deposited from time to time in the RPTTF and payable to the Successor Agency pursuant to Section 34183 of the Law, excluding an amount equal to the scheduled interest that is due and payable on all Senior

Obligations during such period plus an amount equal to the scheduled principal and scheduled sinking fund redemption payments that are due and payable on all Senior Obligations during such period, plus an amount, if any, required to cure any deficiency in any of the Senior Bond Reserve Accounts pursuant to the Senior Indentures.

If, and to the extent, that the provisions of Health & Safety Code Section 34172 or paragraph (2) of subdivision (a) of Section 34183 are invalidated by judicial decision, then Subordinate Pledged Tax Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution; excluding moneys required to pay Senior Obligations payable during such period.

“Successor Agency” means the Successor Agency to the Redevelopment Agency of the City of San Pablo, pursuant to the Law.

“Supplemental Indenture” means any trust agreement then in full force and effect which has been duly executed and delivered by the Successor Agency and the Trustee amendatory hereto or supplemental hereto; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Tax Certificate” means the Tax Certificate delivered by the Agency and the Successor Agency at the time of the issuance and delivery of the Series 2014 Refunding Bonds, as the same may be amended or supplemented in accordance with its terms.

“Tax-Exempt Bond” means Refunding Bonds the interest on which 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 Revenues” means the amounts deposited in the Redevelopment Property Tax Trust Fund under Section 34183(a) of the Law.

“Term Refunding Bonds” means Refunding Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Refunding Bonds on or before their specified maturity dates.

“Trustee” means Wells Fargo Bank, National Association or any other association or corporation which may at any time be substituted in its place as provided in the provisions of the Indenture under the caption “—Compliance with Indenture.”

“Written Request of the Successor Agency” means an instrument in writing signed by or on behalf of the Successor Agency by Executive Director or by any other officer of the Successor Agency duly authorized by the governing board of the Successor Agency to sign documents on its behalf under the Indenture.

## **THE INDENTURE**

### **Authorization and Purpose of Refunding Bonds**

The Successor Agency has reviewed all proceedings taken relative to the authorization of the Refunding Bonds and has found, as a result of such review, and finds and determines that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of the Refunding Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and that the Successor Agency is now duly authorized, pursuant to each and every requirement of the Act, to issue the Refunding Bonds in the form and manner provided in the Indenture for the purpose of providing funds to refinance the Prior Bonds, and that the Refunding Bonds shall be entitled to the benefit, protection and security of the provisions of the Indenture.

### **Additional Refunding Bonds**

Subject to the provisions of the Indenture, the Successor Agency may issue one or more Series of Additional Refunding Bonds, authenticated and delivered by the Successor Agency as permitted by the Law and subject to the limits set forth in Section 34177.5 of the Law. Each series of Additional Refunding Bonds shall be issued (i) on a parity basis for the refunding of bonds, debt or other obligations of the Successor Agency, or (ii) on a subordinate basis. Interest and principal on any series of Additional Refunding Bonds issued by the Successor Agency on a subordinate basis shall be payable on the same dates as the Refunding Bonds.

Notwithstanding satisfaction of the other conditions to the issuance of Additional Bonds set forth in the Indenture, no such issuance may occur (1) if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such default shall be cured upon such issuance and (2) unless the Series 2014 Debt Service Reserve Account is fully funded at the Series 2014 Reserve Account Requirement (including the proposed issue) upon the issuance of such Additional Bonds, in either case unless otherwise permitted by the Bond Insurer.

### **Refunding Bonds Constitute Limited Obligations**

The Refunding Bonds shall not constitute a charge against the general credit of the Successor Agency but shall constitute and evidence limited obligations of the Successor 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. The Refunding Bonds are not secured by a legal or equitable pledge of, or lien or charge upon, any property of the Successor Agency or any of its income or receipts except the Subordinate Pledged Tax Revenues pledged therefor pursuant to the Indenture which pledge is subject to the provisions of the Indenture permitting the application of the Subordinate Pledged Tax Revenues for the purposes and on the terms and conditions set forth in the Indenture. The Refunding Bonds are not a debt of the City of San Pablo, the State of California or any of its political subdivisions, and neither said City, said State nor any of its political subdivisions is liable therefor, nor in any event shall the payment of the principal or Redemption Price of or interest on the Refunding Bonds constitute a debt, liability or obligation of any public agency (other than the limited obligation of the Successor Agency as provided in the Indenture). The Refunding Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction, and neither the members of the Successor Agency nor any persons executing the Refunding Bonds are liable personally on the Refunding Bonds by reason of their issuance. No member, officer or employee of the Successor Agency shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on the Refunding Bonds or be subject to any personal liability or accountability by reason of the issuance of the

Refunding Bonds or in respect of any undertakings by the Successor Agency under the Indenture; but nothing therein contained shall relieve any member, officer or employee of the Successor Agency from the performance of any official duty provided by law. The face of each Bond shall contain a legend to the effect set forth in this section.

### **Pledge of Subordinate Pledged Tax Revenues**

Pursuant to the Pledge Statute and 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 Refunding Bonds, and the interest payments becoming due, and to secure the performance and observance of all of the covenants, agreements and conditions contained in the Outstanding Refunding Bonds and the Indenture, the Successor Agency irrevocably grants a lien on and a security interest in, and pledges, the Subordinate Pledged Tax Revenues and all money in the Revenue Fund and in the funds or accounts so specified and provided for in the Indenture, whether held by the Successor Agency or the Trustee, to the Trustee for the benefit of the Owners of the Outstanding Refunding Bonds, but excluding all moneys in the Rebate Fund established pursuant to the Tax Certificate (including within such exclusion investment income retained in the Rebate Fund) and the Costs of Issuance Fund. This lien on and security interest in and pledge of the Subordinate Pledged Tax Revenues and such money in the Revenue Fund and in the funds or accounts so specified and provided for in the Indenture shall constitute a first pledge of and charge and lien upon the Subordinate Pledged Tax Revenues and such money in the Revenue Fund and in the funds or accounts so specified and provided for in the Indenture, shall immediately attach and be effective, binding, and enforceable against the Successor Agency, its successors, purchasers of any of the Successor Agency Refunding Bonds or such money in the Revenue 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 Revenue 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.

### **Filing of ROPS and Receipt and Deposit of Subordinate Pledged Tax Revenues**

The Successor Agency shall timely file each ROPS pursuant to the Law. Promptly upon receipt thereof, the Successor Agency shall transfer or cause to be transferred to the Trustee for deposit in the Revenue Fund the Subordinate Pledged Tax Revenues; provided that the Successor Agency shall not be obligated to deposit in the Revenue Fund in any Bond Year an amount of Subordinate Pledged Tax Revenues which, together with other available amounts then in the Revenue 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 Series 2014 Debt Service Reserve Account (and any other Reserve Accounts established to secure one or more Series of Additional Bonds) in such Bond Year pursuant to this section. Any Subordinate Pledged Tax Revenues received during any Fiscal Year following deposit in the Revenue 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 Series 2014 Debt Service Reserve Account in such Fiscal Year pursuant to the to the provisions to the Indenture under the caption “— Revenue Fund; Series 2014 Debt Service Reserve Account,” shall be retained in the Revenue Fund pending transfer to the Successor Agency pursuant to the Indenture.

The Successor Agency covenants and agrees that all Subordinate Pledged Tax Revenues deposited in the Revenue Fund will be accounted for through, and held in trust in the Revenue Fund, and the Successor Agency shall have no beneficial right or interest in any of such money, except only as provided in the Indenture. All such Subordinate Pledged Tax Revenues shall nevertheless be disbursed,

allocated and applied solely to the uses and purposes set forth in the Indenture, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the Successor Agency.

## **Revenue Fund**

Revenue Fund. (a) All moneys in the Revenue Fund shall be set aside by the Trustee when and as received in the following respective special accounts within the Revenue Fund. All moneys in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized by the provisions of the Indenture regarding “—Revenue Fund.”

(1) Interest Account. Within three business days of June 2 of each year, the Trustee shall set aside from the Revenue 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 Refunding Bonds on the next two succeeding Interest Payment Dates.

All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Refunding Bonds as the same shall become due and payable.

(2) Principal Account. Within three business days of June 2 of each year, the Trustee shall set aside from the Revenue 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 Refunding Bonds on the next succeeding June 15. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Outstanding Refunding Bonds as they shall become due and payable.

(3) Sinking Fund Account. Within three business days of June 2 of each year, the Trustee shall set aside from the Revenue 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 Refunding Bonds which are Term Obligations on the next succeeding principal payment date. All moneys in the Sinking Fund Account shall be used by the Trustee to redeem the Outstanding Refunding Bonds in accordance with the Indenture. In the event that Refunding Bonds which are Term Obligations purchased or redeemed at the option of the Successor 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 Refunding Bonds, such deposit shall satisfy (to the extent of 100% of the principal amount of such Refunding Bonds) any obligation of the Successor Agency to make a payment with respect to such sinking fund installments. Any Refunding Bond so deposited with the Trustee shall be cancelled and shall no longer be deemed to be Outstanding for any purpose. Upon making the deposit with the Trustee of Refunding Bonds which are Term Obligations as provided in this paragraph, the Successor Agency may specify the dates and amounts of sinking fund installments for such Refunding Bonds as to which the Successor Agency's obligations to make a payment with respect to sinking fund installments for such Refunding Bonds shall be satisfied.

(4) Series 2014 Debt Service Reserve Account. Within three business days of June 2 of each year the Trustee shall set aside from the Revenue Fund and deposit in the Series 2014 Debt Service Reserve Account an amount of money (or other authorized deposit of security) equal to the Series 2014 Reserve Account Requirement for the Series 2014 Refunding Bonds then Outstanding. The Series 2014 Debt Service Reserve Account shall be replenished in the following priority: (i) principal and interest on any Reserve Account Credit Facilities shall be paid from first available Subordinate Pledged Tax Revenues on a pro rata basis; and (ii) after all such amounts are paid in full, amounts necessary to fund

the Series 2014 Reserve Account Requirement to the required level, after taking into account the amounts available under the Reserve Account Credit Facilities shall be deposited from next available Subordinate Pledged Tax Revenues. No deposit need be made in the Series 2014 Debt Service Reserve Account so long as there shall be on deposit therein an amount equal to the Series 2014 Reserve Account Requirement of the Series 2014 Refunding Bonds then Outstanding. If on any date on which the principal or Redemption Price of, or interest on, the Series 2014 Refunding Bonds is due, the amount in the applicable account in the Revenue Fund available for each such payment is less than the amount of the principal and Redemption Price of and interest on the Series 2014 Refunding Bonds due on such date, the Trustee shall apply amounts from the Series 2014 Debt Service Reserve Account to the extent necessary to make good the deficiency.

(ii) Except as provided in paragraph (vi) below, if on the last Business Day of any month the amount on deposit in the Series 2014 Debt Service Reserve Account shall exceed the Series 2014 Reserve Account Requirement, such excess shall be applied to the reimbursement of each drawing on any Reserve Account Credit Facility deposited in or credited to such account and to the payment of interest or other amounts due with respect to such Reserve Account Credit Facility and any remaining moneys shall be deposited in the Interest Account.

(iii) Whenever the amount in the Series 2014 Debt Service Reserve Account (excluding any Reserve Account Credit Facility), together with the amount in the Revenue Fund, is sufficient to pay in full all of the respective Outstanding Series 2014 Refunding Bonds in accordance with their terms (including principal or Redemption Price and interest thereon), the funds on deposit in the respective Series 2014 Debt Service Reserve Account shall be transferred to the Redemption Fund.

(iv) In the event of the refunding of one or more Series 2014 Refunding Bonds (or portions thereof), the Trustee shall, upon the written direction of an Authorized Successor Agency Representative, withdraw from the Series 2014 Debt Service Reserve Account any or all of the amounts on deposit therein (excluding any Reserve Account Credit Facility) and deposit such amounts with itself as Trustee, or the escrow agent for the Series 2014 Refunding Bonds to be refunded, to be held for the payment of the principal or Redemption Price, if any, of, and interest on, the Series 2014 Refunding Bonds (or portions thereof) being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the Series 2014 Refunding Bonds (or portions thereof) being refunded shall be deemed to have been paid pursuant to the provisions of the Indenture regarding “—Discharge of Refunding Bonds,” and (b) the amount remaining in the Series 2014 Debt Service Reserve Account after such withdrawal, taking into account any deposits to be made in the Series 2014 Debt Service Reserve Account in connection with such refunding, shall not be less than the Series 2014 Reserve Account Requirement, as adjusted by any reduction in the Reserve Account Requirement calculated for Series 2014 Debt Service Reserve Account in connection with such refunding.

(v) In lieu of the deposits and transfers to the Series 2014 Debt Service Reserve Account required by the provisions of the Indenture under the caption “—Revenue Fund; 2014 Debt Service Reserve Account,” the Successor Agency may cause to be deposited in the Series 2014 Debt Service Reserve Account a Reserve Account Credit Facility or Reserve Account Credit Facilities in an amount equal to the difference between the respective Series 2014 Reserve Account Requirement and the sums, if any, then on deposit in the Series 2014 Debt Service Reserve Account or being deposited in such account concurrently with such Reserve Account Credit Facility or Facilities. Subject to the provision of the Indenture under the caption “—Reserve Fund,” the Trustee shall draw upon or otherwise take such action as is necessary in accordance with the terms of any Reserve Account Credit Facility to receive payments with respect to any Reserve Account Credit Facility (including the giving of notice as required thereunder): (i) on any date on which moneys shall be required to be withdrawn from the Series 2014 Debt Service Reserve Account and applied to the payment of principal or Redemption Price of, or interest

on, the Series 2014 Refunding Bonds and such withdrawal cannot be met by amounts on deposit in the Series 2014 Debt Service Reserve Account ; (ii) on the first Business Day which is at least ten (10) days prior to the expiration date of any Reserve Account Credit Facility, in an amount equal to the deficiency which would exist in the Series 2014 Debt Service Reserve Account if the Reserve Account Credit Facility expired, unless a substitute Reserve Account Credit Facility with an expiration date not earlier than 180 days after the expiration date of the expiring Reserve Account Credit Facility is acquired prior to such date, or the Successor Agency deposits funds in the Series 2014 Debt Service Reserve Account on or before such date, such that the amount in the Series 2014 Debt Service Reserve Account on such date (without regard to such expiring Reserve Account Credit Facility) is at least equal to the Series 2014 Reserve Account Requirement.

If, on any date the rating assigned by Standard & Poor's to the Reserve Account Credit Facility Provider shall fall below the underlying rating currently assigned to the Series 2014 Refunding Bonds, the Successor Agency shall deposit cash in the Series 2014 Debt Service Reserve Account in the amount of the Series 2014 Reserve Account Requirement in five equal annual installments. Deposits of cash to the Series 2014 Debt Service Reserve Account caused by any such downgrade of the Reserve Account Credit Facility Provider shall be subordinate to the payment of all statutory and contractual pass-through payments pursuant to Sections 33607.5 33607.7 and 33676 of the Law.

If, upon the deposit of a Reserve Account Credit Facility into the Series 2014 Debt Service Reserve Account, there shall be any amount in the Series 2014 Debt Service Reserve Account in excess of the Series 2014 Reserve Account Requirement such excess amount may be applied to the cost of acquiring such Reserve Account Credit Facility and, to the extent not so applied, shall be transferred to the Interest Account or, with a Favorable Opinion of Bond Counsel, as directed by the Successor Agency.

(vi) The prior written consent of the Bond Insurer shall be a condition precedent to the deposit of any Reserve Account Credit Facility provided in lieu of a cash deposit into the Series 2014 Debt Service Reserve Account, if any, securing the Series 2014 Refunding Bonds. Notwithstanding anything to the contrary set forth in the Indenture, amounts on deposit in the Series 2014 Debt Service Reserve Account for the Series 2014 Refunding Bonds shall be applied solely to the payment of debt service due on the Series 2014 Refunding Bonds.

(vii) The Successor Agency may at its sole discretion at the time of issuance of any Additional Bonds or at any time thereafter by Supplemental Indenture provide for the establishment of a separate debt service reserve account as additional security for Additional Bonds. Any debt service reserve account so established by the Successor Agency shall be available to secure Additional Bonds as the Successor Agency shall determine and shall specify in the Supplemental Indenture establishing such debt service reserve account or, if the Supplemental Agreement establishes a pooled Reserve Account Requirement that is applicable to an initial series of Refunding Bonds together with any one or more subsequently issued eligible series of Additional Bonds with the same pooled Reserve Account Requirement, as shall be set forth in subsequent Supplemental Indentures. Any Reserve Account Requirement established by the Successor Agency shall be held by the Trustee and shall comply with the requirements set forth by the provisions of the Indenture regarding “—Revenue Fund.”

(5) Surplus. Within three business days of June 2 of each year, any amounts remaining in the Revenue Fund after making the deposits required in paragraphs (1) through (4) above, in any Fiscal Year, shall be released from the lien of the Indenture and shall be transferred to the Successor Agency.

(a) In the event that on any date upon which the Successor Agency is to make a payment from Subordinate Pledged Tax Revenues pursuant to the provisions of the Indenture regarding “—Revenue Fund; Interest Account, Principal Account and/or Sinking Fund Account,” and the amount of

available Subordinate Pledged Tax Revenues is not sufficient to make such payment, then the Successor Agency shall apply the available Subordinate Pledged Tax Revenues to the payments required by the provisions of the Indenture regarding “—Revenue Fund; Interest Account, Principal Account and/or Sinking Fund Account” ratably (based on the respective amounts to be paid), without any discrimination or preferences.

(b) In the event that on any date upon which the Successor Agency is to make a payment or deposit from Subordinate Pledged Tax Revenues pursuant to the provisions of the Indenture regarding “—Revenue Fund; Series 2014 Debt Service Reserve Account,” and the amount of available Subordinate Pledged Tax Revenues is not sufficient to make such payment or deposit, then the Successor Agency, after making the payments required by the provisions of the Indenture regarding “—Revenue Fund; Series 2014 Debt Service Reserve Account,” shall apply the available Subordinate Pledged Tax Revenues to the payments required by the provisions of the Indenture regarding “—Revenue Fund; Series 2014 Debt Service Reserve Account,” ratably (based on the respective amounts to be paid), without any discrimination or preferences.

## **Depositories**

The Trustee shall hold all moneys deposited with it pursuant to the Indenture or, if directed by the Successor Agency, shall deposit such moneys with one or more Depositories in trust. All moneys deposited under the provisions of the Indenture with the Trustee or any Depository shall be held in trust and applied only in accordance with the provisions of the Indenture, and each of the Funds established by the Indenture shall be a trust fund for the purposes thereof.

## **Deposits**

(a) All moneys held under the Indenture may be placed on demand or time deposit, if and as directed by the Successor Agency, provided that such deposits shall permit the moneys so held to be available for use at the time when reasonably expected to be needed. The Trustee shall not 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 the Trustee or its affiliates which may honor checks and drafts on such deposit with the same force and effect as if it were not the Trustee. All moneys held by the Trustee, as such, may be deposited by such fiduciary in its banking department on demand or, if and to the extent directed by the Successor Agency and acceptable to such fiduciary, on time deposit, provided that such moneys on deposit be available for use at the time when reasonably expected to be needed. Such fiduciary shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size and under similar condition or as required by law.

(b) All moneys held under the Indenture by the Trustee shall be (1) either (A) continuously and fully insured by the Federal Deposit Insurance Corporation, or (B) continuously and fully secured by lodging with the Trustee or any Federal Reserve Bank, as custodian, as collateral security, such securities as are described in clauses (a) through (c), inclusive, of the definition of “Permitted Investments” contained in the Indenture 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 laws and regulations and applicable state laws and regulations of the state in which such fiduciary is located, regarding security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Fiduciaries to give security under this subsection for the deposit of any moneys with them held in trust and set aside by them for the payment of the principal amount or Redemption Price of, or interest on, any Bonds or to give security for any moneys which shall be represented by obligations or certificates of deposit purchased as an investment of such moneys.

(c) All moneys deposited with a fiduciary shall be credited to the particular Fund to which such moneys belong.

### **Investment of Certain Funds**

Moneys held in the Revenue Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in Permitted Investments which mature not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Funds. Moneys held in the Series 2014 Debt Service Reserve Account shall be invested and reinvested by the Trustee to the fullest extent practicable in securities described in clauses (1), (2), (3), (4), (5), (6) and (7) of the definition of "Permitted Investments" contained in the Indenture which mature, or which may be drawn upon, not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Account, 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. The Trustee shall make all such investments of moneys held by it and shall sell or otherwise liquidate any such investment and take all actions necessary to draw funds under any such investment, including the giving of necessary notices of the drawing of any moneys under any investment, in each case in accordance with directions of an Authorized Successor Agency Representative, which directions shall be consistent with the Indenture and applicable law, and which directions shall be written.

Investments held by the Trustee under the Indenture in any fund or account shall be valued by the Trustee annually at market value annually on each December 2.

Except as otherwise provided in a Supplemental Indenture, interest or other income (net of that which (i) represents a return of accrued interest paid in connection with the purchase of any investment or (ii) is required to effect the amortization of any premium paid in connection with the purchase of any investment) earned on any moneys or investments in the Funds created under the Indenture shall be paid into the Interest Account.

In making any investment in any Permitted Investments with moneys in any Fund established under the Indenture, the Trustee may combine such moneys with moneys in any other Fund but solely for the purposes of making such investment in such Investments and provided that any amount so combined shall be separately accounted for. The Trustee may act as principal or agent in the acquisition or disposition of investments.

Nothing in the Indenture shall prevent any Permitted Investments acquired as investments of moneys in any Fund from being issued or held in book-entry form on the books of the Department of the Treasury or the Federal Reserve System of the United States.

The Trustee shall furnish the Successor Agency periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the Successor Agency. Upon the Successor Agency's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request. The Successor Agency waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The Successor Agency further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

## **Sale of Investments**

Obligations purchased as an investment of moneys in any Fund shall be deemed at all times to be a part of such Fund and any profit realized from the liquidation of such investment shall be credited to such Fund and any loss resulting from the liquidation of such investment shall be charged to the respective Fund.

Except as otherwise provided in the Indenture, the Trustee may sell at the best price reasonably obtainable, or present for redemption, any obligation purchased as an investment whenever it shall be directed by the Successor Agency so to do or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund held by it. Any obligation purchased as an investment may be credited on a pro-rata basis to more than one Fund and need not be sold in order to provide for the transfer of amounts from one Fund to another, provided that such obligation is an appropriate Permitted Investment for the purposes of the Fund to which it is to be transferred. The Trustee shall not be liable or responsible for making any such investment in the manner provided above or for any loss resulting from any such investment.

## **Compliance with Indenture**

The Successor Agency shall punctually pay the Refunding Bonds in strict conformity with the terms of the Indenture and the Refunding Bonds, and shall faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Indenture required to be observed and performed by it, and shall not fail to make any payment required by the Indenture for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of any party to observe or perform any agreement, condition, covenant or term contained in any contract or agreement required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with any such contract or agreement or the insolvency, or deemed insolvency, or bankruptcy or liquidation of any party or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

## **Against Encumbrances**

The Successor 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) in any manner prior or superior to the lien on, pledge of and security interest in the Subordinate Pledged Tax Revenues securing the Outstanding Refunding Bonds pursuant to the Indenture; or (ii) except for Additional Refunding Bonds 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 Refunding Bonds pursuant to the Indenture.

## **Extension or Funding of Claims for Interest**

In order to prevent any claims for interest after maturity, the Successor 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 Refunding Bonds and will not, directly or indirectly, be a party to or approve any such arrangements

by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the Successor Agency, such claim for interest so extended or funded shall not be entitled, in case of default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Refunding Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

### **Payment of Claims**

The Successor 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 Successor 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 Refunding Bonds; provided that nothing contained in the Indenture shall require the Successor Agency to make any such payments so long as the Successor Agency in good faith shall contest the validity of any such claims.

### **Books and Accounts; Financial Statements**

The Successor Agency will keep proper books of record and accounts, separate from all other records and accounts of the Successor Agency. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Trustee or of the Owners of not less than ten per cent (10%) of the aggregate principal amount of the Refunding Bonds then Outstanding or their respective representatives authorized in writing.

The Successor Agency will prepare and file with the Trustee, annually as soon as practicable, but in any event not later than the earlier of two hundred forty (240) days after the close of each Fiscal Year or within thirty (30) days of availability, so long as any Refunding Bonds are Outstanding, an audited financial statement relating to the Subordinate Pledged Tax Revenues and all other funds or accounts established pursuant to the Indenture for the preceding Fiscal Year prepared by an Independent Certified Public Accountant, showing the balances in each such fund as of the beginning of such Fiscal Year and all deposits in and withdrawals from each such fund during such Fiscal Year and the balances in each such fund as of the end of such Fiscal Year, which audited financial statement shall include a statement as to the manner and extent to which the Successor Agency and the Trustee have complied with the provisions of the Indenture as it relates to such funds. The Trustee shall provide such statements with regard to any funds held by the Trustee under the Indenture to the Successor Agency as the Successor Agency may reasonably require to comply with the terms of this section. The Trustee shall have no duty to review any financial statements filed with it under the Indenture. The Trustee shall not be deemed to have notice of any information contained therein or of any Event of Default which may be disclosed therein in any manner.

### **Protection of Security and Rights of Owners**

The Successor Agency will preserve and protect the security of the Refunding Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Refunding Bonds by the Successor Agency, such Refunding Bonds shall be incontestable by the Successor Agency.

### **Payment of Taxes and Other Charges**

Subject to the provisions of the Indenture under the caption “—Further Assurances,” the Successor Agency will pay and discharge all taxes, service charges, assessments and other governmental

charges that may thereafter be lawfully imposed upon the Successor Agency or any properties owned by the Successor Agency in the Tenth Township or Legacy Project Area, or upon the revenues therefrom, when the same shall become due; provided that nothing contained in the Indenture shall require the Successor Agency to make any such payments so long as the Successor Agency in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges.

### **Filing of ROPS and Subordinate Pledged Tax Revenues**

(a) Not fewer than 90 days prior to each January 2, commencing January 2, 2015, the Successor Agency shall submit an Oversight Board-approved ROPS to the State Department of Finance and to the County Auditor-Controller which shall include the following: (i) all scheduled interest payments on all Senior Obligations and Outstanding Refunding Bonds of the Successor Agency that are due and payable during the next calendar year, (ii) all scheduled principal and mandatory sinking fund redemption payments on all Senior Obligations and Outstanding Refunding Bonds of the Successor Agency that are due and payable during the next calendar year, (iii) any amount required to cure any deficiency in the Senior Bond Reserve Account pursuant to the Senior Indentures, and (iv) any amount required to cure any deficiency in the Reserve Account pursuant to Section 5.04 hereof (including any amounts required due to a downgrade of the Reserve Account Credit Facility Provider).

(b) If on January 2 of any year, the amount transferred to the Custody Account (as defined in the Custody Agreement) by the County Auditor-Controller pursuant to the Custody Agreement is less than the sum of (i), (ii), (iii), and (iv) set forth in the preceding paragraph, then not less than 90 days prior to June 1 of such calendar year, the Successor Agency shall submit an Oversight-Board approved ROPS to the State Department of Finance and to the County Auditor-Controller which includes the amounts by which such transfer was deficient.

The Successor Agency covenants that it shall, on or before December 1 of each year, file a Notice of Insufficiency with the County Auditor-Controller if the amount of Subordinate Pledged Tax Revenues available to the Successor Agency from the RPTTF on the upcoming January 2 is insufficient to fully fund all required amounts pursuant to (i), (ii), (iii) and (iv) above. The Successor Agency covenants that on or before May 1 of each year, it shall file a Notice of Insufficiency with the County Auditor-Controller if the amount of Subordinate Pledged Tax Revenues available to the Successor Agency from the RPTTF on the upcoming June 1 is insufficient to fully fund all required amounts pursuant to subsection (a) of this Section.

### **Amendment and Termination of Custody Agreement; Proceedings to Enforce Custody Agreement**

As soon as possible after any default or failure of the County Auditor-Controller to perform its duties and obligations under the Custody Agreement, the Successor Agency shall, and the Trustee may, take such actions and commence such proceedings, including an action in mandamus, as may be necessary to compel the County Auditor-Controller to perform its duties and obligations under the Custody Agreement. The Successor Agency covenants not to amend or terminate the Custody Agreement if such amendment or termination would have a material adverse effect on the holders of the Refunding Bonds.

### **Further Assurances**

The Successor Agency shall adopt, make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the Refunding Bonds of the rights and benefits provided in the Indenture.

## **Tax Covenants**

The Successor Agency covenants it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the Tax-exempt status of interest on any Tax-Exempt Bond under Section 103 of the Code. Without limiting the generality of the foregoing, the Successor Agency shall comply with the requirements of the Tax Certificate, if any, delivered in connection with the issuance of each Series of Tax-Exempt Bonds.

In the event that at any time the Successor Agency is of the opinion that, in order to comply with its obligations under subsection (a) of this section, it is necessary or helpful to restrict or limit the yield on the investment of any moneys in any of the funds held by the Trustee pursuant to the Indenture, the Successor Agency shall so instruct the Trustee in writing, and cause the Trustee to take such action as may be necessary in accordance with such instructions.

(a) Notwithstanding any provisions of this section, if the Successor Agency shall provide to the Trustee an Opinion of Bond Counsel to the effect that any specified action required under this section or a Tax Certificate is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Tax-Exempt Bonds under Section 103 of the Code, the Successor Agency and the Trustee may conclusively rely on such opinion in complying with the requirements of this section and of the applicable Tax Certificate, and the covenants under the Indenture shall be deemed to be modified to that extent.

(b) The covenants in this section shall survive payment in full or discharge of the Tax-Exempt Bonds.

## **Petition for Final and Conclusive Determination**

The Successor Agency covenants that it will use its best efforts to obtain at the earliest possible date following the issuance of the Refunding Bonds letter of final and conclusive determination from the Department of Finance pursuant to Section 34177.5(i) of the Health and Safety Code.

## **Adverse Change in State Law**

If, due to an Adverse Change in State Law, the Successor Agency determines that it cannot comply with its covenants to timely file Oversight Board-approved ROPS, then the Successor Agency shall immediately notify the County Auditor-Controller and the Trustee in writing of such determination. The Successor Agency shall immediately seek a declaratory judgment or take other appropriate action in a Court of competent jurisdiction to determine the duties of all parties to the Indenture, including the County Auditor-Controller and the Successor Agency, with regard to the performance of its obligations to file ROPS. The Trustee may, but shall not be obligated to, participate in the process of seeking any such declaratory judgment.

## **Continuing Disclosure**

The Successor Agency and the Trustee covenant and agree that they will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Successor Agency or the Trustee to comply with the Continuing Disclosure Certificate shall not be considered an event of default; provided, however, the Trustee may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Owners of at least 25% aggregate principal amount of Outstanding Refunding Bonds, shall) or any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking

mandate or specific performance by court order, to cause the Successor Agency to comply with its obligations under this section and the Continuing Disclosure Certificate or to cause the Trustee to comply with its obligations under this section. For purposes of this section, “Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Refunding Bonds (including persons holding Refunding Bonds through nominees, depositories or other intermediaries). All information furnished pursuant to the Continuing Disclosure Certificate shall also be provided to the Bond Insurer, simultaneously with the furnishing of such information.

### **Limitation on Indebtedness**

The Successor Agency covenants and agrees that it has not and will not incur any loans, obligations or indebtedness repayable from Tax Revenues such that the total aggregate debt service on said loans, obligations or indebtedness incurred from and after the date of adoption of the Redevelopment Plan, when added to the total aggregate debt service on the Outstanding Bonds and Outstanding Prior Bonds, will exceed the maximum amount of Tax Revenues to be divided and allocated to the Successor Agency pursuant to the Redevelopment Plan. The Successor Agency covenants that on or before September 1 of each year beginning in 2014, it will review the total amount of tax increment remaining available to be received by the Successor Agency under the Redevelopment Plans then-effective cumulative tax increment limitation, as well as future cumulative debt service on all Outstanding Bonds and Outstanding Prior Bonds. If the allocation of tax increment revenues to the Successor Agency in any year will cause the amount remaining under the tax increment limit to fall below 110% of cumulative debt service on bonds secured by tax increment allocable to the Successor Agency, the Successor Agency shall deposit an amount of such revenues equal to the amount by which 110% of cumulative debt service on all bonds secured by tax increment allocable to the Successor Agency exceeds such limit in a special escrow established with the Trustee and pledged solely for the payment of interest on and principal of and redemption premiums, if any, on the Outstanding Bonds and Outstanding Prior Bonds. The funds in such escrow shall be invested in Permitted Investments which shall have a term of maturity not greater than one year.

### **The Trustee – Resignation and Removal of Trustee**

The Successor Agency may at any time, unless there exists any event of default as defined in the provisions of the Indenture regarding “—Events of Default,” shall, remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; and shall have the qualifications required the Indenture.

The Trustee may at any time resign by giving written notice of such resignation to the Successor Agency and by mailing to the Holders notice of such resignation. Upon receiving such notice of resignation, the Successor Agency shall promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee. If, within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required the Indenture.

## **Amendment of the Indenture**

(a) The Indenture and the rights and obligations of the Successor Agency and of the Holders may be amended at any time by a Supplemental Indenture which shall become binding when the written consents of the Holders of a majority in aggregate principal amount of the Refunding Bonds then Outstanding, exclusive of Refunding Bonds disqualified subject to the provisions of the Indenture under the caption “—Disqualified Refunding Bonds,” are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, on any Refunding Bond without the express written consent of the Holder of such Refunding Bond, or (3) reduce the percentage of Refunding Bonds required for the written consent to any such amendment, or (4) modify any rights or obligations of the Trustee or the Successor Agency without their prior written assent thereto, respectively.

(b) The Indenture and the rights and obligations of the Successor Agency and of the Holders may also be amended at any time by a Supplemental Indenture which shall become binding upon adoption without the consent of any Holders, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel for any purpose that will not materially adversely affect the interests of the Holders, including (without limitation) for any one or more of the following purposes –

(i) to add to the agreements and covenants required by the Indenture to be performed by the Successor Agency other agreements and covenants thereafter to be performed by the Successor Agency, or to surrender any right or power reserved by the Indenture to or conferred therein on the Successor Agency;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Indenture or in regard to questions arising thereunder which the Successor Agency may deem desirable or necessary and not inconsistent therewith;

(iii) to provide for the issuance of subsequent series of Refunding Bonds; or

(iv) to add to the agreements and covenants required in the Indenture, such agreements and covenants as may be necessary to qualify the Indenture under the Trust Indenture Act of 1939.

## **Disqualified Refunding Bonds**

Refunding Bonds owned or held by or for the account of the Successor Agency shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Refunding Bonds as provided in the article of the Indenture regarding Amendment of the Indenture, and shall not be entitled to consent to or take any other action provided in such article.

## **Endorsement or Replacement of Refunding Bonds After Amendment**

After the effective date of any action taken as provided in the Indenture, the Successor Agency may determine that the Refunding Bonds may bear a notation by endorsement in form approved by the Successor Agency as to such action, and in that case upon demand of the Holder of any Outstanding Refunding Bonds and presentation of his Refunding Bond for such purpose at the office of the Trustee a suitable notation as to such action shall be made on such Refunding Bond. If the Successor Agency shall so determine, new Refunding Bonds so modified as, in the opinion of the Successor Agency, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the

Holder of any Outstanding Refunding Bond, a new Refunding Bond or Refunding Bonds shall be exchanged at the office of the Trustee without cost to each Holder for its Refunding Bond or Refunding Bonds then Outstanding upon surrender of such Outstanding Refunding Bonds.

### **Amendment by Mutual Consent**

The provisions of the article of the Indenture regarding Amendment of the Indenture shall not prevent any Holder from accepting any amendment as to the particular Refunding Bonds held by him, provided that due notation thereof is made on such Refunding Bonds.

### **Events of Default**

Each of the following shall constitute an Event of Default under the Indenture:

(1) if default shall be made in the payment of the principal or Redemption Price of or Sinking Fund Installment for, or interest on, any Outstanding Refunding Bond, when and as the same shall become due and payable, whether on an Interest Payment Date, at maturity, by call for redemption, or otherwise;

(2) if default shall be made by the Successor 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 Refunding Bonds contained, and such default shall continue for a period of 120 days after written notice thereof to the Successor Agency by the Trustee or by the Owners of not less than 10% in principal amount of the Refunding Bonds Outstanding to the Successor Agency and the Trustee; provided, however, if such default is such that it can be corrected by the Successor Agency but not within the applicable period specified above, it shall not constitute an Event of Default if corrective action is instituted by the Successor Agency within thirty (30) days of the Successor Agency's receipt of the notice of the default required by this paragraph and diligently pursued until the default is corrected; or

(3) the Successor Agency shall have declared Bankruptcy.

### **Grace Periods**

No grace period for a covenant default shall exceed 30 days or be extended for more than 60 days, without the prior written consent of the Bond Insurer. No grace period shall be permitted for payment defaults.

### **Accounting and Examination of Records After Default**

(a) The Successor Agency covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and accounts of the Successor Agency shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys.

(b) The Successor Agency covenants that if an Event of Default shall have happened and shall not have been remedied, the Successor Agency, upon demand of the Trustee, shall account, as if it were the trustee of an express trust, for all Subordinate Pledged Tax Revenues and other moneys, securities and funds pledged or held under the Indenture for such period as shall be stated in such demand.

## **Application of Subordinate Pledged Tax Revenues and Other Moneys After Default**

(a) Notwithstanding anything to the contrary contained in the Indenture, including the article of the Indenture regarding Established of Funds and Application Thereof, the Successor Agency covenants that if an Event of Default shall happen and shall not have been remedied, the Successor Agency, upon the demand of the Trustee, shall cause to be paid over to the Trustee by the first Business Day of each month, all Subordinate Pledged Tax Revenues with respect to the preceding month.

(b) During the continuance of an Event of Default, the Trustee shall apply all Subordinate Pledged Tax Revenues received by the Trustee pursuant to any right given or action taken under the provisions of the article of the Indenture regarding Events of Default and Remedies of Holders, 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 fees, costs and expenses of the Trustee in providing for the declaration of such Event of Default and carrying out its duties under the Indenture, including reasonable compensation to their accountants and counsel;

Second: To the payment of the principal and Redemption Price of and interest on the Outstanding Refunding Bonds; provided however, that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the payment of the principal and redemption price of and interest on all Outstanding Refunding Bonds then due and payable ratably (based on the respective amounts to be paid), without any discrimination on preferences.

Third: To the transfer to the Series 2014 Debt Service Reserve Account (and any other Reserve Account established to secure Additional Bonds by a Supplemental Indenture) for the Series 2014 Refunding Bonds (or Additional Bonds), the amount, if any, necessary so that the amount on deposit in the Series 2014 Debt Service Reserve Account (or any other Reserve Account established to secure Additional Bonds by a Supplemental Indenture) shall equal the applicable Reserve Account Requirement.

(c) If and whenever all overdue installments of interest on all Outstanding Refunding Bonds, together with the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums payable for the account of the Successor Agency under the Indenture, including the principal and Redemption Price of all Outstanding Refunding Bonds and unpaid interest on all Outstanding Refunding Bonds which shall then be payable, shall be paid for by the account of the Successor Agency, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Indenture and the Outstanding Refunding Bonds shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over all unexpended Subordinate Pledged Tax Revenues in the hands of the Trustee (except Subordinate Pledged Tax Revenues deposited or pledged, or required by the terms of the Indenture to be deposited or pledged, with the Trustee), and thereupon the Successor Agency and the Trustee shall be restored, respectively, to their former positions and rights under the Indenture. No such payment by the Trustee nor such restoration of the Successor Agency and the Trustee to their former positions and rights shall extend to or affect any subsequent default under the Indenture or impair any right consequent thereon shall extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

(d) The Trustee may in its discretion establish special record dates for the determination of the Owners of Refunding Bonds for various purposes of the Indenture, including without limitation, payment of defaulted interest and giving direction to the Trustee.

### **Application of Amounts on Deposit in the Revenue Fund**

Unless the Bond Insurer otherwise directs, upon the occurrence and continuance of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default, amounts on deposit in the Revenue Fund shall not be disbursed, but shall instead be applied to the payment of debt service or redemption price of the Refunding Bonds.

### **Right to Accelerate Upon Default**

Notwithstanding anything contrary in the Indenture or in the Refunding Bonds, upon the occurrence of an Event of Default described in paragraph (1) of – “Events of Default”, the Trustee shall, at the direction of the Owners of a majority in principal amount of Outstanding Refunding Bonds (other than Bonds owned by or on behalf of the Successor Agency), by written notice to the Successor Agency, declare the principal of the Outstanding Refunding Bonds to be immediately due and payable, whereupon the principal of the Refunding Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable.

### **Consent of the Bond Insurer for Acceleration**

The maturity of Series 2014 Refunding Bonds insured by the Bond Insurer shall not be accelerated without the consent of the Bond Insurer and in the event the maturity of the Series 2014 Refunding Bonds is accelerated, the Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Successor Agency) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Bond Insurer's obligations under the Policy with respect to such Series 2014 Refunding Bonds shall be fully discharged.

### **Appointment of Receiver**

If an Event of Default shall happen and shall not have been remedied, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of the Refunding Bonds under the Indenture, the Trustee shall be entitled to make application for the appointment of a receiver or custodian of the Subordinate Pledged Tax Revenues, pending such proceedings, with such power as the court making such appointment shall confer.

### **Enforcement Proceedings**

(a) If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee may, by its agents and attorneys, and, upon the written request of the Owners of not less than a majority in principal amount of the Refunding Bonds at the time Outstanding and having been indemnified to its satisfaction, shall proceed, to protect and enforce its rights and the rights of the Owners of the Outstanding Refunding 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, or for an accounting by the Successor Agency as if the Successor Agency were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee,

being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

(b) All rights of action under the Indenture may be prosecuted and enforced by the Trustee without the possession of any of the Refunding Bonds or the production thereof in the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust.

(c) Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the Indenture, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Indenture and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

(d) Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Owners of a majority in principal amount of the Refunding Bonds then Outstanding and furnished with reasonable security and indemnity satisfactory to it, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Owners of the Refunding Bonds.

(e) If the Trustee or any Owner or Owners of Outstanding Refunding 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 Successor Agency, the Trustee and the Owners shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions under the Indenture, and thereafter all rights and remedies of the Trustee and the Owners shall continue as though no such proceeding had been instituted.

### **Restriction on Owner's Action**

(a) Except as otherwise provided in paragraph (b) of this section no Owner of any Refunding Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Indenture or the execution of any trust under the Indenture or for any remedy under the Indenture unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in the article of the Indenture regarding Events of Default and Remedies of Holders, and the Owners of at least 25% in principal amount of the Refunding Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in the Indenture or by the applicable laws of the State or to institute such action, suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Refunding Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the ratable benefit of all Owners of the Outstanding Refunding Bonds.

(b) Nothing in the Indenture or in the Refunding Bonds contained shall affect or impair the obligation of the Successor 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 Refunding 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 Refunding Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or existing at law or in equity or by statute whether effective on or after the effective date of the Indenture. The assertion or employment of any right or remedy, under the Indenture or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

### **Effect of Waiver and Other Circumstances**

(a) No delay or omission of the Trustee or any Owner of a Refunding Bond to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein; and every power and remedy given by the article of the Indenture regarding Events of Default and Remedies of Holders to the Trustee or to the Owners of the Refunding 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 Refunding Bonds.

(b) The Owners of not less than sixty percent in principal amount of the Refunding Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Owners of all of the Refunding Bonds, waive any Event of Default and its consequences. No such waiver shall extend to any subsequent or Event of Default or impair any right consequent thereon unless the provisions of this subsection (b) have been satisfied with respect to such subsequent Event of Default.

### **Bond Insurer Deemed Sole Holder**

The Bond Insurer shall be deemed to be the sole Holder of the Series 2014 Refunding Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Holders of the Series 2014 Refunding Bonds are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. Remedies granted to the Holders shall expressly include mandamus.

### **Notice of Default**

The Trustee shall, within thirty (30) days after obtaining knowledge thereof, mail written notice of the occurrence of any Event of Default of which the Trustee has knowledge to each Owner of Bonds then Outstanding at such Owner's address, if any, appearing in the Bond Register.

### **Discharge of Refunding Bonds**

(a) If the Successor Agency shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Refunding Bonds the interest thereon and the principal thereof and the

redemption premiums, if any, thereon at the times and in the manner stipulated in the Indenture and therein, then the Holders of such Refunding Bonds shall cease to be entitled to the pledge of and charge and lien upon the Subordinate Pledged Tax Revenues, as provided in the Indenture, and all agreements, covenants and other obligations of the Successor Agency to the Holders of such Refunding Bonds under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Successor Agency all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, the Trustee shall pay over or deliver to the Successor Agency all money or securities held by it pursuant thereto which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Refunding Bonds.

(b) Any Outstanding Refunding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if (1) in case any of such Refunding Bonds are to be redeemed on any date prior to their maturity date, the Successor Agency shall have given to the Trustee irrevocable instructions to provide notice in accordance with the provisions of the Indenture regarding “—Selection of Refunding Bonds for Redemption,” (2) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient or (B) Defeasance Securities which are not subject to redemption prior to maturity (including any such Defeasance Securities issued or held in book-entry form on the books of the Successor Agency or the Treasury of the United States of America) or tax exempt obligations of a state or political subdivision thereof which have been defeased under irrevocable escrow instructions by the deposit of such money or Defeasance Securities and which are then rated in the highest rating category by the Rating Agency, the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an Independent Certified Public Accountant, to pay when due the interest to become due on such Refunding Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Refunding Bonds, and (3) in the event such Refunding Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Successor Agency shall have given the Trustee irrevocable instructions to mail as soon as practicable, a notice to the Holders of such Refunding Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Refunding Bonds are deemed to have been paid in accordance with this section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Refunding Bonds.

### **Unclaimed Money**

Anything contained in the Indenture to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Refunding Bonds or interest thereon which remains unclaimed for two (2) years after the date when such Refunding Bonds or interest thereon have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when such Refunding Bonds have become due and payable, shall at the Written Request of the Successor Agency be repaid by the Trustee to the Successor Agency as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Holders shall not look to the Trustee for the payment of such Refunding Bonds.

### **Defeasance of the Series 2014 Refunding Bonds and the Bond Insurer**

(a) Only (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the

investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Bond Insurer, pre-refunded municipal obligations rated “AAA” and “Aaa” by Standard & Poor’s and Moody’s, respectively, or (5) subject to the prior written consent of the Bond Insurer, securities eligible for “AAA” defeasance under then existing criteria of Standard & Poor’s or any combination thereof, shall be used to effect defeasance of the Series 2014 Refunding Bonds unless the Bond Insurer otherwise approves.

(b) To accomplish defeasance, the Successor Agency shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Bond Insurer (“Accountant”) verifying the sufficiency of the escrow established to pay the Series 2014 Refunding Bonds in full on the maturity or redemption date (“Verification”), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Bond Insurer), (iii) an opinion of nationally recognized bond counsel to the effect that the Series 2014 Refunding Bonds are no longer Outstanding under the Indenture and (iv) a certificate of discharge of the Trustee with respect to the Series 2014 Refunding Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Successor Agency, Trustee and Bond Insurer. The Bond Insurer shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow.

(c) Bonds shall be deemed Outstanding under the Indenture unless and until they are in fact paid and retired or the above criteria are met.

### **Bond Insurer Terms and Provisions**

The following Bond Insurer terms and provisions are incorporated by reference into the Indenture. The Bond Insurer terms and provisions shall control and supersede any conflicting or inconsistent provisions in the Indenture.

Extraordinary Redemption. Upon the occurrence of an extraordinary optional, special or extraordinary mandatory redemption in part, the selection of Series 2014 Refunding Bonds to be redeemed shall be subject to the approval of the Bond Insurer.

Related Documents. Any amendment, supplement, modification to, or waiver of, the Indenture or any other transaction document, including any underlying security agreement (each a “Related Document”), that requires the consent of Holders or adversely affects the rights and interests of the Bond Insurer shall be subject to the prior written consent of the Bond Insurer.

Consent Rights of Bond Insurer. The rights granted to the Bond Insurer under the Indenture or any other Related Document to request, consent to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer’s contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Holders and such action does not evidence any position of the Bond Insurer, affirmative or negative, as to whether the consent of the Holders or any other person is required in addition to the consent of the Bond Insurer.

The Bond Insurer As Third Party Beneficiary. The Bond Insurer is recognized as a third party beneficiary to the Indenture.

Bond Insurer Payments. Amounts paid by the Bond Insurer under the Policy shall not be deemed paid for purposes of the Indenture and the Series 2014 Refunding Bonds relating to such

payments shall remain Outstanding and continue to be due and owing until paid by the Successor Agency in accordance with the Indenture. The Indenture shall not be discharged unless all amounts due or to become due to the Bond Insurer have been paid in full or duly provided for.

Preservation of Pledge. Each of the Successor Agency and Trustee covenant and agree to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge as provided in the Indenture “ – Pledge of Subordinate Pledged Tax Revenues,” under applicable law.

Claims Upon the Policy and Payments by and to the Bond Insurer.

(a) If, on the third Business Day prior to the related scheduled interest payment date or principal payment date (“Payment Date”) there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the Series 2014 Refunding Bonds due on such Payment Date, the Trustee shall give notice to the Bond Insurer and to its designated agent (if any) (the “Bond Insurer’s Fiscal Agent”) by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series 2014 Refunding Bonds due on such Payment Date, the Trustee shall make a claim under the Policy and give notice to the Bond Insurer and the Bond Insurer’s Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 2014 Refunding Bonds and the amount required to pay principal of the Series 2014 Refunding Bonds, confirmed in writing to the Bond Insurer and the Bond Insurer’s Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Policy.

(b) The Trustee shall designate any portion of payment of principal on Bonds paid by the Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current Holder, whether DTC or its nominee or otherwise, and shall issue a replacement Series 2014 Refunding Bond to the Bond Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee’s failure to so designate any payment or issue any replacement Series 2014 Refunding Bond shall have no effect on the amount of principal or interest payable by the Successor Agency on any Series 2014 Refunding Bond or the subrogation rights of the Bond Insurer.

(c) The Trustee shall keep a complete and accurate record of all funds deposited by the Bond Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Series 2014 Refunding Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

(d) Upon payment of a claim under the Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Holders referred to in the Indenture as the “Policy Payments Account” and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Policy in trust on behalf of Holders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Holders in the same manner as principal and interest payments are to be made with respect to the Series 2014 Refunding Bonds under the sections of the Indenture regarding payment of Series 2014 Refunding Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments.

Notwithstanding anything in the Indenture to the contrary, the Successor Agency agrees to pay to the Bond Insurer (i) a sum equal to the total of all amounts paid by the Bond Insurer under the Policy (the “Bond Insurer Advances”); and (ii) interest on such Bond Insurer Advances from the date paid by the Bond Insurer until payment thereof in full, payable to the Bond Insurer at the Late Payment Rate per annum (collectively, the “Bond Insurer Reimbursement Amounts”). “Late Payment Rate” means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Series 2014 Refunding Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The Successor Agency covenants and agrees that the Bond Insurer Reimbursement Amounts are secured by a lien on and pledge of the Pledged Tax Revenues and payable from such Pledged Tax Revenues on a parity with debt service due on the Series 2014 Refunding Bonds.

(e) Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Series 2014 Refunding Bond payment date shall promptly be remitted to the Bond Insurer.

Bond Insurer’s Subrogation Rights. The Bond Insurer shall, to the extent it makes any payment of principal of or interest on the Series 2014 Refunding Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy. Each obligation of the Successor Agency to the Bond Insurer under the Related Documents shall survive discharge or termination of such Related Documents

Reimbursement of Bond Insurer. The Successor Agency shall pay or reimburse the Bond Insurer any and all charges, fees, costs and expenses that the Bond Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Indenture or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Indenture or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Indenture or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Bond Insurer to honor its obligations under the Policy. The Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or any other Related Document.

Priority of Payment for Expenses. After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Successor Agency or rebate only after the payment of past due and current debt service on the Series 2014 Refunding Bonds and amounts required to restore the Series 2014 Debt Service Reserve Account to the Series 2014 Reserve Account Requirement.

Payment by the Bond Insurer. The Bond Insurer shall be entitled to pay principal or interest on the Series 2014 Refunding Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Successor Agency (as such terms are defined in the Policy) and any amounts due on the Series 2014 Refunding Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not the Bond Insurer has received a Notice of Nonpayment (as such terms are defined in the Policy) or a claim upon the Policy.

Notice and Other Information to the Bond Insurer. The Bond Insurer shall be provided with the following information by the Successor Agency or Trustee, as the case may be:

(a) Annual audited financial statements within 180 days after the end of the Successor Agency's Fiscal Year (together with a certification of the Successor Agency that it is not aware of any default or Event of Default under the Indenture), and the Successor Agency's annual budget within 30 days after the approval thereof together with such other information, data or reports as the Bond Insurer shall reasonably request from time to time;

(b) Notice of any draw upon the Series 2014 Debt Service Reserve Account within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Series 2014 Reserve Account Requirement and (ii) withdrawals in connection with a refunding of Series 2014 Refunding Bonds;

(c) Notice of any default known to the Trustee or Successor Agency within five Business Days after knowledge thereof;

(d) Prior notice of the advance refunding or redemption of any of the Series 2014 Refunding Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(e) Notice of the resignation or removal of the Trustee and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(f) Notice of the commencement of any proceeding by or against the Successor Agency commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(g) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Series 2014 Refunding Bonds;

(h) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Related Documents; and

(i) All reports, notices and correspondence to be delivered to Holders under the terms of the Related Documents.

Additional Bond Insurer Rights to Information.

(a) The Bond Insurer shall have the right to receive such additional information as it may reasonably request.

(b) The Successor Agency will permit the Bond Insurer to discuss the affairs, finances and accounts of the Successor Agency or any information the Bond Insurer may reasonably request regarding the security for the Series 2014 Refunding Bonds with appropriate officers of the Successor Agency and will use commercially reasonable efforts to enable the Bond Insurer to have access to the facilities, books and records of the Successor Agency on any business day upon reasonable prior notice.

Notice of Failure of Successor Agency to Provide Notices, Certificates and Information.

The Trustee shall notify the Bond Insurer of any failure of the Successor Agency to provide notices, certificates and other information under the Indenture.

Assumption by the Trustee of No Policy.

In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Indenture would adversely affect the security for the Series 2014 Refunding Bonds or the rights of the Holders, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Policy.

No Impairment of Bond Insurer Rights or Security.

No contract shall be entered into or any action taken by which the rights of the Bond Insurer or security for or sources of payment of the Series 2014 Refunding Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Bond Insurer.

Provisions Relating to Series 2014 Reserve Account Credit Facility.

With respect to the Series 2014 Reserve Account Credit Facility, notwithstanding anything to the contrary set forth in the Indenture, the Successor Agency and the Trustee agree to comply with the following provisions:

(a) The Successor Agency shall repay any draws under the Series 2014 Reserve Account Credit Facility and pay all related reasonable expenses incurred by Bond Insurer and shall pay interest thereon from the date of payment by Bond Insurer at the Late Payment Rate. "Late Payment Rate" means the lesser of (x) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Series 2014 Refunding Bonds and (y) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as Bond Insurer shall specify. If the interest provisions of this subparagraph (a) shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created in the Indenture, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party to the Indenture, be applied as additional interest for any later periods of time when amounts are outstanding under the Indenture to the extent that interest otherwise due thereunder for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by Bond Insurer, with the same force and effect as if the Successor Agency had specifically designated such extra sums to be so applied and

Bond Insurer had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created in the Indenture exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw. The Successor Agency shall take all actions required by the Dissolution Act to ensure that Policy Costs are paid to Bond Insurer when due, including the submission of ROPS providing for Policy Costs that are payable to Bond Insurer.

Amounts in respect of Policy Costs paid to Bond Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to Bond Insurer on account of principal due, the coverage under the Series 2014 Reserve Account Credit Facility will be increased by a like amount, subject to the terms of the Series 2014 Reserve Account Credit Facility. The obligation to pay Policy Costs shall be secured by a valid lien on all revenues and other collateral pledged as security for the Series 2014 Refunding Bonds pursuant to the Indenture " – Pledge of Subordinate Pledged Tax Revenues," (subject only to the priority of payment provisions set forth in the Indenture).

All cash and investments in the Series 2014 Debt Service Reserve Account established for the Series 2014 Refunding Bonds (the "Reserve Fund") shall be transferred to the Revenue Fund for payment of debt service on Series 2014 Refunding Bonds before any drawing may be made on the Series 2014 Reserve Account Credit Facility or any other credit facility credited to the Reserve Fund in lieu of cash ("Credit Facility"). Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Series 2014 Reserve Account Credit Facility) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(b) If the Successor Agency shall fail to pay any Policy Costs in accordance with the requirements of subparagraph (a) above, Bond Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture other than (i) acceleration of the maturity of the Series 2014 Refunding Bonds or (ii) remedies which would adversely affect Holders of the Series 2014 Refunding Bonds.

(c) The Indenture shall not be discharged until all Policy Costs owing to Bond Insurer shall have been paid in full. The Successor Agency's obligation to pay such amounts shall expressly survive payment in full of the Series 2014 Refunding Bonds.

(d) The Trustee shall ascertain the necessity for a claim upon the Series 2014 Reserve Account Credit Facility in accordance with the provisions of paragraph (a) above and to provide notice to Bond Insurer in accordance with the terms of the Series 2014 Reserve Account Credit Facility at least five business days prior to each date upon which interest or principal is due on the Series 2014 Refunding Bonds.

(e) The Successor Agency will pay or reimburse the Bond Insurer any and all charges, fees, costs, losses, liabilities and expenses which the Bond Insurer may pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, in connection with (i) any accounts established to facilitate payments under the Series 2014 Reserve Account Credit Facility, (ii) the administration, enforcement, defense or preservation of any rights in respect of the Indenture or any other document executed in connection with the Series 2014 Refunding Bonds (the “Related Documents”), including defending, monitoring or participating in any litigation or proceeding (including any bankruptcy proceeding in respect of the Successor Agency) relating to the Indenture or any other Related Document, or the transactions contemplated by the Related Documents, (iii) the foreclosure against, sale or other disposition of any collateral securing any obligations under the Indenture or any other Related Document, if any, or the pursuit of any remedies under the Indenture or any other Related Document, to the extent such costs and expenses are not recovered from such foreclosure, sale or other disposition, (iv) any amendment, waiver or other action with respect to, or related to the Indenture, the Series 2014 Reserve Account Credit Facility or any other Related Document whether or not executed or completed, or (v) any action taken by the Bond Insurer to cure a default or termination or similar event (or to mitigate the effect thereof) under the Indenture or any other Related Document; costs and expenses shall include a reasonable allocation of compensation and overhead attributable to time of employees of the Bond Insurer spent in connection with the actions described in clauses (ii)-(v) above. The Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or any other Related Document. Amounts payable by the Successor Agency under the Indenture shall bear interest at the Late Payment Rate from the date such amount is paid or incurred by the Bond Insurer until the date the Bond Insurer is paid in full.

The obligation of the Successor Agency to pay all amounts due to Bond Insurer shall be an absolute and unconditional obligation of the Successor Agency and will be paid or performed strictly in accordance herewith, irrespective of (i) any lack of validity or enforceability of or any amendment or other modifications of, or waiver with respect to the Series 2014 Refunding Bonds, the Indenture or any other Related Document, or (ii) any amendment or other modification of, or waiver with respect to the Series 2014 Reserve Account Credit Facility; (iii) any exchange, release or non-perfection of any security interest in property securing the Series 2014 Refunding Bonds, the Indenture or any other Related Documents; (iv) whether or not such Series 2014 Refunding Bonds are contingent or matured, disputed or undisputed, liquidated or unliquidated; (v) any amendment, modification or waiver of or any consent to departure from the Series 2014 Reserve Account Credit Facility, the Indenture or all or any of the other Related Documents; (vi) the existence of any claim, setoff, defense (other than the defense of payment in full), reduction, abatement or other right which the Successor Agency may have at any time against the Trustee or any other person or entity other than the Bond Insurer, whether in connection with the transactions contemplated therein, in the Indenture or in any other Related Documents or any unrelated transactions; (vii) any statement or any other document presented under or in connection with the Series 2014 Reserve Account Credit Facility proving in any and all respects invalid, inaccurate, insufficient, fraudulent or forged or any statement therein being untrue or inaccurate in any respect; or (viii) any payment by the Bond Insurer under the Series 2014 Reserve Account Credit Facility against presentation of a certificate or other document which does not strictly comply with the terms of the Series 2014 Reserve Account Credit Facility.

### **Benefits of the Indenture Limited to Parties**

Nothing contained in the Indenture, expressed or implied, is intended to give to any person other than the Successor Agency, the Trustee and the Holders any right, remedy or claim under or by reason of the Indenture. Any agreement or covenant required therein to be performed by or on behalf of the

Successor Agency or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Trustee and the Holders.

**Waiver of Personal Liability**

No member, officer or employee of the Successor Agency or the City shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the Refunding Bonds by reason of their issuance, but nothing in the Indenture shall relieve any such member, officer or employee from the performance of any official duty provided by the Act or any other applicable provisions of law or the Indenture.

## APPENDIX B

### FORM OF BOND COUNSEL OPINIONS

[Closing Date]

Successor Agency to the Redevelopment Agency of the City of San Pablo  
San Pablo, California

Successor Agency to the Redevelopment Agency of the City of San Pablo  
Tax Allocation Refunding Bonds, Series 2014A  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Successor Agency to the Redevelopment Agency of the City of San Pablo (the “Successor Agency”) in connection with the issuance of \$47,595,000 aggregate principal amount of bonds designated “Successor Agency to the Redevelopment Agency of the City of San Pablo Tax Allocation Refunding Bonds, Series 2014A” (the “2014A Bonds”) issued pursuant to Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, Chapter 3 of Part 1.85 of Division 24 of the Health and Safety Code of the State of California, and an Indenture (the “Indenture”), dated as of June 1, 2014, by and between the Successor Agency and Wells Fargo Bank, National Association, as trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In connection therewith, we have reviewed the Indenture, Resolution No. LSA2014-001 of the Governing Board of the Successor Agency, adopted February 18, 2014, Resolution No. OB2014-001 of the Oversight Board of the Successor Agency, adopted February 19, 2014, a letter from the California Department of Finance, dated March 14, 2014, the Tax Certificate of the Successor Agency, dated the date hereof (the “Tax Certificate”), opinions of counsel to the Successor Agency, the Trustee, and others, certificates of the Successor 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. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the 2014A 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 Successor 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 2014A 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 2014A Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, 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 public agencies in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the 2014A 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 2014A Bonds constitute valid and binding limited obligations of the Successor Agency.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Successor Agency. The Indenture creates a valid pledge to secure the payment of the principal of and interest on the 2014A Bonds, of the Subordinate Pledged Tax Revenues and any other amounts (including proceeds of the sale of the 2014A Bonds) held by the Trustee in any fund or account established pursuant to the Indenture (except to the extent of amounts held in the Rebate Fund established pursuant to the Tax Certificate and the Costs of Issuance Fund), subject to the provisions of the Indenture permitting the application thereof for the purposes and upon the terms and conditions set forth in the Indenture.

3. The 2014A Bonds are not a lien or charge upon the funds or property of the Successor 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 2014A Bonds. The 2014A Bonds

are not a debt of the City of San Pablo or the State of California and said city and said state are not liable for the payment thereof.

4. Interest on the 2014A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the 2014A 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. Interest on the 2014A Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2014A Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

Per

[Settlement Date]

Successor Agency to the Redevelopment Agency of the City of San Pablo  
San Pablo, California

Successor Agency to the Redevelopment Agency of the City of San Pablo  
Tax Allocation Refunding Bonds, Series 2014B  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Successor Agency to the Redevelopment Agency of the City of San Pablo (the “Successor Agency”) in connection with the issuance of \$6,970,000 aggregate principal amount of bonds designated “Successor Agency to the Redevelopment Agency of the City of San Pablo Tax Allocation Refunding Bonds, Series 2014B” (the “2014B Bonds”) issued pursuant to Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, Chapter 3 of Part 1.85 of Division 24 of the Health and Safety Code of the State of California, and an Indenture (the “Indenture”), dated as of June 1, 2014, by and between the Successor Agency and Wells Fargo Bank, National Association, as trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In connection therewith, we have reviewed the Indenture, Resolution No. LSA2014-001 of the Governing Board of the Successor Agency, adopted February 18, 2014, Resolution No. OB2014-001 of the Oversight Board of the Successor Agency, adopted February 19, 2014, a letter from the California Department of Finance, dated March 14, 2014, the Tax Certificate of the Successor Agency, dated June 12, 2014, as supplemented by a Supplemental Tax Certificate dated the date hereof (together, the “Tax Certificate”), opinions of counsel to the Successor Agency, the Trustee, and others, certificates of the Successor 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. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our

engagement with respect to the 2014B 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 Successor 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 2014B 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 2014B Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, 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 public agencies in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the 2014B 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 2014B Bonds constitute valid and binding limited obligations of the Successor Agency.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Successor Agency. The Indenture creates a valid pledge to secure the payment of the principal of and interest on the 2014B Bonds, of the Subordinate Pledged Tax Revenues and any other amounts (including proceeds of the sale of the 2014B Bonds) held by the Trustee in any fund or account established pursuant to the Indenture (except to the extent of amounts held in the Rebate Fund established pursuant to the Tax Certificate and the Costs of Issuance Fund), subject to the provisions of the Indenture permitting the application thereof for the purposes and upon the terms and conditions set forth in the Indenture.

3. The 2014B Bonds are not a lien or charge upon the funds or property of the Successor 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 2014B Bonds. The 2014B Bonds

are not a debt of the City of San Pablo or the State of California and said city and said state are not liable for the payment thereof.

4. Interest on the 2014B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the 2014B 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. Interest on the 2014B Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2014B Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

Per

## **APPENDIX C**

### **BOOK-ENTRY SYSTEM**

The information in this APPENDIX C concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book-entry system has been obtained from DTC and the Successor Agency takes no responsibility for the completeness or accuracy thereof. The Successor Agency cannot and does not give any assurances 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.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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 Successor 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 a Standard & Poor’s rating of AA+. 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](http://www.dtcc.com). The information set forth on such website is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing

details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

Principal, premium (if any), and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Successor Agency or the Trustee, 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, the Trustee, or the Successor Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium (if any), and interest payments with respect to the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Successor Agency or the Trustee, 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.

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

The Successor Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, representing the Bonds will be printed and delivered to DTC in accordance with the provisions of the Indenture.

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

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## APPENDIX D

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

#### CONTINUING DISCLOSURE CERTIFICATE

**\$47,595,000**  
**SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY  
OF THE CITY OF SAN PABLO  
TAX ALLOCATION REFUNDING BONDS,  
SERIES 2014A**

**\$6,970,000**  
**SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY  
OF THE CITY OF SAN PABLO  
TAX ALLOCATION REFUNDING BONDS,  
SERIES 2014B**

This CONTINUING DISCLOSURE CERTIFICATE (this “**Disclosure Certificate**”) is executed and delivered by the SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN PABLO (the “**Successor Agency**”) in connection with the execution and delivery of its \$47,595,000 Tax Allocation Refunding Bonds, Series 2014A (the “**Series 2014A Refunding Bonds**”) and its \$6,970,000 Tax Allocation Refunding Bonds, Series 2014B (the “**Series 2014B Refunding Bonds**”). The Series 2014A Refunding Bonds and the Series 2014B Refunding Bonds are referred to herein, together, as the “**Bonds**”. The Bonds are being issued pursuant to a Indenture, dated as of June 1, 2014 (the “**Indenture**”), by and between the Successor Agency and Wells Fargo Bank, National Association, as trustee.

The Successor Agency covenants and agrees as follows:

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

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the Successor Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means December 31 of each year.

“*Dissemination Agent*” means Wells Fargo Bank, National Association, or any successor Dissemination Agent designated in writing by the Successor Agency and which has filed with the Successor Agency a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for

purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the Successor Agency in connection with the issuance of the Bonds.

“*Participating Underwriter*” means Morgan Stanley & Co. LLC, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

### Section 3. Provision of Annual Reports.

(a) The Successor Agency shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing December 31, 2014, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 3 Business Days prior to the Annual Report Date, the Successor Agency shall provide the Annual Report to the Dissemination Agent (if other than the Successor Agency). If by 3 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the Successor Agency) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Successor Agency to determine if the Successor Agency is in compliance with the previous sentence. 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 Successor Agency may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the Successor 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). The Successor Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Successor Agency hereunder.

(b) The Successor Agency hereby covenants that as long as any Bonds are outstanding under the Indenture, it shall cause an Independent Redevelopment Consultant (as defined in the Indenture) to prepare and deliver Successor Agency within three business days prior to December 31 of each year (commencing December 31, 2014) and a Dissemination Agent to post on EMMA by December 31 of each year (commencing December 31, 2014) an Annual Report that includes the information described in Section 4 below.

(c) If the Successor Agency does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Successor Agency shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

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

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Successor Agency, file a report with the Successor Agency certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The Successor Agency's Annual Report shall contain or incorporate by reference the following:

(a) The Successor Agency's audited Fiduciary Fund financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Successor Agency's audited Fiduciary Fund financial statements are not available by the Annual Report Date, 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) Updated financial and operating data for the fiscal year covered by the Annual Report containing substantially the same information as Tables 2,3,6,7,8,10,11 and 13 in the Official Statement.

(c) A summary of the results of the Successor Agency's annual review pursuant to Section 6.15 of the Indenture, wherein the Successor Agency covenants that on or before September 1 of each year beginning in 2014, it will review the total amount of tax increment remaining available to be received by the Successor Agency under the Redevelopment Plans' then-effective cumulative tax increment limitation, as well as future cumulative debt service on all Outstanding Bonds (as defined in the Indenture). The Successor Agency further covenants in the Indenture that, if the allocation of tax increment revenues to the Successor Agency in any year will cause the amount remaining under the tax increment limit to fall below 110% of cumulative debt service on bonds secured by tax increment allocable to the Successor Agency, then the Successor Agency shall deposit an amount of such revenues equal to the amount by which 110% of cumulative debt service on all bonds secured by tax increment allocable to the Successor Agency exceeds such limit in a special escrow established with the Trustee and pledged solely for the payment of interest on and principal of and redemption premiums, if any, on the Outstanding Bonds.

(d) 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 Successor Agency or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The Successor Agency shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The Successor Agency shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.

- (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the Successor Agency or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the Successor Agency or an obligated person, or the sale of all or substantially all of the assets of the Successor Agency or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the Successor Agency obtains knowledge of the occurrence of a Listed Event, the Successor Agency shall, or shall cause the Dissemination Agent (if not the Successor Agency) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above 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 under the Indenture.

(c) The Successor Agency acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the

qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The Successor Agency shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the Successor Agency obtains knowledge of the occurrence of any of these Listed Events, the Successor Agency will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the Successor Agency will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Successor Agency in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Successor Agency, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Successor Agency.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Successor 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 Successor Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The Successor 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 may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Wells Fargo Bank, National Association. Any Dissemination Agent may resign by providing 30 days' written notice to the Successor Agency.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Successor 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 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 Report 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 this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report 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 Successor Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Successor 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 Successor 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 Successor 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 11. Default. If the Successor Agency fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter 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 Successor 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 Successor Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Successor Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they 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 Dissemination Agent shall have no duty or obligation to review any information

provided to it by the Successor Agency hereunder, and shall not be deemed to be acting in any fiduciary capacity for the Successor Agency, the Bond holders or any other party. The obligations of the Successor Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the Successor Agency for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Successor Agency, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: June 12, 2014

SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY OF THE  
CITY OF SAN PABLO

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

AGREED AND ACCEPTED:  
WELLS FARGO BANK, NATIONAL  
ASSOCIATION,  
as Dissemination Agent

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Successor Agency to the Redevelopment Agency of the City of San Pablo

Name of Issue: \$47,595,000 Successor Agency to the Redevelopment Agency of the City of San Pablo Refunding Bonds, Series 2014A and \$6,970,000 Successor Agency to the Redevelopment Agency of the City of San Pablo Refunding Bonds, Series 2014B

Date of Issuance: June 12, 2014

NOTICE IS HEREBY GIVEN that the Successor Agency has not provided an Annual Report with respect to the above-named Bonds as required by the Successor Agency Subordinate Refunding Indenture, dated as of June 1, 2014, by and between the Successor Agency and Wells Fargo Bank, National Association, as trustee. The Successor Agency anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

DISSEMINATION AGENT:

\_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

**APPENDIX E**

**STATE DEPARTMENT OF FINANCE APPROVAL LETTER**

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March 14, 2014

Mr. Bradley Ward, Finance Advisor  
City of San Pablo  
13831 San Pablo Avenue  
San Pablo, CA 94806

Dear Mr. Ward:

Subject: Approval of Oversight Board Action

The City of San Pablo Successor Agency (Agency) notified the California Department of Finance (Finance) of its February 19, 2014 Oversight Board (OB) resolution on February 28, 2014. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of the OB action.

Based on our review and application of the law, OB Resolution OB2014-001, authorizing the Agency to refund certain outstanding tax allocation obligations pursuant to Assembly Bills x1 26 and 1484, is approved. The Agency desires to refund the former redevelopment agency's Series 1999 and Series 2006 Tenth Township Redevelopment Project Subordinate Tax Allocation Bonds, Series 2001 and Series 2004 Tenth Township Redevelopment Project Tax Allocation Bonds, and Series 2004 Legacy Project Area Tax Allocation Bonds, in order to achieve cost savings.

Finance's approval is based on the fact that the OB Resolution, along with the accompanying Successor Agency's Resolution LSA2014-001, limits the refunding for the issuance of bonds to the conditions of HSC section 34177.5 (a)

Following the issuance of the bonds, the Agency's debt service payments for the refunding bonds should be placed on a future Recognized Obligation Payment Schedule for Finance's review.

Please direct inquiries to Nichelle Thomas, Supervisor or Alex Watt, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Mr. Kelsey Worthy, Assistant City Manager, City of San Pablo  
Mr. Bob Campbell, Auditor-Controller, Contra Costa County

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## **APPENDIX F**

### **Successor Agency Fiduciary Fund**

The following Fiscal Year 2012-13 financial statement and related notes with respect to the Successor Agency Fiduciary Fund are excerpted from the audited City of San Pablo, California, Year End June 30, 2013 Comprehensive Annual Financial Statement.

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<b>FIDUCIARY FUNDS</b>
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**FIDUCIARY FUNDS**

These funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

**RETIREE HEALTH SAVINGS PLAN TRUST FUND**

The Fund is used to account for the medical and dental benefits for former employees of the City.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY**

The Fund is used to account for the activities of the Successor Agency to the former Redevelopment Agency of the City of San Pablo.

CITY OF SAN PABLO  
 FIDUCIARY FUNDS  
 STATEMENTS OF FIDUCIARY NET POSITION  
 JUNE 30, 2013

	Retiree Health Savings Plan Trust Fund	Successor Agency to the Redevelopment Agency Private-Purpose Trust	Agency Funds
<b>ASSETS</b>			
Investments - Mutual Fund (Note 3)	\$6,071,746		
Restricted cash and investments (Note 3)		\$20,532,624	\$3,289,139
Accounts receivable		1,533	
Interest receivable		292	
Loans receivable (Note 13B)		182,869	
Property held for resale (Note 13C)		10,277,462	
Due from other governments			255,449
Capital assets (Note 13D):			
Land and construction in progress		3,996,003	
Depreciable capital assets, net		1,518,352	
Total Assets	6,071,746	36,509,135	\$3,544,588
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Accumulated decrease in fair value of hedging derivative (Note 13E)		4,315,822	
<b>LIABILITIES</b>			
Accounts payable		239,063	\$151,631
Deposits held as agent for others			2,340,273
Due to bondholders			1,052,684
Derivative instrument (Note 13E)		4,315,822	
Long-term obligations (Note 13E):			
Due in one year		3,657,172	
Due in more than one year		80,371,674	
Total Liabilities		88,583,731	\$3,544,588
<b>NET POSITION (DEFICIT) HELD IN TRUST FOR OPEB BENEFITS AND OTHER GOVERNMENTS</b>			
	\$6,071,746	(\$47,758,774)	

See accompanying notes to financial statements

CITY OF SAN PABLO  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2013

	Retiree Health Savings Plan Trust Fund	Successor Agency to the Redevelopment Agency Private-Purpose Trust
<b>ADDITIONS</b>		
Property taxes		\$8,773,589
Employer contributions	\$324,403	
Net investment income	794,937	179,214
Other		279,569
	1,119,340	9,232,372
<b>DEDUCTIONS</b>		
Premiums paid	324,403	
Community Development		285,428
Depreciation		87,177
Debt service:		
Interest and fiscal charges		3,718,205
	324,403	4,090,810
Total deductions		
Change in net position before extraordinary item	794,937	5,141,562
<b>EXTRAORDINARY ITEM</b>		
Assets transferred from the City (Note 6A)		1,176,610
Change in net position	794,937	6,318,172
<b>NET POSITION (DEFICIT) HELD IN TRUST FOR OPEB BENEFITS AND OTHER GOVERNMENTS</b>		
Beginning of year	5,276,809	(54,076,946)
End of year	\$6,071,746	(\$47,758,774)

See accompanying notes to financial statements

**CITY OF SAN PABLO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 12 – RISK MANAGEMENT (Continued)**

The City’s liability for uninsured claims at June 30 was estimated by management based on claims experience reported by MPA and was computed as follows:

	June 30	
	2013	2012
Beginning balance	\$63,178	\$62,767
Provision for current fiscal year claims	25,094	45,587
Change in provision for prior fiscal year claims	(32,125)	5,653
Claims paid	(31,129)	(50,829)
Ending balance	\$25,018	\$63,178

**NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**

**A. REDEVELOPMENT DISSOLUTION**

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012.

The suspension provisions prohibited all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26.

In addition, ABx1 26 and AB1484 direct the State Controller to review the activities of all redevelopment agencies and successor agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the redevelopment agency. The State Controller’s Office completed its asset transfer review during fiscal year 2013 and required the City to make a payment of \$213,606 to the Successor Agency to return funds spent on a project the State determined were incurred subsequent to January 1, 2011. The City made the payment to the Successor Agency during fiscal year 2013.

Effective January 31, 2012, the Redevelopment Agency was dissolved. Certain assets of the Redevelopment Agency Low and Moderate Income Housing Fund were distributed to a Housing Successor, and all remaining Redevelopment Agency assets and liabilities were distributed to a Successor Agency.

Under the provisions of AB 1484, the City can elect to become the Housing Successor and retain the housing assets. The City initially declined to become the Housing Successor, however after other agencies refused to assume the responsibility, the City elected to become the temporary Housing Successor and on February 1, 2012, certain housing assets were transferred to the City’s Low and Moderate Income Housing Asset Special Revenue Fund.

**CITY OF SAN PABLO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY  
ACTIVITIES (Continued)**

The City also elected to become the Successor Agency and on February 1, 2012 the Redevelopment Agency’s remaining assets were distributed to and liabilities were assumed by the Successor Agency. ABx1 26 requires the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established on April 30, 2012. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members, including one member of City Council and one former Redevelopment Agency employee appointed by the Mayor.

The activities of the Housing Successor are reported in the Low and Moderate Income Housing Assets Special Revenue Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

The activities of the Successor Agency are reported in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

AB1484 required the Successor Agency to complete two due diligence reviews – one for the low and moderate income housing assets of the Successor Agency (Housing DDR), and a second for all other balances of the Successor Agency (Non-housing DDR). The due diligence reviews are to calculate the balance of unencumbered balances as of June 30, 2012 available to be remitted to the County for disbursement to taxing entities. The Successor Agency submitted both due diligence reviews to the State Department of Finance for review and approval. The Department of Finance approved the Housing DDR and the Successor Agency remitted the unencumbered balance of \$137,054 to the County on July 2013, which has been recorded as a liability as of June 30, 2013. The Department of Finance did not initially approve the Non-housing DDR, which indicated that the Successor Agency did not have any unencumbered balances, and the State made adjustments to the Non-housing DDR and instead made a demand for the return of funds totaling \$4,614,196. The Successor Agency disputed the demand and requested a meet and confer with the State and the State adjusted the demand to zero. The Successor Agency received its Finding of Completion on September 16, 2013.

Cash and investments of the Successor Agency as of June 30, 2013 are discussed in Note 3 above. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2013.

**B. LOANS RECEIVABLE**

The Successor Agency assumed the non-housing loans receivable of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency engaged in programs designed to encourage construction of or improvement to low-to-moderate income housing. Under these programs, grants or loans were provided under favorable terms to homeowners or developers who agreed to expend these funds in accordance with the Agency’s terms. The balances of the notes receivable arising from these programs at June 30, 2013 are set forth below:

Plaza Sobrante	\$69,736
Micro Loan Program	113,133
Total	\$182,869

**CITY OF SAN PABLO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY  
ACTIVITIES (Continued)**

**C. PROPERTY HELD FOR RESALE**

The Successor Agency assumed the property held for resale of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency had purchased parcels of land as part of its efforts to develop or redevelop blighted properties within the Redevelopment areas. Such land parcels are accounted for at the lower of cost or net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer.

**D. CAPITAL ASSETS**

The Successor Agency assumed the capital assets of the Redevelopment Agency as of February 1, 2012. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The Successor Agency’s policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year’s pro rata share of the cost of capital assets.

Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of capital assets.

Depreciation is provided using the straight line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The Successor Agency has assigned the useful lives and capitalization thresholds listed below to capital assets.

	Useful Lives Years	Capitalization Threshold
Buildings and Improvements	10-50	\$25,000
Machinery and Equipment	5-10	5,000
Vehicles	5-10	5,000

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

**CITY OF SAN PABLO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY  
ACTIVITIES (Continued)**

Capital assets recorded at June 30 comprise:

	Balance at June 30, 2012	Additions	Retirements	Transfers from City	Balance at June 30, 2013
Capital assets not being depreciated:					
Land and land improvements	\$2,819,393			\$1,176,610	\$3,996,003
Total capital assets not being depreciated	<u>2,819,393</u>			<u>1,176,610</u>	<u>3,996,003</u>
Capital assets being depreciated:					
Buildings and improvements	2,658,825		(\$28,743)		2,630,082
Machinery and equipment	261,245		(169,043)		92,202
Vehicles	145,213				145,213
Total capital assets being depreciated	<u>3,065,283</u>		<u>(197,786)</u>		<u>2,867,497</u>
Less accumulated depreciation for:					
Buildings and improvements	1,103,546	\$66,367	(23,237)		1,146,676
Machinery and equipment	261,245	66	(169,109)		92,202
Vehicles	145,212	20,744	(55,689)		110,267
Total accumulated depreciation	<u>1,510,003</u>	<u>87,177</u>	<u>(248,035)</u>		<u>1,349,145</u>
Net capital assets being depreciated	<u>1,555,280</u>	<u>(87,177)</u>	<u>50,249</u>		<u>1,518,352</u>
Capital assets, net	<u>\$4,374,673</u>	<u>(\$87,177)</u>	<u>\$50,249</u>	<u>\$1,176,610</u>	<u>\$5,514,355</u>

**CITY OF SAN PABLO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY  
ACTIVITIES (Continued)**

**E. LONG-TERM OBLIGATIONS**

The Successor Agency assumed the long-term debt, loans and interest rate swap agreement of the Redevelopment Agency as of February 1, 2012.

**I. Tax Allocation Bonds and Loans**

All of the long-term debt of the Successor Agency is comprised of Tax Allocation Bonds and loans issued by the Redevelopment Agency. The Bonds and Loans are special obligations of the Agency and are secured only by the Agency's tax increment revenues. Tax Allocation Bond and loan transactions were as follows:

	Original Issue Amount	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Current Portion
<b>Tenth Township Redevelopment Projects:</b>						
<b>Subordinate Tax Allocation Bonds Series 1999A</b> 3.75-5.65%, due 12/01/2023	\$9,850,000	\$4,710,000		\$645,000	\$4,065,000	\$685,000
<b>Tax Allocation Revenue Bonds Series 2001</b>						
Current Interest Serial Bonds 3.25-4.85%, due 12/01/2018	7,855,000	3,160,000		535,000	2,625,000	560,000
Current Interest Term Bonds 5.00%, due 12/01/2029	2,280,000	2,280,000			2,280,000	
Capital Appreciation Bonds 5.66-5.68%, due 12/01/2029	12,055,000	5,339,640	\$306,889		5,646,529	
<b>Tax Allocation Revenue Bonds Series 2004</b> 2.00-5.00%, due 12/01/2032	31,960,000	27,155,000		1,365,000	25,790,000	1,420,000
<b>Subordinate Tax Allocation Bonds Series 2006</b> Variable rate, due 12/01/2032	36,000,000	31,745,000		875,000	30,870,000	910,000
<b>SERAF Loan</b> 2%, due 5/10/2021	1,083,520	1,083,039			1,083,039	82,172
Total Tenth Township Redevelopment Projects Debt		<u>75,472,679</u>	<u>306,889</u>	<u>3,420,000</u>	<u>72,359,568</u>	<u>3,657,172</u>
<b>Legacy Redevelopment Projects:</b>						
<b>Tax Allocation Revenue Bonds Series 2004</b> 2.00-5.00%, due 12/01/2032	5,795,000	5,675,000		10,000	5,665,000	
<b>SERAF Loan</b> 2%, due 5/10/2021	139,340	139,278			139,278	
Total Legacy Redevelopment Projects Debt		<u>5,814,278</u>		<u>10,000</u>	<u>5,804,278</u>	
<b>Housing Successor Loans:</b>						
2010 Loan	3,000,000	3,000,000			3,000,000	
2011 Loan	2,865,000	2,865,000			2,865,000	
Total Housing Successor Loans		<u>5,865,000</u>			<u>5,865,000</u>	
Total Successor Agency Debt		<u>\$87,151,957</u>	<u>\$306,889</u>	<u>\$3,430,000</u>	<u>\$84,028,846</u>	<u>\$3,657,172</u>

**CITY OF SAN PABLO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY  
ACTIVITIES (Continued)**

**2. Debt Service Requirements**

Debt service requirements are shown below for all long-term debt except the Housing Successor loans, because the ultimate repayment terms cannot be determined at this time as discussed in 8. below:

For the Year Ending June 30	Principal (1)	Interest
2014	\$3,657,172	\$3,288,149
2015	3,803,815	3,125,331
2016	3,960,491	2,950,103
2017	4,132,201	2,774,893
2018	4,293,945	2,587,881
2019-2023	24,729,693	9,653,065
2024-2028	23,155,000	4,810,814
2029-2033	16,840,000	1,955,441
Total	\$84,572,317	\$31,145,677

(1) Includes unaccrued discount totaling \$6,408,471

**3. 1999 Tax Allocation Bonds**

On June 10, 1999, the Agency issued \$9,850,000 of Subordinate Tax Allocation Bonds, Series 1999A to defease \$3,950,000 of the 1990 Subordinate Tax Allocation Bonds, and to fund capital projects in the Tenth Township Project Area. The 1990 Bonds were called on May 1, 2001. The 1999 Bonds are special obligations of the Agency and are secured by the Agency’s tax increment revenues. Annual principal payments on the 1999 Bonds are due December 1, and semi-annual interest payments are due June 1 and December 1, through 2023. 1999 Bonds maturing on or after December 1, 2010 are subject to call on any interest payment date at par plus a premium of up to two percent.

**4. 2001 Tax Allocation Revenue Bonds**

On March 22, 2001, the Redevelopment Agency issued \$12,997,670 of Tax Allocation Revenue Bonds, Series 2001 to defease \$4,665,000 of outstanding 1990 Tax Allocation Bonds, and to fund capital projects in the Legacy and Tenth Township Project Areas. The Bonds are special obligations of the Agency and are secured by the Agency’s tax increment revenues. The defeased 1990 Bonds were called May 1, 2001.

The 2001 Bonds consist of \$7,855,000 original principal amount of Current Interest Serial Bonds, \$2,280,000 original principal amount of Current Interest Term Bonds, and \$2,862,670 of Capital Appreciation Bonds which pay no interest but which accrete in value to \$12,055,000 at their redemption date. Interest payments on the Term Bonds are payable semiannually on June 1 and December 1.

**CITY OF SAN PABLO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY  
ACTIVITIES (Continued)**

The 2001 Bonds Capital Appreciation Bonds unaccrued discount totaled \$6,408,471 and the outstanding balance increased \$306,889 due to the annual increase in accreted value. Principal and interest payments of \$2,635,000, \$2,355,000, \$2,355,000, \$1,570,000, \$1,570,000 and \$1,570,000 commence December 1, 2024 and continue through December 1, 2029.

During fiscal year 2004 the Agency undertook an internal transaction to substitute new debt in the principal amount of \$1,265,000 issued by the Tenth Township Project Area for old debt of the Legacy Project Area.

**5. 2004 Tax Allocation Revenue Bonds**

On March 18, 2004, the Agency issued \$37,755,000 of Tax Allocation Revenue Bonds, Series 2004 to defease \$13,910,000 of outstanding 1993 Tax Allocation Bonds, and to fund capital projects in the Legacy and Tenth Township Project Areas. The defeased 1993 Bonds were called on December 1, 2004. The 2004 Bonds are special obligations of the Agency and are secured by the Agency's tax increment revenues. Annual principal payments on the 2004 Bonds are due December 1, and semi-annual interest payments are due June 1 and December 1, through 2015.

**6. 2006 Subordinate Tax Allocation Bonds**

On October 5, 2006 the Agency issued \$36,000,000 of Tenth Township Redevelopment Project Area Subordinate Tax Allocation Bonds, Series 2006 to refund the remaining \$12,350,000 principal amount of the 1993 Tax Allocation Bonds and to fund certain public improvements in the Tenth Township Project Area. In October 2006 the City defeased the outstanding 1993 Bonds by placing a portion of the proceeds from the 2006 Bonds in an irrevocable trust to provide amounts sufficient to pay on December 1, 2006 the prepayment price of 102% of the principal amount and accrued interest. The defeased 1993 Bonds were called on December 1, 2006. Principal payments on the 2006 Bonds are due annually on December 1 commencing December 1, 2009 and interest payments are due monthly, through December 1, 2032.

The 2006 Subordinate Tax Allocation Bonds were originally issued as daily variable-rate demand obligations with municipal bond insurance from Ambac Assurance and a liquidity facility from Dexia Credit Local. The interest rate on the Bonds resets daily according to market conditions and is capped by California State law at 12%. During fiscal year 2008, the Agency substituted an irrevocable, direct-pay letter of credit issued by Union Bank of California for the Dexia liquidity facility in order to remarket the bonds at lower interest rates. The Union Bank letter of credit was valid through June 5, 2012 and it was amended during fiscal year 2012 and extended to June 5, 2013. The letter of credit was amended during fiscal year 2013 and 2014 and extended to September 5, 2014. The Agency is required to pay Union Bank an annual Letter of Credit Fee equal to 1.10% of the outstanding principal amount of the Bonds. In addition, the remarketing agent receives an annual Remarketing Fee equal to 0.0875% of the outstanding principal amount of the Bonds. Union Bank of California's long-term credit rating from Standard and Poor's was A+ at June 30, 2013, and its short-term credit rating from Standard and Poor's was A-1 at June 30, 2013.

**CITY OF SAN PABLO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY  
ACTIVITIES (Continued)**

In October 2006 the Agency entered into a 26-year interest rate swap agreement for the entire \$36,000,000 par amount of its 2006 Subordinate Tax Allocation Bonds as discussed below. The combination of variable rate bonds and a floating-to-fixed interest rate swap agreement effectively creates a synthetic fixed-rate obligation for the Agency. The synthetic fixed rate on June 30, 2013 of 4.5389% is comprised of the variable rate paid to the bondholders (0.07%), plus the fixed rate paid to the swap counterparty (3.555%), less the variable rate received from the swap counterparty (0.2736%), plus the letter of credit fee paid by the Agency to the letter of credit provider (1.10%), plus the remarketing fee paid to the remarketing agent (0.0875%).

***Interest Rate Swap Agreement Derivative Instrument***

The Agency entered into an interest swap agreement in connection with the 2006 Subordinate Tax Allocation Bonds. The transaction allows the Agency to create a synthetic fixed rate on the Bonds, protecting it against increases in short-term interest rates. The terms, fair value and credit risk of the swap agreement is disclosed below.

*Terms.* The terms, including the counterparty credit rating of the outstanding swap, as of June 30, 2013, are included below. The swap agreement contains scheduled reductions to the outstanding notional amount that are expected to follow scheduled reductions in the Bonds.

Notional Amount	Effective Date	Counterparty	Long-Term Credit Rating (Moody's / S&P)	Fixed Rate Paid	Variable Rate Received 64% of 30-day LIBOR plus 15 basis points	Termination Date
\$30,870,000	10/5/2006	Piper Jaffray Financial Products, Inc. (Morgan Stanley)	Baa1/A1	3.555%		12/1/2032

Based on the swap agreement, the Agency owes interest calculated at a fixed rate to the counterparty of the swap. In return, the counterparty owes the Agency interest based on the variable rate that approximates the rate required by the Bonds. Debt principal is not exchanged; it is only the basis on which the swap receipts and payments are calculated.

*Fair value.* Fair value of the swap takes into consideration the prevailing interest rate environment, the specific terms and conditions of each transaction and any upfront payments that may have been received. 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 swap.

**CITY OF SAN PABLO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY  
ACTIVITIES (Continued)**

As of June 30, 2013, the fair value of the cash flow hedging derivative swap was in favor of the counterparty in the amount of \$4,315,822, an increase of \$2,009,184 from the prior fiscal year. The fair value represents the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. The Agency has accounted for the change in fair value of the swap as a deferred outflow.

*Credit risk.* As of June 30, 2013, the Agency was not exposed to credit risk on the outstanding swap because the swap had a negative 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 Agency will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

*Basis risk.* Basis risk is the risk that the interest rate paid by the Agency on the underlying variable rate bonds to the bondholders temporarily differs from the variable swap rate received from the counterparty. The Agency bears basis risk on the swap. The swap has basis risk since the Agency receives a percentage of the LIBOR Index to offset the actual variable bond rate the Agency pays on the underlying Bonds. The Agency is 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.

A portion of this basis risk is tax risk. The Agency is exposed to tax risk when the relationship between the taxable LIBOR based swap and tax-exempt variable rate bond changes as a result of a reduction in federal and state income tax rates. Should the relationship between LIBOR and the underlying tax-exempt variable rate bonds converge the Agency is exposed to this basis risk.

*Termination risk.* The Agency may terminate if the other party fails to perform under the terms of the contract. The Agency will be exposed to variable rates if the counterparty to the swap contract defaults or if the swap contract is terminated. A termination of the swap contract may also result in the Agency's making or receiving a termination payment based on market interest rates at the time of the termination. 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.

*Swap payments and associated debt.* Using rates as of June 30, 2013, debt service requirements of the Agency's outstanding variable-rate Bonds and net swap payments, assuming current interest rates remain the same for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary. These payments below are included in the Debt Service Requirements at 2. above:

**CITY OF SAN PABLO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY  
ACTIVITIES (Continued)**

For the Year Ending June	Variable-Rate Bonds		Interest Rate	Total
	Principal	Interest (1)	Swap, Net (2)	
2014	\$910,000	\$22,337	\$1,426,011	\$2,358,348
2015	1,820,000	21,382	1,365,011	3,206,393
2016	1,830,000	20,104	1,283,454	3,133,558
2017	990,000	19,117	1,220,443	2,229,560
2018	1,980,000	18,078	1,154,081	3,152,159
2019-2023	12,440,000	64,277	4,103,523	16,607,800
2024-2028	5,780,000	30,310	1,935,012	7,745,322
2029-2033	5,120,000	15,019	958,792	6,093,811
Totals	<u>\$30,870,000</u>	<u>\$210,624</u>	<u>\$13,446,327</u>	<u>\$44,526,951</u>

- (1) Variable rate was 0.07% on June 30, 2013  
(2) Interest rate swap fixed rate, net of the variable rate received from the counterparty and associated fees was 4.4689% on June 30, 2013 (3.555% fixed swap rate paid to counterparty, less 0.2736% variable rate received from counterparty, plus 1.10% credit fee and 0.0875% remarketing fee)

**7. *SERAF Loan from State of California***

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes received by the redevelopment agencies, be paid instead to the County Supplemental Educational Revenue Augmentation Fund (SERAF) in fiscal years 2010 and 2011. The Agency did not have the resources to make the 2011 payment and instead was able to enter into a structured payment plan agreement with the State Department of Finance that allows the payment to the County to be made over a ten-year period. The Tenth Township and Legacy Project Areas will pay 88.6% and 11.4% of the loan, respectively. The loan bears interest at a rate of 2%. Annual payments commence on May 10, 2011 with one principal and interest payment, followed by two interest-only payments, then payments of principal and interest May 10, 2014 through May 10, 2020, followed by one final principal payment on May 10, 2021.

**8. *Supplemental Education Revenue Augmentation Fund Loans from Housing Successor***

During the fiscal year ending June 30, 2010 the Agency approved an interfund advance of \$3,000,000 from the Agency Low and Moderate Income Housing Fund to the Redevelopment Agency Projects Fund for the purpose of paying the Agency's share of the countywide Supplemental Education Revenue Augmentation Fund.

In August 2011 the Agency approved a second interfund advance for the year ended June 30, 2011 of \$2,865,000 from the Agency Low and Moderate Income Housing Fund to the Redevelopment Agency Projects Fund for the purpose of funding the full amount of the Agency's 2010 SERAF payment.

**CITY OF SAN PABLO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY  
ACTIVITIES (Continued)**

The above loans had previously been reported as interfund advances within the Redevelopment Agency, but with the transfer of the Redevelopment Agency's liabilities to the Successor Agency, the advances are now reported as long-term debt of the Successor Agency, payable to the Low and Moderate Income Housing Asset Fund of the City of San Pablo, serving as the Housing Successor to the former Agency, pursuant to Health and Safety Code Section 34176(d). These loans were originally required to be repaid by June 30, 2015, however, repayment is now governed by Health and Safety Code Section 34176(e)(6). The State of California Department of Finance has stated that repayment cannot begin prior to fiscal year 2014-2015, and the maximum annual repayment amount is limited based on calculations in Health and Safety Code Section 34176(e)(6).

**9. *Pledged Revenues***

As discussed above, the Agency has pledged all future tax increment revenues, less amounts required to be set aside in the Redevelopment Agency Low and Moderate Income Housing Fund, for the repayment of the Tax Allocation Bonds. The 1999A, 2001 and 2004 Bonds are considered senior parity obligations, while the 2006 Bonds are subordinated to those Bonds. The pledge of all future tax increment revenues ends upon repayment of \$114,360,238 remaining debt service on the Bonds above, which is scheduled to occur in 2033. With the issuance of the 2006 Bonds, projected tax increment revenues are expected to provide coverage over debt service of 158% over the life of the four Bonds. With the dissolution of the Redevelopment Agency discussed above, Tax Increment is no longer distributed, and instead the Successor Agency receives payments from the County's Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues.

Beginning in fiscal year 2012, under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations. Total tax increment available for distribution to the Successor Agency and other taxing entities for fiscal year 2013 calculated by the County Auditor-Controller was \$8,478,312, and the total received by the Successor Agency for fiscal year 2013 debt service was \$8,070,796, which represented coverage of 110% of the \$7,083,816 of debt service.

**F. *COMMITMENTS AND CONTINGENCIES***

***State Approval of Enforceable Obligations***

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

## APPENDIX G

### SUPPLEMENTAL INFORMATION - THE CITY OF SAN PABLO

The following information concerning the City of San Pablo (the “City”) and surrounding areas is included only for the purpose of supplying general information regarding the community. The Bonds are not a debt of the City, the County, the State or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.

#### General

**The City.** The City of San Pablo was incorporated in 1948 as a general law city under the laws of the State of California. Located in West Contra Costa County off Interstate 80, San Pablo is near the Bay Area cultural centers of Berkeley, Oakland and San Francisco. As of January 1, 2013, the City had a population of approximately 29,266 and encompassed 2.6 square miles.

**The County.** Situated northeast of San Francisco, Contra Costa County (the “County”) is bounded by San Francisco and San Pablo Bays, the Sacramento River Delta, and by Alameda County on the south. Ranges of hills effectively divide the County into three distinct regions. The western portion, with its access to water, contains much of the County’s heavy industry. The central section is rapidly developing from a suburban area into a major commercial and financial headquarters center. The eastern part is also undergoing substantial change, from a rural, agricultural area, to a suburban region. The County has extensive and varied transportation facilities-ports accessible to ocean-going vessels, railroads, freeways, and rapid transit lines connecting the area with Alameda County and San Francisco.

The City was incorporated in 1948 as a general law city under the laws of the State of California. Located in West Contra Costa County off Interstate 80, San Pablo is just minutes away from the Bay Area cultural centers of Berkeley, Oakland and San Francisco.

#### Government and Services

The City is governed by a five member City Council, under the Council-Manager form of government. The City Manager serves as Chief Executive Officer of the City of San Pablo and administers and coordinates the various functions of City government, as directed by the City Council.

The City provides a full range of services including: Police, Public Works, Economic Development, Planning, Building, Engineering and Inspection, Parks and Recreation and General Administrative services. The City maintains a 2013-14 Total Operating Funds Budget of \$27.2 million with 156.85 full-time equivalent employees.

## Population

The following table shows a historical comparison of the respective populations of the City, the County and the State of California for the last five years.

### **CITY OF SAN PABLO, CONTRA COSTA COUNTY, AND THE STATE OF CALIFORNIA Population Comparison**

<b>Year</b>	<b>City of San Pablo</b>	<b>Contra Costa County</b>	<b>State of California</b>
2009	29,232	1,038,390	36,966,713
2010	29,245	1,047,948	37,223,900
2011	28,931	1,056,306	37,427,946
2012	29,137	1,066,602	37,668,804
2013	29,266	1,074,702	37,966,471

*Source: State Department of Finance.*

**Employment and Industry**

The unemployment rate in the Oakland-Fremont-Hayward MD was 6.3% in December 2013, down from a revised 6.8% in November 2013, and below the year-ago estimate of 8.2%. This compares with an unadjusted unemployment rate of 7.9% for California and 6.5% for the nation during the same period. The unemployment rate was 6.3% in Alameda County, and 6.4% in Contra Costa County.

The following table summarizes the annual average civilian labor force, employment and unemployment in the County for the calendar years 2008 through 2012.

**OAKLAND-FREMONT-HAYWARD METROPOLITAN DISTRICT  
(CONTRA COSTA AND ALAMEDA COUNTIES)  
Civilian Labor Force, Employment and Unemployment  
(Annual Averages)**

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Civilian Labor Force <sup>(1)</sup>	1,282,400	1,286,400	1,285,800	1,294,200	1,311,700
Employment	1,203,300	1,153,200	1,141,500	1,160,000	1,193,500
Unemployment	79,100	133,200	144,300	134,200	118,100
Unemployment Rate	6.2%	10.4%	11.2%	10.4%	9.0%
<u>Wage and Salary Employment:</u> <sup>(2)</sup>					
Agriculture	1,400	1,400	1,400	1,500	1,500
Mining and Logging	1,200	1,200	1,200	1,200	1,200
Construction	64,900	53,500	47,500	47,600	51,700
Manufacturing	93,100	82,800	79,700	80,500	80,300
Wholesale Trade	47,600	43,700	41,800	42,100	43,200
Retail Trade	109,400	102,100	100,300	101,100	102,900
Transportation, Warehousing, Utilities	35,900	33,200	31,500	32,200	32,900
Information	27,800	25,300	23,600	22,600	22,000
Finance and Insurance	36,200	32,500	33,000	32,800	33,100
Real Estate and Rental and Leasing	16,500	15,500	15,200	14,900	15,300
Professional and Business Services	163,300	151,100	152,100	157,300	165,100
Educational and Health Services	132,800	135,600	136,400	137,200	141,000
Leisure and Hospitality	89,100	85,100	85,800	88,200	92,000
Other Services	36,100	34,700	34,900	35,700	36,200
Federal Government	17,100	16,700	15,700	14,600	14,200
State Government	39,100	39,000	38,100	38,300	38,500
Local Government	121,100	116,900	111,500	111,000	110,200
<b>Total, All Industries</b> <sup>(3)</sup>	<b>1,032,500</b>	<b>970,300</b>	<b>949,800</b>	<b>958,700</b>	<b>981,100</b>

(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.

(3) Totals may not add due to rounding.  
Source: Labor Division of the California State Employment Development Department, March 2012 Benchmark.

## Major Employers

The following table lists the major employers within the County:

### COUNTY OF CONTRA COSTA Major Employers- Listed Alphabetically (As of January 2014)

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
AAA Northern Ca Nevada & Utah	Walnut Creek	Automobile Clubs
Bart	Richmond	Transit Lines
Bayer Health Care Phrmctcls	Richmond	Laboratories-Pharmaceutical (Mfrs)
Bio-Rad Laboratories Inc	Hercules	Biological Products (Mfrs)
Chevron Corp	San Ramon	Oil Refiners (Mfrs)
Chevron Global Downstream LLC	San Ramon	Marketing Programs & Services
Concord Naval Weapons Station	Concord	Federal Government-National Security
Contra-Costa Regional Med Center	Martinez	Hospitals
Department of Veterans Affairs	Martinez	Clinics
Doctors Medical Center	San Pablo	Hospitals
John Muir Health Physical Rhb	Concord	Physical Therapists
John Muir Medical Center-Walnut	Walnut Creek	Hospitals
Kaiser	Martinez	Clinics
Kaiser Permanente	Walnut Creek	Hospitals
Kaiser Permanente	Antioch	Hospitals
Kaiser Permanente Martinez Med	Concord	Hospitals
La Raza Market	Richmond	Grocers-Retail
Muirlab	Walnut Creek	Laboratories-Medical
Richmond City Offices	Richmond	Government Offices-City, Village & Twp
San Ramon Regional Medical Center	San Ramon	Hospitals
Shell Oil Products	Martinez	Oil & Gas Producers
St Mary's College of Ca	Moraga	Schools-Universities & Colleges Academic
Sutter Delta Medical Center	Antioch	Hospitals
Tesoro Golden Eagle Refinery	Pacheco	Oil Refiners (Mfrs)
VA Outpatient Clinic	Martinez	Surgical Centers

*Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2014 1st Edition.*

**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 County, the State and the United States for the period 2008 through 2012.

**CITY OF SAN PABLO, CONTRA COSTA COUNTY, AND THE STATE OF CALIFORNIA  
Effective Buying Income  
As of January 1, 2008 through 2012**

<b>Year</b>	<b>Area</b>	<b>Total Effective Buying Income (000's Omitted)</b>	<b>Median Household Effective Buying Income</b>
2008	City of San Pablo	\$ 427,015	\$38,361
	Contra Costa County	30,737,690	61,903
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	City of San Pablo	\$ 444,448	\$39,357
	Contra Costa County	31,197,703	64,213
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of San Pablo	\$ 417,503	\$37,137
	Contra Costa County	30,049,698	61,031
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of San Pablo	\$ 391,620	\$36,863
	Contra Costa County	30,416,350	60,777
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	City of San Pablo	\$ 423,058	\$38,981
	Contra Costa County	33,604,875	61,167
	California	864,088,828	47,307
	United States	6,737,867,730	41,358

*Source: The Nielsen Company (US), Inc.*

**Commercial Activity**

*The Economic Development Department* encourages the growth of new businesses, attraction of new business, enhancement of existing businesses as well as the creation and retention of jobs. The City encourages business success by providing various services to both small businesses and larger established companies. San Pablo’s Economic Development (ED) Program has short and long-range economic development strategies to accomplish these objectives. These development strategies include: providing information for economic development strategy, providing assistance for business attraction and business retention, and business outreach.

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, data for year 2009 and after is not comparable to that of prior years. A summary of historic taxable sales within the City during the past five years in which data is available is shown in the following table.

Total taxable sales during calendar year 2012 in the City were reported to be \$165,422,000, an 8.13% increase over the total taxable sales of \$152,982,000 reported calendar year 2011. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City is presented in the following table. Annual figures are not yet available for 2013.

**CITY OF SAN PABLO  
Taxable Retail Sales  
Number of Permits and Valuation of Taxable Transactions  
(Dollars in Thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2008	290	135,284	465	155,280
2009 <sup>(1)</sup>	314	120,226	430	139,345
2010 <sup>(1)</sup>	322	125,325	439	142,225
2011 <sup>(1)</sup>	324	137,184	440	152,982
2012 <sup>(1)</sup>	349	148,105	462	165,422

*(1) Not comparable to prior years. "Retail" category now includes "Food Services".  
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).*

Total taxable sales during calendar year 2012 in the County were reported to be \$13,997,249,000, a 9.35% increase over the total taxable sales of \$12,799,857,000 reported during calendar year 2011. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the County is presented in the following table. Annual figures are not yet available for 2013.

**CONTRA COSTA COUNTY**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**(Dollars in Thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2008	11,577	9,484,307	23,149	13,307,681
2009 <sup>(1)</sup>	14,045	8,473,578	21,395	11,883,049
2010 <sup>(1)</sup>	14,428	8,716,393	21,784	11,953,846
2011 <sup>(1)</sup>	13,930	9,300,418	21,153	12,799,857
2012 <sup>(1)</sup>	14,343	10,062,437	21,504	13,997,249

*(1) Not comparable to prior years. "Retail" category now includes "Food Services".*

*Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).*

## Construction Activity

The following tables show a five year summary of the valuation of building permits issued in the City and the County.

### CITY OF SAN PABLO Building Permit Valuation (Valuation in Thousands of Dollars)

	2008	2009	2010	2011	2012
<u>Permit Valuation</u>					
New Single-family	\$3,671.1	\$ 124.9	\$ 272.9	\$ 100.6	\$ 100.6
New Multi-family	1,016.5	0.0	1,953.9	0.0	0.0
Res. Alterations/Additions	<u>2,058.8</u>	<u>3,227.2</u>	<u>3,063.9</u>	<u>2,599.6</u>	<u>2,473.7</u>
Total Residential	\$6,746.4	\$3,352.1	\$5,290.7	\$2,700.2	\$2,574.3
New Commercial	\$1,183.9	\$ 0.0	\$2,461.7	\$ 10.2	\$ 96.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	466.8	379.7	369.1	0.0	0.0
Com. Alterations/Additions	<u>5,260.0</u>	<u>1,659.7</u>	<u>5,402.3</u>	<u>1,395.5</u>	<u>891.4</u>
Total Nonresidential	\$6,910.7	\$2,039.4	\$8,233.1	\$1,405.7	\$ 987.4
<u>New Dwelling Units</u>					
Single Family	20	1	2	1	1
Multiple Family	<u>8</u>	<u>0</u>	<u>11</u>	<u>0</u>	<u>0</u>
Total	28	1	13	1	1

Source: Construction Industry Research Board, Building Permit Summary.

### CONTRA COSTA COUNTY Building Permit Valuation (Valuation in Thousands of Dollars)

	2008	2009	2010	2011	2012
<u>Permit Valuation</u>					
New Single-family	\$300,088.7	\$300,363.3	\$237,458.0	\$211,417.9	\$340,255.7
New Multi-family	132,824.8	34,119.3	106,555.4	47,304.2	54,884.8
Res. Alterations/Additions	<u>229,023.3</u>	<u>170,149.7</u>	<u>209,044.4</u>	<u>233,174.2</u>	<u>179,471.7</u>
Total Residential	\$661,936.8	\$504,632.3	\$553,057.8	\$491,896.3	\$574,612.2
New Commercial	\$108,228.4	\$49,992.0	\$38,093.5	\$17,587.4	\$97,077.8
New Industrial	60,376.2	11,530.0	29,619.4	7,188.0	7,000.8
New Other	66,511.1	39,878.8	47,510.7	15,542.3	13,999.9
Com. Alterations/Additions	<u>224,816.8</u>	<u>212,900.7</u>	<u>170,193.8</u>	<u>214,585.0</u>	<u>124,147.2</u>
Total Nonresidential	\$459,932.5	\$314,301.4	\$285,417.4	\$254,902.7	\$242,225.7
<u>New Dwelling Units</u>					
Single Family	985	1,038	809	718	1,188
Multiple Family	<u>909</u>	<u>163</u>	<u>890</u>	<u>355</u>	<u>949</u>
TOTAL	1,894	1,201	1,699	1,073	2,137

Source: Construction Industry Research Board, Building Permit Summary.



for passage by the President of the United States or favorably reported for passage to either House of the Congress of the United States by any committee of such House, or passed by either House of the Congress, or a decision shall have been rendered by a court of the United States, or the United States Tax Court, or an order, ruling, regulation (final, temporary or proposed) shall have been made by the Treasury Department of the United States or the Internal Revenue Service with respect to the federal taxation of interest received on obligations of the general character of the Bonds, as a result of which, Bond Counsel does not expect to be able to issue an opinion on the Delivery Date substantially in the form attached to the Preliminary Official Statement as Appendix [A] (to the effect that interest on the Bonds is not: (A) subject to inclusion in gross income for purposes of federal income taxation; or (B) included as a specific preference item for purposes of federal individual or corporate alternative minimum taxes);

(ii) for any other reason Bond Counsel cannot issue an opinion substantially in the form attached to the Preliminary Official Statement as Appendix [A] as of the Delivery Date that interest on the Bonds is not subject to any then currently imposed federal income tax and is not included as a specific preference item for purposes of federal individual or corporate alternative minimum taxes;

(iii) At any time subsequent to the Closing Date and on or prior to the Delivery Date, legislation shall be enacted or actively considered for enactment with an effective date prior to the Delivery Date, or a decision of a court of the United States shall be rendered, the effect of which is, in the opinion of counsel to the Underwriter, that the Bonds are not exempt from registration or other requirements under the Securities Act of 1933, as amended and then in effect, or that the Indenture pursuant to which the Bonds were issued (the "Indenture") is not exempt from qualification or other requirements under the Trust Indenture Act of 1939, as amended and then in effect, or that the offering or sale of the Bonds would be in violation of the Securities Exchange Act of 1934, as amended and then in effect;

(iv) At any time subsequent to the Closing Date and on or prior to the Delivery Date, a stop order, ruling, regulation or official statement by the Securities and Exchange Commission or any other governmental agency having jurisdiction in the subject matter shall have been issued or made or any other event occurs the effect of which, in the opinion of counsel to the Underwriter, is that the offering, issuance or sale of the Bonds or the execution of the Indenture as contemplated by the Official Statement is or would be in violation of any provision of the federal securities laws, including without limitation the Securities Act of 1933, as amended and then in effect, the Securities Exchange Act of 1934, as amended and then in effect, or the Trust Indenture Act of 1939, as amended and then in effect;

(v) At any time subsequent to the Closing Date and on or prior to the Delivery Date, an Event of Default shall have occurred, technical or otherwise, under the Indenture, which has not been cured as of the Delivery Date;

(vi) if, at any time on or prior to the Delivery Date, as a result of a Change in Law, the Underwriter is or would be prohibited from lawfully purchasing the Bonds as provided herein or lawfully selling the Bonds or beneficial ownership interests therein to the public.

"Change in Law" shall mean: (A) any change in or addition to applicable federal or state law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or state agencies; (B) any legislation enacted by the Congress of the United States or introduced therein or recommended for passage by the President of the United States (if such enacted, introduced or recommended legislation has a proposed effective date which is on or before the Delivery Date, defined below); (C) any law, rule or regulation proposed or enacted by any governmental body, department or agency (if such proposed or enacted law, rule or regulation has a proposed effective date which is on or before the Delivery Date); or (D) any judgment,

ruling or order issued by any court or administrative body, which in any such case, would, as to the Underwriter, legally prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) the Underwriter from purchasing the Bonds as provided herein or selling the Bonds or beneficial ownership interests therein to the public or, as to the Successor Agency, would make the issuance, sale or delivery of the Bonds illegal (or have the retroactive effect of making such issuance, sale or delivery illegal, if enacted, adopted, passed or finalized); or eliminate the exclusion from gross income of interest on the Bonds (or have the retroactive effect of eliminating such exclusion if enacted, adopted, passed or finalized); provided, however, that such change in or addition to law, legislation, rule or regulation or judgment, ruling or order shall have become effective, been enacted, introduced or recommended, been proposed or been issued, as the case may be, subsequent to the date of this Forward Delivery Bond Purchase Agreement.

**If the Change of Law involves the enactment of legislation which only diminishes the value of, as opposed to eliminating, the exclusion from gross income for federal income tax purposes, interest payable on “state or local bonds,” the Successor Agency may, nonetheless, be able to satisfy the requirements for the delivery of the Purchased Bonds. In such event, the Purchaser would be required to accept delivery of the Bonds.**

The Purchaser acknowledges and agrees that it will not be able to withdraw its order as described herein, and will not otherwise be excused from performance of its obligations to take up and pay for the Purchased Bonds on the Delivery Date because of market or credit changes, including specifically, but not limited to: (a) changes in the ratings anticipated to be assigned to the Bonds; or (b) changes in the financial condition, operations, performance, properties or prospects of the Successor Agency or the City of San Pablo, California from the date hereof to the Delivery Date of the Bonds. The Purchaser further acknowledges that the Underwriter could be liable under the Forward Delivery Bond Purchase Agreement for damages to the Successor Agency in the event of a wrongful failure to accept delivery of the Bonds, and that the Underwriter has executed such Forward Delivery Bond Purchase Agreement in reliance on the Purchaser’s commitment set forth herein. Finally, the Purchaser acknowledges and agrees that it will remain obligated to purchase the Purchased Bonds in accordance with the terms hereof even if the Purchaser decides to sell such Purchased Bonds following the date hereof.

The Purchaser represents and warrants that, as of the date of this Delayed Delivery Contract, the Purchaser is not prohibited from purchasing the Purchased Bonds hereby agreed to be purchased by it under the laws of the jurisdiction to which the undersigned is subject.

This Delayed Delivery Contract will inure to the benefit of and be binding upon the parties hereto and their respective successors, but will not be assignable by either party hereto without the prior written consent of the other.

This Delayed Delivery Contract may be executed by either of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall constitute one and the same instrument.

It is understood that the acceptance by the Underwriter of any Delayed Delivery Contract (including this one) is in the Underwriter’s sole discretion and that, without limiting the foregoing, acceptances of such contracts need not be on a first-come, first-served basis. If this Delayed Delivery Contract is acceptable to the Underwriter, it is requested that the Underwriter sign the form of acceptance below and mail or deliver one of the counterparts hereof to the Purchaser at its address set forth below. This will become a binding contract between the Underwriter and the Purchaser when such counterpart is mailed or delivered to the Underwriter. This Delayed Delivery Contract does not constitute a customer confirmation pursuant to Rule G-15 of the Municipal Securities Rulemaking Board.

This Delayed Delivery Contract shall be construed and administered under the laws of the State of New York.

By: \_\_\_\_\_  
(Signature)

Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

Accepted: \_\_\_\_\_, 2014

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Morgan Stanley & Co. LLC

**APPENDIX I**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer